INTERNAL REVENUE
BULLETIN

HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2015–45
November 9, 2015

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

REG–140379–02; REG–142599–02, page 653.

This document withdraws a portion of the notice of proposed rulemaking published in the Federal Register on September 26, 2006 (71 FR 56072). The withdrawn portion relates to certain general definitions for purposes of section 141 of the Internal Revenue Code and the treatment of partnerships for purposes of section 145(a) because these concepts either are unnecessary or are otherwise addressed as a result of other revisions to the remaining portions of the Proposed Regulations that are adopted as final regulations published elsewhere in the IRB.

Rev. Proc. 2015–52, page 638.

The loss payment patterns and discount factors are set forth for the 2015 accident year. These factors will be used for computing discounted unpaid losses under § 846 of the Code.

Rev. Proc. 2015–54, page 648.

The salvage discount factors are set forth for the 2015 accident year. These factors will be used for computing discounted estimated salvage recoverable under § 832 of the Code.

T.D. 9741, page 628.

This document contains final regulations on allocation and accounting, and certain remedial actions, for purposes of the private activity bond restrictions under section 141 of the Internal Revenue Code that apply to tax-exempt bonds issued by State and local governments. The final regulations provide State and local governmental issuers of tax-exempt bonds with guidance for applying the private activity bond restrictions.

ADMINISTRATIVE

REG–148998–13, page 653.

These proposed regulations define terms in the Internal Revenue Code relating to the marital status of taxpayers.

Finding Lists begin on page ii.

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.

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.

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

26 CFR 1.141–0; 26 CFR 1.141–1; 26 CFR 1.141–3; 26 CFR 1.141–6; 26 CFR 1.141–12; 26 CFR 1.141–13; 26 CFR 1.141–15; 26 CFR 1.145–2; 26 CFR 1.150–5

T.D. 9741

DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 1

General Allocation and Accounting Regulations Under Section 141; Remedial Actions for Tax-Exempt Bonds

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations on allocation and accounting, and certain remedial actions, for purposes of the private activity bond restrictions under section 141 of the Internal Revenue Code that apply to tax-exempt bonds issued by State and local governments. The final regulations provide State and local governmental issuers of tax-exempt bonds with guidance for applying the private activity bond restrictions.

DATES: *Effective Date*: These regulations are effective on October 27, 2015.

Applicability Date: For dates of applicability, see § 1.141–15.

FOR FURTHER INFORMATION CONTACT: Johanna Som de Cerff or Zoran Stojanovic, (202) 317-6980 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information contained in these regulations has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) under control number 1545–1451. The collection of information in these final regulations is in § 1.141–12(d)(3), which requires an issuer to make a declaration of official intent to remediate bonds. This collection of information is necessary for an issuer's redemption or defeasance of bonds to be treated as a remedial action under § 1.141–12 to preserve the tax-exempt status of the bonds. This collection of information is an increase in the total annual burden under control number 1545–1451. The respondents are State and local government issuers of tax-exempt bonds.

Estimated total annual reporting burden is 30,250 hours.
Estimated average annual burden per respondent is 3 hours.
Estimated number of respondents is 10,100.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally tax returns and tax return information are confidential, as required by section 6103.

Background

In general, interest on State and local governmental bonds is excludable from gross income under section 103 upon satisfaction of certain requirements. Interest on a private activity bond, other than a qualified private activity bond within the meaning of section 141, is not excludable under section 103. Section 141 provides certain tests that are used to determine whether a State or local bond is a private activity bond. These tests include the private business use test and the private security or payment test in section 141(b), and the private loan financing test in section 141(c). Section 145 provides similar tests that apply in modified form to qualified 501(c)(3) bonds.

Final regulations (TD 8712) under section 141 were published in the **Federal Register** on January 16, 1997 (62 FR 2275) (the 1997 Final Regulations), to provide comprehensive guidance on most aspects of the private activity bond restrictions. The 1997 Final Regulations, however, reserved most of the general allocation and accounting rules for purposes of section 141. An advance notice of proposed rulemaking (REG–142599–02) was published in the **Federal Register** on September 23, 2002 (67 FR 59767), regarding allocation and accounting rules for tax-exempt bond proceeds used to finance mixed-use output facilities. A notice of proposed rulemaking and notice of public hearing (REG–140379–02; REG–142599–02) was published in the **Federal Register** on September 26, 2006 (71 FR 56072), regarding allocation and accounting rules for tax-exempt bond proceeds, including special rules for mixed-use projects, and rules regarding the treatment of partnerships for purposes of section 141 (the Proposed Allocation Regulations). The Proposed Allocation Regulations also included amendments to regulations under section 145 on related matters that apply to qualified 501(c)(3) bonds. A public hearing was held on January 11, 2007. This document amends the Income Tax Regulations under sections 141 and 145 by adopting final rules on these topics. Certain provisions of the Proposed Allocation Regulations are not being finalized and are withdrawn. A partial withdrawal of notice of proposed rulemaking is published elsewhere in this edition of the **Internal Revenue Bulletin.**

A notice of proposed rulemaking and notice of public hearing (REG–132483–03) was published in the **Federal Register** on July 21, 2003 (68 FR 43059), regarding the amount and allocation of nonqualified bonds for purposes of certain remedial actions under sections 141 and 142 (the Proposed Remedial Action Regulations). The public hearing was cancelled because no requests to speak were received. Final regulations (TD 9150) were published in the **Federal Register** on August 13, 2004 (69 FR 50065), adopting the portions of the Proposed Remedial Action Regulations relating to section

142. Because of the interrelationship between the remedial action provisions under section 141 and the allocation and accounting rules, the portions relating to section 141 were not finalized at that time. This document adopts final rules regarding the amount and allocation of nonqualified bonds for purposes of the remedial action provisions under section 141. We refer to the Proposed Remedial Action Regulations and the Proposed Allocation Regulations collectively as the Proposed Regulations.

Explanation and Summary of Comments

I. *Introduction*

After consideration of the public comments, the Treasury Department and the IRS adopt the Proposed Regulations, with revisions, as final regulations (the Final Regulations). This section discusses significant aspects of the public comments and the revisions made in the Final Regulations.

II. *General Allocation Rules*

The Proposed Regulations provided several allocation rules. Among these were rules regarding the allocation of proceeds of an issue of bonds that are obligations of a state or political subdivision under section 103(c)(1) (see § 1.150–1(b)) (proceeds) and all other sources of funds (other funds) to expenditures, to the project, and to the uses of the project (that is, governmental use or private business use). The Proposed Regulations provided that proceeds and other funds generally may be allocated to expenditures using any reasonable, consistently applied accounting method, and that the allocation of proceeds and other funds to expenditures must be consistent with the allocation of proceeds and other funds for purposes of the arbitrage investment restrictions under section 148.

Commenters expressed concern that the consistency requirement was in conflict with the allowance of more than one method for allocating proceeds and other funds to projects. Commenters further questioned whether allocations of proceeds to expenditures were necessary other than for purposes of the arbitrage investment restrictions. The Final Regulations clarify that the issuer's allocation of proceeds to expenditures for purposes of the arbitrage investment restrictions also apply to expenditures for purposes of the private activity bond tests.

The Proposed Regulations provided generally that proceeds and other funds allocated to capital expenditures for a capital project are treated as allocated ratably throughout the project in proportion to the relative amounts of proceeds and other funds spent on that project. The Proposed Regulations further provided that generally proceeds and other funds are allocated to both governmental use and private business use of the project in proportion to the relative amounts of each source of funding spent on the project. The Final Regulations adopt these general pro rata allocation rules as proposed.

The Proposed Regulations defined a project to include functionally related or integrated facilities located on the same site, or on geographically proximate sites, that are reasonably expected to be placed in service within the same 12-month period. The Proposed Regulations provided certain special rules for the treatment of subsequent improvements to, and replacements of, a project. These proposed special rules treated subsequent improvements and replacements made more than 12 months after the original project was placed in service as part of the same project if the improvements and replacements were within the size, function, and usable space or the original design of the project.

Commenters expressed various concerns about the definition of project in the Proposed Regulations. Some commenters were concerned that the narrow definition of project, which includes only geographically proximate facilities placed in service within a short period, is inconsistent with the private activity bond tests generally, which apply to all facilities financed by the proceeds of a single issue of bonds. Commenters also questioned how the definition of project would apply in the context of a capital improvement program financed by the proceeds of a single issue of bonds that involves multiple facilities in different locations (for example, different school buildings within a district) placed in service over more than 12 months. Conversely, other commenters expressed concern that the definition of project is so broad that it would allow properties that have different owners, types of ownership interests, or types of financing (that is, are financed from different sources) to be considered a single project.

Commenters inferred that the treatment of subsequent improvements meant that the funds, which could include proceeds and equity, for the original project and the subsequent improvements would be allocated throughout the original project and the subsequent improvements, possibly subjecting assets financed solely with equity to the private activity bond restrictions. They expressed concerns that the special allocation rules for mixed-use projects (discussed in section III. in this preamble) would be unavailable for these improvements due to the timing requirement applicable to the election.

The Final Regulations simplify the definition of project to cover all facilities or capital projects financed in whole or in part with proceeds of a single issue of bonds. This definition permits an issuer in its bond documents to identify as a single project all of the properties to be financed by proceeds of a single bond issue. Under this rule, issuers may identify specific properties or portions of properties regardless of the properties' locations or placed-in-service dates. This approach to the definition of project comports with the application of the private activity bond tests generally, which apply at the issue level. The Final Regulations also clarify through the examples that improvements financed with a later issue are a separate project.

Commenters requested clarification that, consistent with longstanding practice, each undivided ownership interest in an output facility be treated separately for purposes of applying the allocation rules. The Final Regulations provide this clarification.

Commenters also recommended extending the separate facility treatment for output facilities under the Proposed Regulations to other types of facilities. The Final Regulations do not adopt this recommendation because the use of output facilities is measured differently from the use of other facilities. The use of an output facility generally is measured in the amount of output purchased as a percentage of the facility's total available output. The amount of use by each user reflects the proportionate benefit of the available output to such user. Uses of other types of facilities are measured in various ways depending on how that use occurs (for example, in different discrete portions, at different times, or simultaneously) and may reflect simultaneous use by more than one user on a different, rather than proportionate, basis. Even without separate facility treatment, however, issuers may use proceeds to finance the governmental use portion of an eligible mixed-use project.

III. *Special Allocation Rules for Eligible Mixed-Use Projects*

A. *In general*

The Proposed Regulations provided special elective allocation rules for mixed-use projects. In general, these special rules gave effect to congressional intent to permit funding of mixed-use projects in part with tax-exempt bonds and in part with other funds using reasonable, proportionate allocation methods that reflect proportionate benefits to the various users. *See* H.R. Rep. No. 99–426, at 538 (1985). The Proposed Regulations defined a mixed-use project as a project that is reasonably expected to be used for more than the de minimis amount (generally 10 percent) of private business use permitted under the private activity bond tests (de minimis permitted private business use). The Proposed Regulations provided two alternative elective allocation methods for a mixed-use project, the discrete physical portion allocation method (discrete portion method) and the undivided portion allocation method. The Proposed Regulations required the issuer to make a timely, written election, including preliminary and final allocations of proceeds and other funds, to use one of these alternative methods.

The discrete portion method allowed for dividing a mixed-use project into physically discrete portions and allocating the different sources of funds to the various discrete portions using a reasonable, consistently applied method that reflects the proportionate benefit to be derived by the various users of the project. The discrete portion method had a number of limitations, including the physical constraints of a discrete portion under the proposed project definition, limitations on measurement of a discrete portion, limitations associated with the fair market value of a discrete portion, and comparability conditions on reallocations of discrete portions within a project.

Under the undivided portion allocation method, projects were divided into governmental use and private business use portions on a notional, rather than physical, basis with tax-exempt proceeds allocated to the governmental use portion and the other funds allocated to the private business use portion. The availability of the proposed undivided portion allocation method was limited to circumstances in which the issuer reasonably expected that governmental use and private business use of the project would occur simultaneously on the same basis, or at different times.

Commenters criticized the complexity of the Proposed Regulations' two special allocation methods and the administrative burdens associated with the election requirement for mixed-use allocations. Commenters also criticized the discrete portion method's overly rigid treatment of reallocations or "floating" allocations. To simplify these rules, commenters recommended expanding the availability of the undivided portion allocation method to include all measureable use, adopting the undivided portion allocation method as the general rule for allocating proceeds and other sources to the uses of a mixed-use project, and eliminating the discrete portion method.

The Final Regulations adopt the recommendation to expand the availability of the undivided portion allocation method to include all measureable use and to make the undivided portion allocation method the exclusive allocation method for eligible mixed-use projects. Consistent with this change, the Final Regulations eliminate the discrete portion method and the election requirement. The Treasury Department and the IRS believe that the expanded version of the undivided portion allocation method in the Final Regulations generally will be simpler and more administrable than the two proposed allocation methods and will cover all circumstances otherwise covered by the discrete portion method under the Proposed Regulations. For example, unlike the proposed discrete portion method, which had significant constraints on "floating" allocations for administrability reasons, the undivided portion allocation method in the Final Regulations inherently allows floating allocations without further action or special tracking in that it involves allocations for an entire mixed-use project. Section III.B. in this preamble further discusses the undivided portion allocation method under the Final Regulations.

Under the Final Regulations, the undivided portion allocation method is available for "eligible mixed use projects." The Final Regulations define an "eligible mixed-use project" as a project that is financed with proceeds of bonds that purport to be governmental bonds when issued and qualified equity (discussed under *Definition of qualified equity* in section III.C. in this preamble) pursuant to the same plan of financing (discussed under *Same plan of financing* in section III.D. in this preamble). Further, to qualify, the project must be wholly owned by one or more governmental persons or by a partnership in which at least one governmental person is a partner. (See discussion under *Partnerships* in section IV. in this preamble.)

B. *Allocations to uses of a project*

Under the Proposed Regulations, the undivided portion allocation method limited the targeting of qualified equity to private business use of the project to that percentage of the private business use equal to the percentage of capital expenditures of the project financed by the qualified equity, and similarly limited the targeting of proceeds to government use of the project to that percentage of the government use equal to the percentage of capital expenditures of the project financed by the proceeds. For projects other than output facilities, these limits applied to each one-year period of the measurement period. Commenters requested that unused qualified equity be carried over from one year to another or, in lieu of a carryover provision, revising the limit from an annual limit to one spanning the entire measurement period.

The Final Regulations do not adopt these recommendations. The general private business measurement rules, in contrast to those for use arising from output contracts, require a determination of the private business use of the proceeds on an annual basis as a preliminary step to determining the average private business use of the proceeds during the measurement period. When the amount of private business use of the project in any one-year period is less than the percentage of qualified equity, that qualified equity is not unused but, as the Final Regulations clarify, is allocated to governmental use of the project that is in excess of the percentage of proceeds. To allow carryover of private business use of the proceeds or in an amount determined solely over the measurement period would require revision of the measurement rules plus additional rules to prevent potentially abusive situations, thereby increasing complexity. The Final Regulations do, however, clarify that the annual limit only applies to use measured under the general measurement rules and not to use arising from output contracts.

C. *Definition of qualified equity*

The Proposed Regulations defined qualified equity to mean proceeds of taxable bonds and funds not derived from a borrowing that are spent on the same project as proceeds of the purported governmental bonds to which the private activity bond tests will be applied (the applicable bonds). The Proposed Regulations further provided that qualified equity does not include equity interests in real property or tangible personal property. Commenters suggested expanding the definition of qualified equity to include the value of contributed property not purchased with proceeds of tax-advantaged bonds, arguing that this contribution should be treated as the equivalent of cash. Commenters also suggested that qualified equity include funds used to redeem bonds.

The Final Regulations adopt the proposed definition of qualified equity, with modifications. In recognition of the advent of expanded types of bonds that provide a Federal tax benefit (a tax-advantaged bond), which include, for example, a qualified tax credit bond under section 54A on which the interest on the bond is taxable, the Final Regulations clarify that "taxable bonds" that give rise to qualified equity exclude any tax-advantaged bond. The Final Regulations do not adopt the suggestion to include contributions of existing property as qualified equity for a project because that treatment would raise difficult issues of valuation and administrability and would be inconsistent with the rules governing allocations of proceeds of reimbursement bonds.

The Final Regulations do not adopt the comment recommending that amounts (other than proceeds) used to redeem bonds be treated as qualified equity because permitting increased private business use for the redemption of bonds in the ordinary course would be inconsistent with the private activity bond restrictions on the issue of bonds being redeemed. The 1997 Final Regulations already address the use of funds to redeem bonds under certain conditions in which bond redemptions serve as a remedial action to cure violations of the private business use restrictions. Further, as discussed under *Anticipatory redemptions* in section V.A. in this preamble, the Final Regulations add a new remedial action provision permitting early redemption in anticipation of increased private business use.

D. *Same plan of financing*

The definition of "project" in the Proposed Regulations required spending the proceeds and other sources on the properties pursuant to the same plan of financing. Commenters requested clarification of the meaning of the same plan of financing. The Final Regulations clarify that "same plan of financing" has the same meaning as in § 1.150–1(c)(1)(ii) and that qualified equity is spent under the same plan of financing as proceeds of the applicable bonds if the qualified equity is spent on capital expenditures of the project no earlier than the earliest date on which the expenditure would be eligible for reimbursement were the bonds from which the proceeds are derived issued as reimbursement bonds and no later than the date that is the beginning of the measurement period for the project (other than amounts retained for reasonable purposes relating to the project as defined under the arbitrage investment restrictions).

E. *Allocation of proceeds of multiple issues.*

The Proposed Regulations provided that if proceeds of more than one issue are allocated to capital expenditures of a mixed-use project to which the issuer elects to apply the discrete physical portion or undivided portion allocation method, then proceeds of those issues are allocated ratably to a discrete portion or undivided portion to which any proceeds are allocated in proportion to their relative shares of the total proceeds of such issues used for the project (the multiple issue rule). Commenters suggested eliminating this rule to permit issuers to allocate proceeds of the different issues financing a project to take maximum advantage of the overall private business use permitted, such as disproportionately allocating proceeds of a larger issue or a general obligation issue (that is, one paid from generally applicable taxes, for which private business use may be 100 percent because the private security or payment test will not be met) to private business use.

The Treasury Department and the IRS are concerned that a non-pro rata method of allocating proceeds of more than one issue to the uses of a project could not only lead to more private business use than when proceeds of a single issue are allocated, but would also be difficult to administer. Furthermore, this approach also would be inconsistent with the general allocation rule that allocates proceeds of two issues on a proportionate basis to the uses of a project that is not an eligible mixed-use project.

Commenters also suggested that the proposed multiple issue rule would create a barrier to tax-exempt financing of projects, such as airports, that traditionally have been financed with a combination of tax-exempt governmental bonds and qualified private activity bonds to reflect the governmental and qualified private business use occurring, respectively, in different discrete portions of a project, as neither type of bond would meet the criteria for tax-exempt status if the proceeds of both types were allocated to the same portions. The Treasury Department and the

IRS recognize that certain projects contain portions that, if treated as separate facilities, would be eligible for financing with different types of tax-exempt bonds. The Final Regulations remove this barrier to tax-exempt financing of projects through the definition of "project," which allows each issuer to identify the different projects financed by its separate issues of governmental bonds and qualified private activity bonds.

IV. *Partnerships*

The Proposed Regulations generally treated a partnership as an entity that is a nongovernmental person for purposes of the private activity bond tests. However, if all of the partners in a partnership were governmental persons, the Proposed Regulations provided a limited exception that would treat the partnership as an aggregate of its partners (that is, as governmental persons) for these purposes. The preamble to the Proposed Regulations specifically requested comments on the usefulness of aggregate treatment for a partnership of governmental persons (or 501(c)(3) organizations for qualified 501(c)(3) bonds) and private businesses. The preamble to the Proposed Regulations further indicated that the Treasury Department and the IRS were considering aggregate treatment in at least the limited circumstance of partnerships involving a constant percentage ("straight up") allocation of all partnership items. Commenters were in favor of aggregate treatment for such partnerships.

In recognition of the development of various financing and management structures for government (or 501(c)(3) organization) facilities that involve the participation of private businesses, to provide flexibility to accommodate public-private partnerships, and to remove barriers to tax-exempt financing of the government's (or 501(c)(3) organization's) portion of the benefit of property used in joint ventures, the Final Regulations provide aggregate treatment for all partnerships. The Final Regulations further provide a rule for measuring the private business use of financed property resulting from the use of the property by a partnership that includes a partner that is a nongovernmental person. The amount of such use is the nongovernmental partner's share of the amount of the use of the property by the partnership, with such share defined as the nongovernmental partner's greatest percentage share of any of the specified partnership items attributable to the time during the measurement period that the partnership uses the property. The Final Regulations also provide that an issuer may determine the nongovernmental partner's share under guidance published in the Internal Revenue Bulletin.

The definition of qualified 501(c)(3) bonds under section 145(a) includes the private activity bond tests (with certain modifications) and an ownership test under which the property financed with qualified 501(c)(3) bonds must be owned by a 501(c)(3) organization or a governmental unit. In applying the private activity bond tests for purposes of qualified 501(c)(3) bonds, the Proposed Regulations treated a partnership as an aggregate if each of the partners was either a governmental person or a 501(c)(3) organization. The Proposed Regulations, however, did not apply such aggregate treatment for purposes of the ownership test. Commenters recommended applying aggregate treatment to partnerships for purposes of the ownership test, seeing no reason to distinguish between ownership for purposes of the ownership test and for purposes of the private activity bond tests, which also look to ownership of the financed property. The Final Regulations adopt this comment.

V. *Remedial Actions*

A. *Anticipatory redemptions*

The Proposed Allocation Regulations permitted proceeds of taxable bonds and funds not derived from borrowing that are used to retire tax-exempt governmental bonds to be treated as qualified equity under certain circumstances. This allows targeting of funds other than tax-exempt bond proceeds to finance portions of projects that are expected to be used for private business use in the future. The intent of this proposed rule is to encourage retirement of tax-exempt bonds before the occurrence of nonqualified use. The Proposed Allocation Regulations addressed when the bond must be retired, the issuer's reasonable expectations regarding use of the project, actual use of the project prior to the redemption, and the length of the term of the issue of which the bond to be retired is a part. Specifically, the bond to be redeemed was required to be retired at least five years before its otherwise-scheduled maturity date and within a period that starts one year before the deliberate act and ends 91 days before the deliberate act. Further, the issuer must not have expected that the project would be a mixed-use project. Thus, under the Proposed Allocation Regulations, an issuer could not use this anticipatory redemption for a project for which it had elected the special mixed-use allocation rules.

Most commenters stated that the proposed provision would be of limited use and that the eligibility requirements are contrary to the policy of encouraging redemption of tax-exempt bonds earlier rather than later. Commenters recommended that the conditions for anticipatory redemption not be stricter than those under the existing remedial action regime for private business use, which permits a curative redemption or defeasance of nonqualified bonds within 90 days of the deliberate action causing the private activity bonds tests to be met. Commenters further suggested adding a provision to the remedial action rules permitting an issuer to redeem or defease bonds at any time in advance of a deliberate action that would cause the private business tests to be met. The suggested provision would require the issuer to declare its intent to redeem or defease the bonds that potentially could become the nonqualified bonds and identify the financed property. To encourage early redemption of tax-exempt bonds without imposing another set of rules for projects with unanticipated private business use, the Final Regulations adopt this recommendation to expand the remedial action rules to address this point.

B. *Nonqualified bonds*

The Proposed Remedial Action Regulations included amendments relating to the amount and allocation of nonqualified bonds to be remediated as a result of a deliberate action causing the private business tests or the private loan financing test to be met. The Proposed Remedial Action

Regulations provided that the amount of the nonqualified bonds is that portion of the outstanding bonds in an amount that, if the remaining bonds were issued on the date on which the deliberate action occurs, the remaining bonds would not meet the private business use test or private loan financing test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the one-year period in which the deliberate action occurs.

Commenters requested that the amount of nonqualified bonds be determined using the average amount of private business use over the entire measurement period rather than the highest private business use in any one-year period. The Final Regulations do not adopt this recommendation because this request is inconsistent with the limitations on annual allocations of proceeds and qualified equity to the uses of the project. The Final Regulations adopt the amendment to the provision regarding the amount of nonqualified bonds as proposed.

Commenters generally agreed with the proposed change that allows any bonds of any issue to be treated as the nonqualified bonds provided that the redemption or defeasance does not have the effect of extending the weighted average maturity (WAM) of the issue. Commenters, however, stated that some bond indentures require optional redemptions of a portion of a term bond to be used first to reduce the earliest mandatory sinking fund payments on the bond. In this case, the redemption or defeasance of the longest bonds would result in the extension of the WAM. Commenters recommended that the regulations permit bonds with longer maturities to be treated as the nonqualified bonds, as is permitted under the existing regulations. The Final Regulations adopt the rule as proposed, but provide a transition rule for outstanding bonds similar to that provided with respect to outstanding exempt facility bonds.

The Final Regulations reduce the amount of nonqualified bonds. An issuer who chooses to redeem or defease the nonqualified bonds need only redeem or defease sufficient bonds such that the remaining bonds would not meet the private business use or private loan financing test. Thus, unlike under the previous definition of nonqualified bonds, not all of the private business use or private loan, as calculated under the remedial action rules, necessarily will be remediated. To take into account any such remaining unremediated private business use or loan should a subsequent deliberate action occur, a conforming change is needed pertaining to continuing compliance. The Final Regulations include this change.

VII. *Effective/applicability dates*

The Final Regulations generally apply to bonds sold on or after January 25, 2016. The rules regarding remedial actions, however, apply to deliberate actions that occur on or after January 25, 2016. The Final Regulations allow permissive application of (1) the partnership provisions, the allocation and accounting rules, and certain corresponding rules for qualified 501(c)(3) bonds in whole, but not in part, to bonds to which the 1997 Final Regulations apply; and (2) the multipurpose rule to bonds to which the refunding rules apply.

Special Analyses

Certain IRS regulations, including this one, are exempt from the requirements of Executive Order 12866, as supplemented and reaffirmed by Executive Order 13563. Therefore, a regulatory impact assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. It is hereby certified that the collection of information in these regulations will not have a significant economic impact on a substantial number of small governmental jurisdictions. This certification is based upon the fact that few small governmental issuers are expected to take an anticipatory remedial action and that the amount of time required to meet the recordkeeping requirement is not significant. Therefore, a regulatory flexibility analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notices of proposed rulemaking preceding these regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small governmental jurisdictions. No comments were received.

Drafting Information

The principal author of these regulations is Johanna Som de Cerff, Office of Associate Chief Counsel (Financial Institutions & Products), IRS. However, other personnel from the IRS and the Treasury Department participated in their development.

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Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.141–0 is amended by adding an entry for § 1.141–1(e), revising entries for § 1.141–6 and § 1.141–12(d)(3) through (5), adding an entry for § 1.141–12(d)(6), revising the heading for § 1.141–15, and adding entries for § 1.141–15(b)(4), (e)(1), (e)(2), (l) and (m) to read as follows:

§ 1.141–0 Table of contents.

* * * * *

§ 1.141–1 Definitions and rules of general application.

* * * * *

(e) Partnerships.

* * * * *

§ 1.141–6 Allocation and accounting rules.

(a) Allocation of proceeds to expenditures, projects, and uses in general.

(1) Allocations to expenditures.

(2) Allocations of sources to a project and its uses.

(3) Definition of project.

(b) Special allocation rules for eligible mixed-use projects.

(1) In general.

(2) Definition of eligible mixed-use project.

(3) Definition of qualified equity.

(4) Same plan of financing.

(c) Allocations of private payments.

(d) Allocations of proceeds to common costs of an issue.

(e) Allocations of proceeds to bonds.

(f) Examples.

* * * * *

§ 1.141–12 Remedial actions.

* * * * *

(d) * * *

(3) Anticipatory remedial action.

(4) Notice of defeasance.

(5) Special limitation.

(6) Defeasance escrow defined.

* * * * *

§ 1.141–15 Effective/applicability dates.

* * * * *

(b) * * *

(4) Certain remedial actions.

* * * * *

(e) * * *

(1) In general.

(2) Transition rule for pre-effective date bonds.

* * * * *

(l) Applicability date for certain regulations related to allocation and accounting.

(1) In general.

(2) Permissive application.

(m) Permissive retroactive application of certain regulations.

* * * * *

Par. 3. Section 1.141–1 is amended by adding paragraph (e) to read as follows:

§ 1.141–1 Definitions and rules of general application.

* * * * *

(e) *Partnerships*. A partnership (as defined in section 7701(a)(2)) is treated as an aggregate of its partners, rather than as an entity.

Par. 4. Section 1.141–3 is amended by redesignating paragraph (g)(2)(v) as paragraph (g)(2)(vi) and adding new paragraph (g)(2)(v) to read as follows:

§ 1.141–3 Definition of private business use.

* * * * *

(g) * * *

(2) * * *

(v) *Special rule for partners that are nongovernmental persons*—(A) The amount of private business use by a nongovernmental person resulting from the use of property by a partnership in which that nongovernmental person is a partner is that nongovernmental partner's share of the amount of use of the property by the partnership. For this purpose, except as otherwise provided in paragraph (g)(2)(v)(B) of this section, a nongovernmental partner's share of the partnership's use of the property is the nongovernmental partner's greatest percentage share under section 704(b) of any partnership item of income, gain, loss, deduction, or credit attributable to the period that the partnership uses the property during the measurement period. For example, if a partnership has a nongovernmental partner and that partner's share of partnership items varies, with the greatest share being 25 percent, then that nongovernmental partner's share of the partnership's use of property is 25 percent.

(B) An issuer may determine a nongovernmental partner's share of the partnership's use of the property under guidance published in the Internal Revenue Bulletin (see § 601.601(d)(2)(ii)(*b*) of this chapter).

* * * * *

Par. 5. Section 1.141–6 is revised to read as follows:

§ 1.141–6 Allocation and accounting rules.

(a) *Allocations of proceeds to expenditures, projects, and uses in general*—(1) *Allocations to expenditures*. The allocations of proceeds and other sources of funds to expenditures under § 1.148–6(d) apply for purposes of §§ 1.141–1 through 1.141–15.

(2) *Allocations of sources to a project and its uses*. Except as provided in paragraph (b) of this section (regarding an eligible mixed-use project), if two or more sources of funding (including two or more tax-exempt issues) are allocated to capital expenditures (as defined in § 1.150–1(b)) for a project (as defined in paragraph (a)(3) of this section), those sources are allocated throughout that project to the governmental use and private business use of the project in proportion to the relative amounts of those sources of funding spent on the project.

(3) *Definition of project*—(i) *In general*. For purposes of this section, *project* means one or more facilities or capital projects, including land, buildings, equipment, or other property, financed in whole or in part with proceeds of the issue.

(ii) *Output facilities*. If an output facility has multiple undivided ownership interests (respectively owned by governmental persons or by both governmental and nongovernmental persons), each owner's interest in the facility is treated as a separate facility for purposes of this section, provided that all owners of the undivided ownership interests share the ownership and output in proportion to their contributions to the capital costs of the output facility.

(b) *Special allocation rules for eligible mixed-use projects*—(1) *In general*. The sources of funding allocated to capital expenditures for an eligible mixed-use project (as defined in paragraph (b)(2) of this section) are allocated to undivided portions of the eligible mixed-use project and the governmental use and private business use of the eligible mixed-use project in accordance with this paragraph (b). Qualified equity (as defined in paragraph (b)(3) of this section) is allocated first to the private business use of the eligible mixed-use project and then to governmental use, and proceeds are allocated first to the governmental use and then to private business use, using the percentages of the eligible mixed-use project financed with the respective sources and the percentages of the respective uses. Thus, if the percentage of the eligible mixed-use project financed with qualified equity is less than the percentage of private business use of the project, all of the qualified equity is allocated to the private business use. Proceeds are allocated to the balance of the private business use of the project. Similarly, if the percentage of the eligible mixed-use project financed with proceeds is less than the percentage of governmental use of the project, all of the proceeds are allocated to the governmental use, and qualified equity is allocated to the balance of the governmental use of the project. Further, if proceeds of more than one issue finance the eligible mixed-use project, proceeds of each issue are allocated ratably to the uses to which proceeds are allocated in proportion to the relative amounts of the proceeds of such issues allocated to the eligible mixed-use project. For private business use measured under § 1.141–3(g), qualified equity and proceeds are allocated to the uses of the eligible mixed-use project in each one-year period under § 1.141–3(g)(4). *See Example 1* of paragraph (f) of this section.

(2) *Definition of eligible mixed-use project*. *Eligible mixed-use project* means a project (as defined in paragraph (a)(3) of this section) that is financed with proceeds of bonds that, when issued, purported to be governmental bonds (as defined in § 1.150–1(b)) (the applicable bonds) and with qualified equity pursuant to the same plan of financing (within the meaning of § 1.150–1(c)(1)(ii)). An eligible mixed-use project must be wholly owned by one or more governmental persons or by a partnership in which at least one governmental person is a partner.

(3) *Definition of qualified equity*. For purposes of this section, *qualified equity* means proceeds of bonds that are not tax-advantaged bonds and funds that are not derived from proceeds of a borrowing that are spent on the same eligible mixed-use project as the proceeds of the applicable bonds. Qualified equity does not include equity interests in real property or tangible personal property. Further, qualified equity does not include funds used to redeem or repay governmental bonds. *See* §§ 1.141–2(d)(2)(ii) and 1.141–12(i) (regarding the effects of certain redemptions as remedial actions).

(4) *Same plan of financing*. Qualified equity finances a project under the same plan of financing that includes the applicable bonds if the qualified equity pays for capital expenditures of the project on a date that is no earlier than a date on which such expenditures would be eligible for reimbursement by proceeds of the applicable bonds under § 1.150–2(d)(2) (regardless of whether the applicable bonds are reimbursement bonds) and, except for a reasonable retainage (within the meaning of § 1.148–7(h)), no later than the date on which the measurement period begins.

(c) *Allocations of private payments*. Except as provided in this paragraph (c), private payments for a project are allocated in accordance with § 1.141–4. Payments under an output contract that result in private business use of an eligible mixed-use project are allocated to the same source of funding (notwithstanding § 1.141–4(c)(3)(v) (regarding certain allocations of private payments to equity)) allocated to the private business use from such contract under paragraph (b) of this section.

(d) *Allocations of proceeds to common costs of an issue*. Proceeds used for expenditures for common costs (for example, issuance costs, qualified guarantee fees, or reasonably required reserve or replacement funds) are allocated in accordance with § 1.141–3(g)(6). Proceeds, as allocated under § 1.141–3(g)(6) to an eligible mixed-use project, are allocated to the uses of the project in the same proportions as the proceeds allocated to the uses under paragraph (b) of this section.

(e) *Allocations of proceeds to bonds*. In general, proceeds are allocated to bonds in accordance with the rules for allocations of proceeds to bonds for separate purposes of multipurpose issues in § 1.141–13(d). For an issue that is not a multipurpose issue (or is a multipurpose issue for which the issuer has not made a multipurpose allocation), proceeds are allocated to bonds ratably in a manner similar to the allocation of proceeds to projects under paragraph (a)(2) of this section.

(f) *Examples*. The following examples illustrate the application of this section:

Example 1. Mixed-use project. City A issues $70x of bonds (the Bonds) and finances the construction of a 10-story office building costing $100x (the Project) with proceeds of the Bonds and $30x of qualified equity (the Qualified Equity). To the extent that the private business use of the Project does not exceed 30 percent in any particular year, the Qualified Equity is allocated to the private business use. If private business use of the Project were, for example, 44 percent in a year, the Qualified Equity would be allocated to 30 percent ($30x) private business use and proceeds of the Bonds would be allocated to the excess (that is, 14 percent or $14x), resulting in private business use of the Bonds in that year of 20 percent ($14x/$70x). Conversely, if private business use of the Project were 20 percent, Qualified Equity would be allocated to that 20 percent. The remaining Qualified Equity (that is, 10 percent or $10x) would be allocated to the governmental use in excess of the 70 percent to which the proceeds of the Bonds would be allocated.

Example 2. Mixed-use output facility. Authority A is a governmental person that owns and operates an electric transmission facility. Several years ago, Authority A used its equity to pay capital expenditures of $1000x for the facility. Authority A wants to make capital improvements to the facility in the amount of $100x (the Project). Authority A reasonably expects that, after completion of the Project, it will sell 46 percent of the available output of the facility, as determined under § 1.141–7, under output contracts that result in private business use and it will sell 54 percent of the available output of the facility for governmental use. On January 1, 2017, Authority A issues $60x of bonds (the Bonds) and uses the proceeds of the Bonds and $40x of qualified equity (the Qualified Equity) to finance the Project. The Qualified Equity is allocated to 40 of the 46 percent private business use resulting from the output contracts. Proceeds of the Bonds are allocated to the 54 percent governmental use and thereafter to the remaining 6 percent private business use.

Example 3. Subsequent improvements and replacements. County A owns a hospital, which opened in 2001, that it financed entirely with proceeds of bonds it issued in 1998 (the 1998 Bonds). In 2017, County A finances the cost of an addition to the hospital with proceeds of bonds (the 2017 Bonds) and qualified equity (the 2017 Qualified Equity). The original hospital is a project (the 1998 Project) and the addition is a project (the 2017 Project). Proceeds of the 2017 Bonds and the 2017 Qualified Equity are allocated to the 2017 Project. The 2017 Qualified Equity is allocated first to the private business use of the 2017 Project and then to the governmental use of the 2017 Project. Proceeds of the 2017 Bonds are allocated first to the governmental use of the 2017 Project and then to the private business use of that project. Neither proceeds of the 2017 Bonds nor 2017 Qualified Equity is allocated to the uses of the 1998 Project. Proceeds of the 1998 Bonds are not allocated to uses of the 2017 Project.

Par 6. Section 1.141–12 is amended by:

a. Revising the last sentence of paragraph (d)(1).

b. Redesignating paragraphs (d)(3) through (d)(5) as (d)(4) through (d)(6).

c. Adding new paragraph (d)(3).

d. Revising paragraph (i)(1).

e. Redesignating paragraph (i)(2) as (i)(3).

f. Adding new paragraph (i)(2).

g. Revising paragraphs (j), and (k), *Example 8*.

The revisions and additions read as follows:

§ 1.141–12 Remedial actions.

* * * * *

(d) * * * (1) * * * Except as provided in paragraph (d)(3) of this section, if the bonds are not redeemed within 90 days of the date of the deliberate action, a defeasance escrow must be established for those bonds within 90 days of the deliberate action.

* * * * *

(3) *Anticipatory remedial action*. The requirements of paragraphs (d)(1) and (2) of this section for redemption or defeasance of the nonqualified bonds within 90 days of the deliberate action are met if the issuer declares its official intent to redeem or defease all of the bonds that would become nonqualified bonds in the event of a subsequent deliberate action that would cause the private business tests or the private loan financing test to be met and redeems or defeases such bonds prior to that deliberate action. The issuer must declare its official intent on or before the date on which it redeems or defeases such bonds, and the declaration of intent must identify the financed property or loan with respect to which the anticipatory remedial action is being taken and describe the deliberate action that potentially may result in the private business tests being met (for example, sale of financed property that the buyer may then lease to a nongovernmental person). Rules similar to those in § 1.150–2(e) (regarding official intent for reimbursement bonds) apply to declarations of intent under this paragraph (d)(3), including deviations in the descriptions of the project or loan and deliberate action and the reasonableness of the official intent.

* * * * *

(i) * * *

(1) If a remedial action is taken under paragraph (d) of this section, the amount of private business use or private loans resulting from the deliberate action that is taken into account for purposes of determining whether the bonds are private activity bonds is that portion of the remaining bonds that is used for private business use or private loans (as calculated under paragraph (j) of this section);

(2) If a remedial action is taken under paragraph (e) or (f) of this section, the amount of private business use or private loans resulting from the deliberate action is not taken into account for purposes of determining whether the bonds are private activity bonds; and

* * * * *

(j) *Nonqualified bonds*—(1) *Amount of nonqualified bonds*. The nonqualified bonds are a portion of the outstanding bonds in an amount that, if the remaining bonds were issued on the date on which the deliberate action occurs, the remaining bonds would not meet the private business use test or private loan financing test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the one-year period in which the deliberate action occurs.

(2) *Allocation of nonqualified bonds*. Allocations of nonqualified bonds must be made on a pro rata basis, except that, for purposes of paragraph (d) of this section (relating to redemption or defeasance), an issuer may treat any bonds of an issue as the nonqualified bonds so long as—

(i) The remaining weighted average maturity of the issue, determined as of the date on which the nonqualified bonds are redeemed or defeased (determination date), and excluding from the determination the nonqualified bonds redeemed or defeased by the issuer in accordance with this section, is not greater than

(ii) The remaining weighted average maturity of the issue, determined as of the determination date, but without regard to the redemption or defeasance of any bonds (including the nonqualified bonds) occurring on the determination date.

(k) * * *

*Example 8. Compliance after remedial action***.** In 2007, City G issues bonds with proceeds of $10 million to finance a courthouse. The bonds have a weighted average maturity that does not exceed 120 percent of the reasonably expected economic life of the courthouse. City G enters into contracts with nongovernmental persons that result in private business use of 10 percent of the courthouse per year. More than 10 percent of the debt service on the issue is secured by private security or payments. In 2019, in a bona fide and arm's length arrangement, City G enters into a management contract with a nongovernmental person that results in private business use of an additional 40 percent of the courthouse per year during the remaining term of the bonds. City G immediately redeems the nonqualified bonds, or 44.44 percent of the outstanding bonds. This is the portion of the outstanding bonds that, if the remaining bonds were issued on the date on which the deliberate action occurs, the remaining bonds would not meet the private business use test, treating the amount of private business use as the greatest percentage of private business use in any one-year period commencing with the one-year period in which the deliberate action occurs (50 percent). This percentage is computed by dividing the percentage of the facility used for a government use (50 percent) by the minimum amount of government use required (90 percent), and subtracting the resulting percentage (55.56 percent) from 100 percent (44.44 percent). For purposes of subsequently applying section 141 to the issue, City G may continue to use all of the proceeds of the outstanding bonds in the same manner (that is, for the courthouse and the private business use) without causing the issue to meet the private business use test. The issue continues to meet the private security or payment test. The result would be the same if City G, instead of redeeming the bonds, established a defeasance escrow for those bonds, provided that the requirement of paragraph (d)(5) of this section is met. If City G takes a subsequent deliberate action that results in further private business use, it must take into account 10 percent of private business use in addition to that caused by the second deliberate act.

Par 7. Section 1.141–13 is amended by revising paragraph (d)(1) and paragraph (g), *Example 5,* to read as follows:

§ 1.141–13 Refunding issues.

* * * * *

(d) *Multipurpose issue allocations*—(1) *In general*. For purposes of section 141, unless the context clearly requires otherwise, § 1.148–9(h) applies to allocations of multipurpose issues (as defined in § 1.148–1(b)), including allocations involving the refunding purposes of the issue. An allocation under this paragraph (d) may be made at any time, but once made, may not be changed. An allocation is not reasonable under this paragraph (d) if it achieves more favorable results under section 141 than could be achieved with actual separate issues. Each of the separate issues under the allocation must consist of one or more tax-exempt bonds. Allocations made under this paragraph (d) and § 1.148–9(h) must be consistent for purposes of sections 141 and 148.

* * * * *

(g) * * *

Example 5. Multipurpose issue. (i) In 2017, State D issues bonds to finance the construction of two office buildings, Building 1 and Building 2. D expends an equal amount of the proceeds on each building. D enters into arrangements that result in private business use of 8 percent of Building 1 and 12 percent of Building 2 during the measurement period under § 1.141–3(g) and private payments of 4 percent of the 2017 bonds in respect of Building 1 and 6 percent of the 2017 bonds in respect of Building 2. These arrangements result in a total of 10 percent of the proceeds of the 2017 bonds being used for a private business use and total private payments of 10 percent. In 2022, D purports to make a multipurpose issue allocation under paragraph (d) of this section of the outstanding 2017 bonds, allocating the issue into two separate issues of equal amounts with one issue allocable to Building 1 and the second allocable to Building 2. An allocation is unreasonable under paragraph (d) of this section if it achieves more favorable results under section 141 than could be achieved with actual separate issues. D's allocation is unreasonable because, if permitted, it would allow more favorable results under section 141 for the 2017 bonds (that is, private business use and private payments that exceed 10 percent for the 2017 bonds allocable to Building 2) than could be achieved with actual separate issues. In addition, if D's purported allocation was intended to result in two separate issues of tax-exempt governmental bonds (versus tax-exempt private activity bonds), the allocation would violate paragraph (d) of this section in the first instance because the allocation to the separate issue for Building 2 would fail to qualify separately as an issue of tax-exempt governmental bonds as a result of its 12 percent of private business use and private payments.

(ii) The facts are the same as in paragraph (i) of this *Example 5*, except that D enters into arrangements only for Building 1, and it expects no private business use of Building 2. In 2022, D allocates an equal amount of the outstanding 2017 bonds to Building 1 and Building 2. D selects particular bonds for each separate issue such that the allocation does not achieve a more favorable result than could have been achieved by issuing actual separate issues. D uses the same allocation for purposes of both sections 141 and 148. D's allocation is reasonable.

(iii) The facts are the same as in paragraph (ii) of this *Example 5*, except that as part of the same issue, D issues bonds for a privately used airport. The airport bonds, if issued as a separate issue, would be qualified private activity bonds. The remaining bonds, if issued separately from the airport bonds, would be governmental bonds. Treated as one issue, however, the bonds are taxable private activity bonds. Therefore, D makes its allocation of the bonds under paragraph (d) of this section and § 1.150–1(c)(3) into 3 separate issues on or before the issue date. Assuming all other applicable requirements are met, the bonds of the respective issues will be tax-exempt qualified private activity bonds or governmental bonds.

* * * * *

Par. 8. Section 1.141–15 is amended by:

a. Revising the heading and paragraph (a).

b. Adding paragraph (b)(4),

c. Revising paragraphs (e) and (i).

d. Adding paragraphs (l) and (m).

The revisions and additions read as follows:

§ 1.141–15 Effective/applicability dates.

(a) *Scope*. The effective dates of this section apply for purposes of §§ 1.141–1 through 1.141–14, 1.145–1 through 1.145–2, and 1.150–1(a)(3) and the definition of bond documents contained in § 1.150–1(b).

(b) * * *

(4) *Certain remedial actions*—(i) *General rule*. For bonds subject to § 1.141–12, the provisions of § 1.141–12(d)(3), (i), (j), and (k), *Example 8,* apply to deliberate actions that occur on or after January 25, 2016.

(ii) *Special rule for allocations of nonqualified bonds*. For purposes of § 1.141–12(j)(2), in addition to the allocation methods permitted in § 1.141–12(j)(2), an issuer may treat bonds with the longest maturities (determined on a bond-by-bond basis) as the nonqualified bonds, but only for bonds sold before January 25, 2016.

* * * * *

(e) *Permissive application of certain sections*—(1) *In general*. The following sections may each be applied by issuers to any bonds:

(i) Section 1.141–3(b)(4);

(ii) Section 1.141–3(b)(6); and

(iii) Section 1.141–12.

(2) *Transition rule for pre-effective date bonds.* For purposes of paragraphs (e)(1) and (h) of this section, issuers may apply § 1.141–12 to bonds issued before May 16, 1997, without regard to paragraph (d)(5) thereof with respect to deliberate actions that occur on or after April 21, 2003.

* * * * *

(i) *Permissive application of certain regulations relating to output facilities.* Issuers may apply each of the following sections to any bonds used to finance output facilities:

(1) Section 1.141–6;

(2) Section 1.141–7(f)(3); and

(3) Section 1.141–7(g).

* * * * *

(l) *Applicability date for certain regulations relating to allocation and accounting*—(1) *In general*. Except as otherwise provided in this section, §§ 1.141–1(e), 1.141–3(g)(2)(v), 1.141–6, 1.141–13(d), and 1.145–2(b)(4), (b)(5), and (c)(2) apply to bonds that are sold on or after January 25, 2016, and to which the 1997 regulations (as defined in paragraph (b)(1) of this section) apply.

(2) *Permissive application*. Issuers may apply §§ 1.141–1(e), 1.141–3(g)(2)(v), 1.141–6, and 1.145–2(b)(4), (b)(5), and (c)(2), in whole but not in part, to bonds to which the 1997 regulations apply.

(m) *Permissive retroactive application of certain regulations*. Issuers may apply § 1.141–13(d) to bonds to which § 1.141–13 applies.

Par. 9. Section 1.145–2 is amended by adding paragraphs (b)(4) and (b)(5) and revising the first sentence of paragraph (c)(2) to read as follows:

§ 1.145–2 Application of private activity bond regulations.

* * * * *

(b) * * *

(4) References to *governmental bonds* in § 1.141–6 mean qualified 501(c)(3) bonds.

(5) References to *ownership by governmental persons* in § 1.141–6 mean ownership by governmental persons or 501(c)(3) organizations.

(c) * * *

(2) *Costs of issuance*. Sections 1.141–3(g)(6) and 1.141–6(d) do not apply to the extent costs of issuance are allocated among the other purposes for which the proceeds are used or to portions of a project. * * *

* * * * *

Par. 10. Section 1.150–5 is amended by revising paragraph (a)(1) to read as follows:

§ 1.150–5 Filing notices and elections.

(a) * * *

(1) Section 1.141–12(d)(4);

* * * * *

John Dalrymple
Deputy Commissioner for Services and Enforcement.

Approved: October 6, 2015

Mark J. Mazur
Assistant Secretary of the Treasury (Tax Policy).

(Filed by the Office of the Federal Register on October 26, 2015, 8:45 a.m., and published in the issue of the Federal Register for October 27, 2015, 80 F.R. 65637)

Part III. Administrative, Procedural, and Miscellaneous

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

Rev. Proc. 2015–52

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 2015 accident year. These factors will be used to compute discounted unpaid losses under § 846 of the Internal Revenue Code. *See* Rev. Proc. 2012–44, 2012–49 I.R.B. 645, for background concerning the loss payment patterns and application of the discount factors.

SECTION 2. 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 3. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under § 846 for accident year 2015. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2015, which is 1.68 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 2010 annual statement. *See* Rev. Proc. 2012–44, 2012–49 I.R.B. 645, section 2, for additional background on discounting under § 846 and the use of the Secretary's tables.

.03 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.

.04 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 99.1704 percent to discount unpaid losses incurred in this line of business in the 2015 accident year and that are outstanding at the end of the 2015 and later taxable years.

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount all unpaid losses in this line of business that are outstanding at the end of the 2015 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 (%)
2015	90.2657	90.2657	9.7343	9.6474	99.1071
2016	99.7478	9.4822	0.2522	0.2480	98.3512

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 2015 accident year and that are outstanding at the end of the tax year shown.

2017 and later years		0.1261	0.1261	0.1250	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2017 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 (%)
2015	25.7034	25.7034	74.2966	71.6547	96.4441
2016	48.2664	22.5629	51.7336	50.1068	96.8554
2017	67.8834	19.6171	32.1166	31.1674	97.0447
2018	82.0630	14.1795	17.9370	17.3929	96.9664
2019	90.4161	8.3532	9.5839	9.2621	96.6421
2020	94.6293	4.2132	5.3707	5.1693	96.2490
2021	97.0203	2.3910	2.9797	2.8451	95.4824
2022	98.2283	1.2081	1.7717	1.6748	94.5294
2023	98.6653	0.4370	1.3347	1.2623	94.5726
2024	98.8635	0.1982	1.1365	1.0836	95.3460

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		0.1982	0.9382	0.9019	96.1261
2026		0.1982	0.7400	0.7171	96.9117
2027		0.1982	0.5417	0.5293	97.6994
2028		0.1982	0.3435	0.3383	98.4775
2029 and later years		0.1982	0.1453	0.1441	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 96.6667 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	39.5281	39.5281	60.4719	57.6269	95.2953
2016	62.0267	22.4986	37.9733	35.9082	94.5617
2017	73.7017	11.6750	26.2983	24.7388	94.0699
2018	80.0846	6.3830	19.9154	18.7181	93.9881
2019	85.7818	5.6971	14.2182	13.2878	93.4557
2020	90.2809	4.4992	9.7191	8.9742	92.3358
2021	91.9588	1.6778	8.0412	7.4331	92.4370
2022	92.9722	1.0134	7.0278	6.5360	93.0027
2023	94.0835	1.1113	5.9165	5.5252	93.3872
2024	94.7469	0.6634	5.2531	4.9492	94.2135

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		0.6634	4.5898	4.3634	95.0678
2026		0.6634	3.9264	3.7678	95.9602
2027		0.6634	3.2631	3.1622	96.9087
2028		0.6634	2.5997	2.5464	97.9500
2029 and later years		0.6634	1.9364	1.9203	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 95.7290 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	22.8449	22.8449	77.1551	75.4362	97.7720
2016	55.8585	33.0137	44.1415	43.4137	98.3512

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 2015 accident year and that are outstanding at the end of the tax year shown.

2017 and later years		22.0707	22.0707	21.8877	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2017 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 (%)
2015	6.2515	6.2515	93.7485	91.5779	97.6847
2016	43.0154	36.7639	56.9846	56.0450	98.3512

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 2015 accident year and that are outstanding at the end of the tax year shown.

2017 and later years		28.4923	28.4923	28.2559	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2017 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 (%)
2015	39.5281	39.5281	60.4719	57.6269	95.2953
2016	62.0267	22.4986	37.9733	35.9082	94.5617
2017	73.7017	11.6750	26.2983	24.7388	94.0699
2018	80.0846	6.3830	19.9154	18.7181	93.9881
2019	85.7818	5.6971	14.2182	13.2878	93.4557
2020	90.2809	4.4992	9.7191	8.9742	92.3358
2021	91.9588	1.6778	8.0412	7.4331	92.4370
2022	92.9722	1.0134	7.0278	6.5360	93.0027
2023	94.0835	1.1113	5.9165	5.5252	93.3872
2024	94.7469	0.6634	5.2531	4.9492	94.2135

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 2015 accident year and that are outstanding at the end of the tax year shown.

2025		0.6634	4.5898	4.3634	95.0678
2026		0.6634	3.9264	3.7678	95.9602
2027		0.6634	3.2631	3.1622	96.9087
2028		0.6634	2.5997	2.5464	97.9500
2029 and later years		0.6634	1.9364	1.9203	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 95.7290 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	6.3462	6.3462	93.6538	88.8244	94.8434
2016	23.0958	16.7496	76.9042	73.4270	95.4785
2017	41.6827	18.5868	58.3173	55.9182	95.8861
2018	56.5267	14.8440	43.4733	41.8895	96.3568
2019	71.2882	14.7615	28.7118	27.7083	96.5047
2020	82.3023	11.0141	17.6977	17.0675	96.4390
2021	86.5143	4.2120	13.4857	13.1070	97.1918
2022	91.1422	4.6279	8.8578	8.6606	97.7734
2023	94.8664	3.7242	5.1336	5.0507	98.3855
2024	97.5408	2.6745	2.4592	2.4388	99.1704

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 2015 accident year and that are outstanding at the end of the tax year shown.

2025 and later years		2.4592	–	–	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	1.2044	1.2044	98.7956	91.1506	92.2618
2016	4.3376	3.1332	95.6624	89.5225	93.5817
2017	11.8161	7.4785	88.1839	83.4854	94.6719
2018	24.7088	12.8928	75.2912	71.8874	95.4792
2019	42.3863	17.6774	57.6137	55.2698	95.9316
2020	57.1600	14.7738	42.8400	41.3010	96.4076
2021	68.9797	11.8196	31.0203	30.0763	96.9568
2022	82.4247	13.4450	17.5753	17.0241	96.8638
2023	86.7084	4.2837	13.2916	12.9906	97.7352
2024	91.6701	4.9617	8.3299	8.2056	98.5079

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 2015 accident year and that are outstanding at the end of the tax year shown.

2025 and later years		4.9617	3.3683	3.3403	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.5586 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	69.0731	69.0731	30.9269	30.3163	98.0258
2016	85.5169	16.4438	14.4831	14.2443	98.3512

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2017 and later years		7.2415	7.2415	7.1815	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2017 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 (%)
2015	60.9719	60.9719	39.0281	37.8177	96.8985
2016	82.9059	21.9341	17.0941	16.3355	95.5623
2017	89.2783	6.3724	10.7217	10.1842	94.9872
2018	91.5605	2.2822	8.4395	8.0540	95.4327
2019	94.4255	2.8649	5.5745	5.3004	95.0828
2020	96.5899	2.1644	3.4101	3.2069	94.0420
2021	97.6023	1.0124	2.3977	2.2399	93.4201
2022	98.0034	0.4011	1.9966	1.8731	93.8151
2023	98.3410	0.3376	1.6590	1.5642	94.2830
2024	98.5727	0.2317	1.4273	1.3568	95.0605

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		0.2317	1.1957	1.1460	95.8478
2026		0.2317	0.9640	0.9317	96.6463
2027		0.2317	0.7324	0.7138	97.4581
2028		0.2317	0.5007	0.4922	98.2899
2029 and later years		0.2317	0.2691	0.2668	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 96.3945 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	54.6589	54.6589	45.3411	44.5795	98.3204
2016	84.2314	29.5725	15.7686	15.5086	98.3512

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2017 and later years		7.8843	7.8843	7.8189	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2017 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 (%)
2015	7.4270	7.4270	92.5730	87.4800	94.4984
2016	25.2808	17.8538	74.7192	70.9466	94.9508
2017	44.2108	18.9301	55.7892	53.0500	95.0902
2018	56.4956	12.2848	43.5044	41.5538	95.5162
2019	69.2838	12.7883	30.7162	29.3566	95.5739
2020	77.6662	8.3823	22.3338	21.3974	95.8070
2021	83.1572	5.4910	16.8428	16.2199	96.3016
2022	88.1777	5.0205	11.8223	11.4299	96.6807
2023	93.1315	4.9539	6.8685	6.6266	96.4791
2024	92.9490	–0.1826	7.0510	6.9221	98.1708

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		3.2639	3.7871	3.7471	98.9441
2026 and later years		3.2639	0.5232	0.5189	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.9650 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	10.0721	10.0721	89.9279	83.6425	93.0106
2016	24.3995	14.3274	75.6005	70.6004	93.3861
2017	37.3366	12.9372	62.6634	58.7411	93.7408
2018	52.4142	15.0776	47.5858	44.5242	93.5663
2019	64.3437	11.9295	35.6563	33.2430	93.2318
2020	73.7950	9.4512	26.2050	24.2712	92.6202
2021	79.7756	5.9807	20.2244	18.6482	92.2067
2022	84.0963	4.3206	15.9037	14.6047	91.8321
2022	85.6878	1.5915	14.3122	13.2452	92.5451
2024	86.9224	1.2346	13.0776	12.2229	93.4639

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		1.2346	11.8431	11.1833	94.4293
2026		1.2346	10.6085	10.1263	95.4547
2027		1.2346	9.3740	9.0516	96.5607
2028		1.2346	8.1394	7.9587	97.7804
2029 and later years		1.2346	6.9048	6.8476	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 95.2710 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	42.9881	42.9881	57.0119	55.5802	97.4887
2016	71.9931	29.0051	28.0069	27.2662	97.3556
2017	84.8250	12.8318	15.1750	14.7851	97.4308
2018	92.3500	7.5251	7.6500	7.4455	97.3277
2019	96.2665	3.9165	3.7335	3.6213	96.9973
2020	97.9880	1.7214	2.0120	1.9463	96.7363
2021	98.7958	0.8078	1.2042	1.1645	96.7011
2022	99.2445	0.4487	0.7555	0.7315	96.8343
2023	99.4543	0.2097	0.5457	0.5324	97.5483
2024	99.6370	0.1827	0.3630	0.3570	98.3568

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 2015 accident year and that are outstanding at the end of the tax year shown.

2025 and later years		0.1827	0.1803	0.1788	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	4.5270	4.5270	95.4730	88.3407	92.5295
2016	16.0134	11.4865	83.9866	78.2423	93.1605
2017	45.1313	29.1179	54.8687	50.1953	91.4826
2018	39.2459	–5.8854	60.7541	56.9733	93.7768
2019	44.8357	5.5898	55.1643	52.2938	94.7965
2020	72.1615	27.3258	27.8385	25.6180	92.0236
2021	80.4448	8.2834	19.5552	17.6957	90.4915
2022	73.2957	–7.1491	26.7043	25.2019	94.3742
2023	87.4824	14.1866	12.5176	11.3200	90.4327
2024	87.7500	0.2677	12.2500	11.2403	91.7579

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 2015 accident year and that are outstanding at the end of the tax year shown.

2025		0.2677	11.9823	11.1593	93.1310
2026		0.2677	11.7147	11.0768	94.5553
2027		0.2677	11.4470	10.9930	96.0341
2028		0.2677	11.1793	10.9078	97.5711
2029 and later years		0.2677	10.9117	10.8211	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 95.1288 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	7.1936	7.1936	92.8064	85.5749	92.2080
2016	16.9555	9.7619	83.0445	77.1690	92.9249
2017	28.3624	11.4069	71.6376	66.9631	93.4748
2018	39.7945	11.4321	60.2055	56.5604	93.9455
2019	54.3906	14.5961	45.6094	42.7924	93.8236
2020	60.9060	6.5154	39.0940	36.9414	94.4937
2021	67.7760	6.8700	32.2240	30.6345	95.0674
2022	75.7119	7.9359	24.2881	23.1469	95.3014
2023	79.5966	3.8847	20.4034	19.6186	96.1535
2024	83.9430	4.3464	16.0570	15.5654	96.9385

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		4.3464	11.7107	11.4442	97.7248
2026		4.3464	7.3643	7.2538	98.4990
2027 and later years		4.3464	3.0179	2.9929	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.1163 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	20.1003	20.1003	79.8997	77.2233	96.6502
2016	59.2833	39.1830	40.7167	39.0098	95.8079
2017	73.0867	13.8034	26.9133	25.7463	95.6639
2018	80.3675	7.2808	19.6325	18.8371	95.9487
2019	87.7278	7.3603	12.2722	11.7317	95.5959
2020	94.4454	6.7175	5.5546	5.1551	92.8065
2021	96.5143	2.0689	3.4857	3.1555	90.5250
2022	97.9468	1.4326	2.0532	1.7639	85.9122
2023	97.4560	–0.4909	2.5440	2.2885	89.9567
2024	97.0652	–0.3908	2.9348	2.7210	92.7154

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		0.1836	2.7512	2.5816	93.8350
2026		0.1836	2.5675	2.4398	95.0234
2027		0.1836	2.3839	2.2956	96.2949
2028		0.1836	2.2003	2.1490	97.6687
2029 and later years		0.1836	2.0166	1.9999	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 94.8999 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	3.4987	3.4987	96.5013	89.0482	92.2767
2016	23.2170	19.7183	76.7830	70.6610	92.0268
2017	43.7483	20.5313	56.2517	51.1450	90.9217
2018	38.9131	–4.8352	61.0869	56.8799	93.1131
2019	47.9298	9.0167	52.0702	48.7434	93.6108
2020	80.0315	32.1017	19.9685	17.1920	86.0957
2021	76.5053	–3.5292	23.4947	21.0366	89.5374
2022	78.1701	1.6649	21.8299	19.7112	90.2946
2023	80.0717	1.9015	19.9283	18.1249	90.9504
2024	79.8791	–0.1926	20.1209	18.6236	92.5584

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		1.1246	18.9963	17.8025	93.7153
2026		1.1246	17.8717	16.9675	94.9407
2027		1.1246	16.7471	16.1186	96.2469
2028		1.1246	15.6225	15.2554	97.6499
2029 and later years		1.1246	14.4979	14.3776	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 94.8307 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	1.5423	1.5423	98.4577	92.6340	94.0850
2016	20.9273	19.3850	79.0727	74.6431	94.3980
2017	30.4705	9.5433	69.5295	66.2740	95.3179
2018	46.3043	15.8337	53.6957	51.4212	95.7641
2019	51.8464	5.5421	48.1536	46.6966	96.9743
2020	72.7869	20.9405	27.2131	26.3654	96.8851
2021	82.0967	9.3097	17.9033	17.4208	97.3044
2022	89.2630	7.1664	10.7370	10.4871	97.6728
2023	95.3692	6.1062	4.6308	4.5060	97.3057
2024	96.7995	1.4303	3.2005	3.1394	98.0930

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 2015 accident year and that are outstanding at the end of the tax year shown.

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2025		1.4303	1.7702	1.7499	98.8558
2026 and later years		1.4303	0.3399	0.3370	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.8979 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 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 (%)
2015	55.6145	55.6145	44.3855	43.7565	98.5830
2016	89.3328	33.7182	10.6672	10.4913	98.3512

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 2015 accident year and that are outstanding at the end of the tax year shown.

2017 and later years		5.3336	5.3336	5.2894	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2017 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 (%)
2015	85.4101	85.4101	14.5899	14.4576	99.0932
2016	99.5388	14.1287	0.4612	0.4536	98.3512

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 2015 accident year and that are outstanding at the end of the tax year shown.

2017 and later years		0.2306	0.2306	0.2287	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2017 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 (%)
2015	21.8973	21.8973	78.1027	72.0853	92.2956
2016	43.4962	21.5989	56.5038	51.5168	91.1741
2017	56.0061	12.5099	43.9939	39.7677	90.3938
2018	63.5544	7.5482	36.4456	32.8244	90.0641
2019	68.9880	5.4337	31.0120	27.8968	89.9549
2020	73.9567	4.9687	26.0433	23.3552	89.6784
2021	76.0580	2.1013	23.9420	21.6287	90.3379
2022	77.6365	1.5785	22.3635	20.4004	91.2217
2023	80.1194	2.4828	19.8806	18.2395	91.7448
2024	81.3456	1.2262	18.6544	17.3094	92.7898

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 2015 accident year and that are outstanding at the end of the tax year shown.

2025		1.2262	17.4281	16.3637	93.8922
2026		1.2262	16.2019	15.4021	95.0634
2027		1.2262	14.9757	14.4243	96.3185
2028		1.2262	13.7494	13.4301	97.6780
2029 and later years		1.2262	12.5232	12.4193	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 95.3961 percent to discount unpaid losses incurred in this line of business in 2015 and prior years and that are outstanding at the end of the 2025 taxable year.

SECTION 4. DRAFTING INFORMATION

The principal author of this revenue procedure is Linda K. Boyd of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Ms. Boyd at (202) 317-6995 (not a toll free number).

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

Rev. Proc. 2015–54

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2015 accident year. 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 the 2015 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2015, which is 1.68 percent, and by assuming all estimated salvage is recovered in the middle of the calendar year.

.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 Section V of Notice 88–100, 1988–2 C.B. 439, provides a composite discount factor to be used in determining the discounted unpaid losses for accident years that are not separately reported on the annual statement approved by the National Association of Insurance Commissioners. The tables separately provide discount factors for taxpayers who elect to use the composite method. Rev. Proc. 2002–74, 2002–2 C.B. 980, clarifies that for certain insurance companies subject to tax under § 831 the composite method for discounting unpaid losses set forth in Notice 88–100, section V, is permitted but not required. Rev. Proc. 2002–74 further provides alternative methods for computing discounted unpaid losses that are permitted for insurance companies not using the composite method, and sets forth a procedure for insurance companies to obtain automatic consent of the Commissioner to change to one of the methods described therein.

.04 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 99.1704 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2015 accident year as of the end of the 2015 and later taxable years.

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount all salvage recoverable in this line of business as of the end of the 2015 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2015	98.8182
2016	98.3512

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 2015 accident year.

2016 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2015	96.9251
2016	96.5972
2017	96.8626
2018	96.4644
2019	96.7729
2020	96.5774
2021	93.9900
2022	92.9148
2023	94.6305
2024	95.4038

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 2015 accident year.

2025	96.1834
2026	96.9679
2027	97.7528
2028	98.5231
2029 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 96.7254 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Composite

Tax Year	Discount Factors (%)
2015	96.7187
2016	96.5829
2017	96.7169
2018	95.7813
2019	96.0790
2020	95.8066
2021	95.7216
2022	96.1287
2023	96.1442
2024	96.9294

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 2015 accident year.

2025	97.7161
2026	98.4916
2027 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.1110 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Fidelity/Surety

Tax Year	Discount Factors (%)
2015	97.3600
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2015	97.0578
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

International (Composite)

Tax Year	Discount Factors (%)
2015	96.7187
2016	96.5829
2017	96.7169
2018	95.7813
2019	96.0790
2020	95.8066
2021	95.7216
2022	96.1287
2023	96.1442
2024	96.9294

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 2015 accident year.

2025	97.7161
2026	98.4916
2027 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.1110 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Medical Professional Liability — Claims-Made

Tax Year	Discount Factors (%)
2015	96.2853
2016	96.8197
2017	95.3511
2018	97.0671
2019	97.2086
2020	97.5013
2021	98.0593
2022	98.4368
2023	98.4246
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Medical Professional Liability — Occurrence

Tax Year	Discount Factors (%)
2015	96.6820
2016	97.9520
2017	97.6193
2018	98.3869
2019	97.7715
2020	98.6238
2021	98.2305
2022	98.2787
2023	97.1641
2024	97.9463

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 2015 accident year.

Medical Professional Liability — Occurrence

Tax Year	Discount Factors (%)
2025	98.7026
2026 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.7946 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2015	97.7462
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 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 (%)
2015	97.1583
2016	97.1289
2017	97.4482
2018	96.2697
2019	97.2414
2020	97.5378
2021	97.6302
2022	97.5696
2023	97.3653
2024	99.1704

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

Tax Year	Discount Factors (%)

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2015	98.1918
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Other Liability — Claims-Made

Tax Year	Discount Factors (%)
2015	96.1502
2016	96.3835
2017	96.4127
2018	97.1266
2019	97.1544

Other Liability — Claims-Made

Tax Year	Discount Factors (%)
2020	97.2574
2021	97.9465
2022	97.9289
2023	98.1008
2024	98.8644

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Other Liability – Occurrence

Tax Year	Discount Factors (%)
2015	94.1793
2016	94.8881
2017	95.6307
2018	96.0395
2019	96.5208
2020	97.1856
2021	97.2982
2022	97.2404
2023	98.3928
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Private Passenger Auto Liability/ Medical

Tax Year	Discount Factors (%)
2015	97.7016
2016	97.6211
2017	97.6057
2018	97.2325
2019	97.2234
2020	97.3129
2021	97.1676
2022	97.3660
2023	98.1400
2024	98.9085

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Products Liability — Claims-Made

Tax Year	Discount Factors (%)
2015	93.8701
2016	94.8470
2017	93.7313
2018	97.0350
2019	95.7792
2020	98.9292
2021	97.8379
2022	91.3409
2023	98.9724
2024	99.1704

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 2015 accident year.

Products Liability — Claims-Made

Tax Year	Discount Factors (%)
2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Products Liability — Occurrence

Tax Year	Discount Factors (%)
2015	94.4161
2016	94.4776
2017	95.0104
2018	95.8201
2019	96.1811
2020	96.7254
2021	96.6815
2022	98.0432
2023	97.6834
2024	98.4641

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Reinsurance — Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2015	95.7288
2016	97.1495
2017	95.8501
2018	95.0763
2019	96.4528
2020	95.8143

Reinsurance — Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2021	98.1847
2022	94.0969
2023	97.6004
2024	98.3971

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.8352 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Reinsurance — Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2015	92.3615
2016	93.8075
2017	90.4743
2018	91.3125
2019	94.9554
2020	96.8258
2021	96.3100
2022	96.6545
2023	95.5926
2024	98.0103

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 2015 accident year.

2025	98.7674
2026 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.8364 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Reinsurance — Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2015	92.9077
2016	93.9633
2017	96.1863
2018	96.2697
2019	97.1118
2020	95.9533
2021	97.1279
2022	97.0921
2023	99.0377
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

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

Tax Year	Discount Factors (%)
2015	97.8460
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Warranty

Tax Year	Discount Factors (%)
2015	97.5593
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2015	94.8444
2016	95.7991
2017	96.3073
2018	95.3961
2019	95.0278
2020	94.6138
2021	94.9915
2022	95.8699
2023	96.0405
2024	96.8288

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 2015 accident year.

2025	97.6221
2026	98.4143
2027 and later years	99.1704

Taxpayers that use the composite method of Notice 88–100 should use 98.0545 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Linda K. Boyd of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Ms. Boyd at (202) 317-6995 (not a toll free number).

Section 832.—Insurance Company Taxable Income

The composite loss discount factors for Reinsurance (Nonproportional Assumed Property) published in Rev. Proc. 2015—52, page 638.

Section 846.—Discounted Unpaid Losses Defined

The composite loss discount factors for Reinsurance (Nonproportional Assumed Property) published in Rev. Proc. 2015—52, page 638.

Section 832.—Insurance Company Taxable Income

The salvage discount factors and payment patterns are set forth for 2015. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2015—54, page 648.

Section 846.—Discounted Unpaid Losses Defined

The salvage discount factors and payment patterns are set forth for 2015. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2015—54, page 648.

Part IV. Items of General Interest

Notice of Proposed Rulemaking General Allocation and Accounting Regulations under Section 141

REG–140379–02, REG–142599–02

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Partial withdrawal of notice of proposed rulemaking.

SUMMARY: This document withdraws a portion of the notice of proposed rulemaking published in the **Federal Register** on September 26, 2006 (71 FR 56072). The withdrawn portion relates to certain general definitions for purposes of section 141 of the Internal Revenue Code and the treatment of partnerships for purposes of section 145(a).

DATES: As of October 27, 2015**,** the notice of proposed rulemaking published in the **Federal Register** on September 26, 2006 (71 FR 56072) is partially withdrawn.

FOR FURTHER INFORMATION CONTACT: Zoran Stojanovic, (202) 317-6980 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On September 26, 2006, the Department of the Treasury and the IRS published in the **Federal Register** proposed regulations (71 FR 56072; REG–140379–02, REG–142599–02) (the Proposed Regulations) that would amend certain regulations under sections 141 and 145. The Proposed Regulations include, among other provisions, certain general definitions for purposes of the private business tests under section 141 and rules regarding the treatment of certain partnerships for purposes of the modified private business tests and the ownership test under section 145. This document withdraws these general definitions and the provision relating to the treatment of partnerships for purposes of section 145, because these concepts either are unnecessary or are otherwise addressed as a result of other revisions to the remaining portions of the Proposed Regulations that are adopted as final regulations published elsewhere in this edition of the **Internal Revenue Bulletin**.

* * * * *

Partial Withdrawal of a Notice of Proposed Rulemaking

Accordingly, under the authority of 26 U.S.C. 7805, §§ 1.141–1(b) and 1.145–2(c)(3) of the notice of proposed rulemaking (REG–140379–02, REG–142599–02) published in the **Federal Register** on September 26, 2006 (71 FR 56072), are withdrawn.

John Dalrymple
Deputy Commissioner for Services and Enforcement.

(Filed by the Office of the Federal Register on October 26, 2015, 8:45 a.m., and published in the issue of the Federal Register for October 27, 2015, 80 F.R. 65670)

Notice of Proposed Rulemaking Definition of Terms Relating to Marital Status

REG–148998–13

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations that reflect the holdings of *Obergefell v. Hodges*, 576 U.S. ___, 135 S. Ct. 2584 (2015), *Windsor v. United States*, 570 U.S. ___, 133 S. Ct. 2675 (2013), and Revenue Ruling 2013–17 (2013–38 IRB 201), and that define terms in the Internal Revenue Code (Code) describing the marital status of taxpayers. The proposed regulations primarily affect married couples, employers, sponsors and administrators of employee benefit plans, and executors. This document invites comments from the public regarding these proposed regulations.

DATES: Written or electronic comments and requests for a public hearing must be received by December 7, 2015.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG–148998–13), room 5205, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG–148998–13), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC; or sent electronically via the Federal eRulemaking Portal at *www.regulations.gov* (IRS REG–148998–13).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed amendments to the regulations, Mark Shurtliff at (202) 317-3400; concerning submissions of comments and requests for a hearing, Regina Johnson at (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

This document contains proposed amendments to the Income Tax Regulations (26 CFR part 1), the Estate Tax Regulations (26 CFR part 20), the Gift Tax Regulations (26 CFR part 25), the Generation-Skipping Transfer Tax Regulations (26 CFR part 26), the Employment Tax and Collection of Income Tax at Source Regulations (26 CFR part 31), and the Regulations on Procedure and Administration (26 CFR part 301).

Amendments to Regulations Incorporating Holdings of Windsor, Obergefell, and Revenue Ruling 2013–17

On June 26, 2013, the Supreme Court in *United States v. Windsor*, 570 U.S. ___, 133 S. Ct. 2675 (2013), held that Section 3 of the Defense of Marriage Act, which generally prohibited the federal government from recognizing the marriages of same-sex couples, is unconstitutional because it violates the principles of equal protection and due process. Revenue Ruling 2013–17 provides guidance on the

Windsor decision's effect on the IRS's interpretation of Code sections that refer to taxpayers' marital status. *Cf.* Notice 2014–19 (2014–47 IRB 979), amplified by Notice 2014–37 (2014–24 IRB 1100) (regarding the application of the *Windsor* decision to qualified retirement plans); Notice 2014–1 (2014–02 IRB 270) (regarding elections and reimbursements for same-sex spouses under cafeteria plans, flexible spending arrangements, and health savings accounts following the Windsor decision); Notice 2013–61 (2013–44 IRB 432) (regarding the application of the *Windsor* decision and Rev. Rul. 2013–17 to employment taxes and special administrative procedures for employers to make adjustments or claims for refund or credit); and Revenue Procedure 2014–18 (2014–7 IRB 513) (regarding extensions of time for estates to make a portability election). On June 26, 2015, the Supreme Court in *Obergefell v. Hodges*, 576 U.S. ___ (2015), held that state laws are "invalid to the extent they exclude same-sex couples from civil marriage on the same terms and conditions as opposite-sex couples" and "that there is no lawful basis for a State to refuse to recognize a lawful same-sex marriage performed in another State on the ground of its same-sex character." *Obergefell*, 576 U.S. at 23, 28.

In light of the holdings of *Windsor* and *Obergefell*, the Treasury Department and the IRS have determined that, for federal tax purposes, marriages of couples of the same-sex should be treated the same as marriages of couples of the opposite-sex and that, for reasons set forth in Revenue Ruling 2013–17, terms indicating sex, such as "husband," "wife," and "husband and wife," should be interpreted in a neutral way to include same-sex spouses as well as opposite-sex spouses. Accordingly, these proposed regulations amend the current regulations under section 7701 of the Internal Revenue Code (Code) to provide that, for federal tax purposes, the terms "spouse," "husband," and "wife" mean an individual lawfully married to another individual, and the term "husband and wife" means two individuals lawfully married to each other. These definitions apply regardless of sex.

In addition, these proposed regulations provide that a marriage of two individuals will be recognized for federal tax purposes if that marriage would be recognized by any state, possession, or territory of the United States. Under this rule, whether a marriage conducted in a foreign jurisdiction will be recognized for federal tax purposes depends on whether that marriage would be recognized in at least one state, possession, or territory of the United States. This comports with the general principles of comity where countries recognize actions taken in foreign jurisdictions, but only to the extent those actions do not violate their own laws. See *Hilton v. Guyot*, 159 U.S. 113, 167 (1895) ("A judgment affecting the status of persons, such as a decree confirming or dissolving a marriage, is recognized as valid in every country, unless contrary to the policy of its own law.").

Although these proposed regulations define terms relating to marital status for federal tax purposes, the IRS may provide additional guidance as needed. For example, the IRS has already issued more particular guidance for employers regarding the application of Revenue Ruling 2013–17 to qualified retirement plans, and that guidance remains in effect. See Notice 2014–19 (2014–47 IRB 979).

Registered Domestic Partnerships, Civil Unions, or Other Similar Relationships Not Denominated as Marriage

For federal tax purposes, the term "marriage" does not include registered domestic partnerships, civil unions, or other similar relationships recognized under state law that are not denominated as a marriage under that state's law, and the terms "spouse," "husband and wife," "husband," and "wife" do not include individuals who have entered into such a relationship.

Except when prohibited by statute, the IRS has traditionally looked to the states to define marital status. See *Loughran v. Loughran*, 292 U.S. 216, 223 (1934) ("Marriages not polygamous or incestuous, or otherwise declared void by statute, will, if valid by the law of the state where entered into, be recognized as valid in every other jurisdiction."); see also Revenue Ruling 58–66 (1958–1 CB 60) (if a state recognizes a common-law marriage as a valid marriage, the IRS will also recognize the couple as married for purposes of federal income tax filing status and personal exemptions). States have carefully considered the types of relationships that they choose to recognize as a marriage and the types that they choose to recognize as something other than a marriage. Although some states extend all of the rights and responsibilities of marriage under state law to couples in registered domestic partnerships, civil unions, or other similar relationships, those states have intentionally chosen not to denominate those relationships as marriages. Similar rules exist in some foreign jurisdictions.

Some couples have chosen to enter into a civil union or registered domestic partnership even when they could have married, and some couples who are in a civil union or registered domestic partnership have chosen not to convert those relationships into a marriage even when they have had the opportunity to do so. In many cases, this choice was deliberate, and couples who enter into civil unions or registered domestic partnerships may have done so with the expectation that their relationship will not be treated as a marriage for purposes of federal law. For some of these couples, there are benefits to being in a relationship that provides some, but not all, of the protections and responsibilities of marriage. For example, some individuals who were previously married and receive Social Security benefits as a result of their previous marriage may choose to enter into a civil union or registered domestic partnership (instead of a marriage) so that they do not lose their Social Security benefits. More generally, the rates at which some couples' income is taxed may increase if they are considered married and thus required to file a married-filing-separately or married-filing-jointly federal income tax return. Treating couples in civil unions and registered domestic partnerships the same as married couples who are in a relationship denominated as marriage under state law could undermine the expectations certain couples have regarding the scope of their relationship. Further, no provision of the Code indicates that Congress intended to recognize as marriages civil unions, registered domestic partnerships, or similar relationships. Accordingly, the IRS will not treat civil unions, registered domestic partnerships, or other similar relationships as marriages for federal tax purposes.

Effect on Other Documents

These proposed regulations would, as of the date they are published as final regulations in the **Federal Register**, obsolete Revenue Ruling 2013–17. Taxpayers may continue to rely on guidance related to the application of Revenue Ruling 2013–17 to employee benefit plans and the benefits provided under such plans, including Notice 2013–61, Notice 2014–37, Notice 2014–19, and Notice 2014–1.

Proposed Effective/Applicability Date

The regulations, as proposed, would be applicable as of the date of publication of a Treasury decision adopting these rules as final regulations in the **Federal Register**.

Statement of Availability for IRS Documents

For copies of recently issued Revenue Procedures, Revenue Rulings, Notices, and other guidance published in the Internal Revenue Bulletin, please visit the IRS website at *http://www.irs.gov*.

Special Analyses

Certain IRS regulations, including this one, are exempt from the requirements of Executive Order 12866, as supplemented and reaffirmed by Executive Order 13563. Therefore, a regulatory impact assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. In addition, because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Accordingly, a regulatory flexibility analysis is not required under the Regulatory Flexibility Act (5 U.S.C. chapter 6). Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small businesses.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the "Addresses" heading. Treasury and the IRS request comments on all aspects of the proposed rules. All comments will be available at *www.regulations.gov* or upon request. A public hearing will be scheduled if requested in writing by any person who timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these proposed regulations is Mark Shurtliff of the Office of the Associate Chief Counsel, Procedure and Administration.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1, 20, 25, 26, 31, and 301 are proposed to be amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Par 2. Section 1.7701–1 is added to read as follows:

§ 1.7701–1 Definitions; spouse, husband and wife, husband, wife, marriage.

(a) *In general*. For the definition of the terms spouse, husband and wife, husband, wife, and marriage, see § 301.7701–18 of this chapter.

(b) *Effective/applicability date*. The rules of this section apply to taxable years ending on or after the date of publication of the Treasury decision adopting these rules as final regulation in the **Federal Register**.

PART 20—ESTATE TAX; ESTATES OF DECEDENTS DYING AFTER AUGUST 16, 1954

Par. 3. The authority citation for part 20 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Par. 4. Section 20.7701–2 is added to read as follows:

§ 20.7701–2 Definitions; spouse, husband and wife, husband, wife, marriage.

(a) *In general*. For the definition of the terms spouse, husband and wife, husband, wife, and marriage, see § 301.7701–18 of this chapter.

(b) *Effective/applicability date*. The rules of this section apply to taxable years ending on or after the date of publication of the Treasury decision adopting these rules as final regulation in the **Federal Register**.

PART 25—GIFT TAX; GIFTS MADE AFTER DECEMBER 31, 1954

Par. 5. The authority citation for part 25 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Par. 6. Section 25.7701–2 is added to read as follows:

§ 25.7701–2 Definitions; spouse, husband and wife, husband, wife, marriage.

(a) *In general*. For the definition of the terms spouse, husband and wife, husband, wife, and marriage, see § 301.7701–18 of this chapter.

(b) *Effective/applicability date*. The rules of this section apply to taxable years ending on or after the date of publication of the Treasury decision adopting these rules as final regulation in the **Federal Register**.

PART 26—GENERATION-SKIPPING TRANSFER TAX REGULATIONS UNDER THE TAX REFORM ACT OF 1986

Par. 7. The authority citation for part 26 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Par. 8. Section 26.7701–2 is added to read as follows:

§ 26.7701–2 Definitions; spouse, husband and wife, husband, wife, marriage.

(a) *In general*. For the definition of the terms spouse, husband and wife, husband, wife, and marriage, see § 301.7701–18 of this chapter.

(b) *Effective/applicability date*. The rules of this section apply to taxable years ending on or after the date of publication of the Treasury decision adopting these rules as final regulation in the **Federal Register**.

PART 31—EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX AT THE SOURCE

Par. 9. The authority citation for part 31 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Par. 10. Section 31.7701–2 is added to read as follows:

§ 31.7701–2 Definitions; spouse, husband and wife, husband, wife, marriage.

(a) *In general*. For the definition of the terms spouse, husband and wife, husband, wife, and marriage, see § 301.7701–18 of this chapter.

(b) *Effective/applicability date*. The rules of this section apply to taxable years ending on or after the date of publication of the Treasury decision adopting these rules as final regulation in the **Federal Register**.

PART 301—PROCEDURE AND ADMINISTRATION

Par. 11. The authority citation for part 301 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Par. 12. Section 301.7701–18 is added to read as follows:

§ 301.7701–18 Definitions; spouse, husband and wife, husband, wife, marriage.

(a) *In general*. For federal tax purposes, the terms *spouse*, *husband*, and *wife* mean an individual lawfully married to another individual. The term *husband and wife* means two individuals lawfully married to each other.

(b) *Persons who are married for federal tax purposes*. A marriage of two individuals is recognized for federal tax purposes if the marriage would be recognized by any state, possession, or territory of the United States.

(c) *Persons who are not married for federal tax purposes*. The terms *spouse*, *husband*, and *wife* do not include individuals who have entered into a registered domestic partnership, civil union, or other similar relationship not denominated as a marriage under the law of a state, possession, or territory of the United States. The term *husband and wife* does not include couples who have entered into such a relationship, and the term *marriage* does not include such relationships.

(d) *Effective/applicability date*. The rules of this section apply to taxable years ending on or after the date of publication of the Treasury decision adopting these rules as final regulation in the **Federal Register**.

John M. Dalrymple,
Deputy Commissioner for Services and Enforcement.

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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.
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[1]A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2015–01 through 2015–26 is in Internal Revenue Bulletin 2015–26, dated June 29, 2015.

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INTERNAL REVENUE BULLETIN

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at *www.irs.gov/irb/*.

We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page (*www.irs.gov*) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.