

# Internal Revenue bulletin

Bulletin No. 2015–3  
January 20, 2015

## HIGHLIGHTS OF THIS ISSUE

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

### INCOME TAX

#### **Announcement 2015–2, page 324.**

This Announcement provides a simplified process for issuers of qualified 501(c)(3) bonds, as defined in the Announcement, to request a closing agreement in situations in which the borrower of the proceeds of the bonds received Prospective Reinstatement, as defined in the Announcement, after its tax-exempt status was automatically revoked under section 6033(j)(1) of the Internal Revenue Code (the “Code”).

#### **Rev. Rul. 2015–2, page 321.**

Insurance companies; interest rate tables. Prevailing state assumed interest rates are provided for the determination of reserves under section 807 of the Internal Revenue Code for contracts issued in 2014 and 2015. Rev. Rul. 92–19 is supplemented in part.

### EMPLOYEE PLANS

#### **Announcement 2015–3, page 328.**

This announcement provides automatic approval of a change in funding method with respect to a single-employer defined benefit plan under certain circumstances in which the change in method results from a change in the plan’s enrolled actuary. The automatic approval provided by this announcement will apply for plan years beginning on or after January 1, 2013.

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.

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

## Section 807.—Rules for Certain Reserves

### Rev. Rul. 2015-2

For purposes of § 807(d)(4) of the Internal Revenue Code, for taxable years beginning after December 31, 2013, this ruling supplements the schedules of prevailing state assumed interest rates set forth in Rev. Rul. 92-19, 1992-1 C.B. 227. This information is to be used by insurance companies in computing their reserves for (1) life insurance and supplementary total and permanent disability benefits, (2) individual annuities and pure endowments, and (3) group annuities and pure endowments. As § 807(d)(2)(B) requires that the interest rate used to compute these reserves be the greater of (1) the applicable federal interest rate, or (2) the prevailing state assumed interest rate, the table of applicable fed-

eral interest rates in Rev. Rul. 92-19 is also supplemented.

Following are supplements to schedules A, B, C, and D to Part III of Rev. Rul. 92-19, providing prevailing state assumed interest rates for insurance products with different features issued in 2014 and 2015, and a supplement to the table in Part IV of Rev. Rul. 92-19, providing the applicable federal interest rates under § 807(d) for 2014 and 2015. This ruling does not supplement Parts I and II of Rev. Rul. 92-19.

This is the twenty-third supplement to the interest rates provided in Rev. Rul. 92-19. Earlier supplements were published in Rev. Rul. 93-58, 1993-2 C.B. 241 (interest rates for insurance products issued in 1992 and 1993); Rev. Rul. 94-11, 1994-1 C.B. 196 (1993 and 1994); Rev. Rul. 95-4, 1995-1 C.B. 141 (1994 and 1995); Rev. Rul. 96-2, 1996-1 C.B. 141 (1995 and 1996); Rev. Rul. 97-2, 1997-1 C.B. 134 (1996 and 1997); Rev. Rul. 98-2, 1998-1 C.B. 259 (1997 and

1998); Rev. Rul. 99-10, 1999-1 C.B. 671 (1998 and 1999); Rev. Rul. 2000-17, 2000-1 C.B. 842 (1999 and 2000); Rev. Rul. 2001-11, 2001-1 C.B. 780 (2000 and 2001); Rev. Rul. 2002-12, 2002-1 C.B. 624 (2001 and 2002); Rev. Rul. 2003-24, 2003-1 C.B. 557 (2002 and 2003); Rev. Rul. 2004-14, 2004-1 C.B. 511 (2003 and 2004); Rev. Rul. 2005-29, 2005-1 C.B. 1080 (2004 and 2005); Rev. Rul. 2006-25, 2006-1 C.B. 882 (2005 and 2006); Rev. Rul. 2007-10, 2007-1 C.B. 660 (2006 and 2007); Rev. Rul. 2008-19, 2008-1 C.B. 669 (2007 and 2008); Rev. Rul. 2009-3, 2009-5 I.R.B. 382 (2008 and 2009); Rev. Rul. 2010-7, 2010-8 I.R.B. 417 (2009 and 2010); Rev. Rul. 2011-23, 2011-43 I.R.B. 585 (2010 and 2011); Rev. Rul. 2012-6, 2012-6 I.R.B. 349 (2011 and 2012); Rev. Rul. 2013-4, 2013-9 I.R.B. 520 (2012 and 2013); and Rev. Rul. 2014-4, 2014-5 I.R.B. 449 (2013 and 2014).

### Part III. Prevailing State Assumed Interest Rates—Products Issued in Years After 1982.\*

#### Schedule A

#### STATUTORY VALUATION INTEREST RATES BASED ON THE 1980 AMENDMENTS TO THE NAIC STANDARD VALUATION LAW

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##### A. Life insurance valuation:

<i>Guarantee Duration (years)</i>	<i>Calendar Year of Issue 2015</i>
10 or fewer	3.75**
More than 10 but not more than 20	3.75**
More than 20	3.50**

Source: Rates calculated from the monthly averages, ending June 30, 2014, of Moody's Composite Yield on Seasoned Corporate Bonds.

\*The terms used in the schedules in this ruling and in Part III of Rev. Rul. 92-19 are those used in the Standard Valuation Law; the terms are defined in Rev. Rul. 92-19.

\*\*As these rates exceed the applicable federal interest rate for 2015 of 1.68 percent, the valuation interest rate to be used for this product under § 807 is the applicable rate specified in this table.

**Part III, Schedule B**

STATUTORY VALUATION INTEREST RATES  
BASED ON THE 1980 AMENDMENTS TO THE  
NAIC STANDARD VALUATION LAW

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B. Single premium immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options:

<i>Calendar Year of Issue</i>	<i>Valuation Interest Rate</i>
2014	4.50*

Source: Rates calculated from the monthly averages, ending June 30, 2014, of Moody's Composite Yield on Seasoned Corporate Bonds.

\*As this prevailing state assumed interest rate exceeds the applicable federal interest rate for 2014 of 1.79 percent, the valuation interest rate of 4.50 percent is to be used for this product under § 807.

**Part III, Schedule C24–2014**

STATUTORY VALUATION INTEREST RATES  
BASED ON NAIC STANDARD VALUATION LAW  
FOR 2014 CALENDAR YEAR BUSINESS  
GOVERNED BY THE 1980 AMENDMENTS

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C. Valuation interest rates for other annuities and guaranteed interest contracts that are valued on an issue year basis:

<i>Cash Settlement Options?</i>	<i>Future Interest Guarantee?</i>	<i>Guarantee Duration (years)</i>	<i>Valuation Interest Rate For Plan Type</i>		
			<i>A</i>	<i>B</i>	<i>C</i>
Yes	Yes	5 or fewer	4.50*	4.00*	3.75*
		More than 5, but not more than 10	4.25*	4.00*	3.75*
		More than 10, but not more than 20	4.00*	3.75*	3.75*
		More than 20	3.75*	3.50*	3.50*
Yes	No	5 or fewer	4.50*	4.00*	4.00*
		More than 5, but not more than 10	4.50*	4.00*	4.00*
		More than 10, but not more than 20	4.00*	3.75*	3.75*
		More than 20	3.75*	3.50*	3.50*
No	Yes or No	5 or fewer	4.50*		
		More than 5, but not more than 10	4.25*	NOT APPLICABLE	
		More than 10, but not more than 20	4.00*		
		More than 20	3.75*		

Source: Rates calculated from the monthly averages, ending June 30, 2014, of Moody's Composite Yield on Seasoned Corporate Bonds.

\*As these rates exceed the applicable federal interest rate for 2014 of 1.79 percent, the valuation interest rate to be used for this product under § 807 is the applicable rate specified in the above table.

**Part III, Schedule D24–2014**

STATUTORY VALUATION INTEREST  
RATES BASED ON NAIC STANDARD VALUATION LAW  
FOR 2014 CALENDAR YEAR BUSINESS  
GOVERNED BY THE 1980 AMENDMENTS

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D. Valuation interest rates for other annuities and guaranteed interest contracts that are contracts with cash settlement options and that are valued on a change in fund basis:

<i>Cash Settlement Options?</i>	<i>Future Interest Guarantee?</i>	<i>Guarantee Duration (years)</i>	<i>Valuation Interest Rate For Plan Type</i>		
			<i>A</i>	<i>B</i>	<i>C</i>
Yes	Yes	5 or fewer	4.75*	4.50*	4.00*
		More than 5, but not more than 10	4.50*	4.50*	4.00*
		More than 10, but not more than 20	4.50*	4.25*	3.75*
		More than 20	4.00*	4.00*	3.75*
Yes	No	5 or fewer	4.75*	4.50*	4.00*
		More than 5, but not more than 10	4.75*	4.50*	4.00*
		More than 10, but not more than 20	4.50*	4.50*	4.00*
		More than 20	4.00*	4.00*	3.75*

Source: Rates calculated from the monthly averages, ending June 30, 2014, of Moody’s Composite Yield on Seasoned Corporate Bonds.

\* As these rates exceed the applicable federal interest rate for 2014 of 1.79 percent, the valuation interest rate to be used for this product under § 807 is the applicable rate specified in the above table.

**Part IV. Applicable Federal Interest Rates.**

TABLE OF  
APPLICABLE FEDERAL INTEREST RATES  
FOR PURPOSES OF § 807

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<i>Year</i>	<i>Interest Rate</i>
2014	1.79
2015	1.68

Sources: Rev. Rul. 2004–106, 2004–2 C.B. 893, for the 2005 rate; Rev. Rul. 2005–77, 2005–2 C.B. 1071, for the 2006 rate; Rev. Rul. 2006–61, 2006–2 C.B. 1028 for the 2007 rate; Rev. Rul. 2007–70, 2007–2 C.B. 1158 for the 2008 rate; Rev. Rul. 2008–53, 2008–2 C.B. 1231 for the 2009 rate; Rev. Rul. 2009–38, 2009–49 I.R.B. 736, for the 2010 rate; Rev. Rul. 2010–29, 2010–50 I.R.B. 818 for the 2011 rate; Rev. Rul. 2011–31, 2011–49 I.R.B. 829 for the 2012 rate; Rev. Rul. 2012–31, 2012–49 I.R.B. 636 for the 2013 rate; Rev. Rul. 2013–26, 2013–50 I.R.B. 628 for the 2014 rate; and Rev. Rul. 2014–31, 2014–50 I.R.B. 935 for the 2015 rate.

**EFFECT ON OTHER REVENUE  
RULINGS**

Rev. Rul. 92–19 is supplemented by the addition to Part III of that ruling of prevailing state assumed interest rates under § 807 for certain insurance products issued in 2014 and 2015 and is further supplemented by an addition to the table

in Part IV of Rev. Rul. 92–19 listing applicable federal interest rates. Parts I and II of Rev. Rul. 92–19 are not affected by this ruling.

**DRAFTING INFORMATION**

The principal author of this revenue ruling is Alexis A. MacIvor of the Office

of Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling contact her at (202) 317-6995 (not a toll-free number).

## Part IV. Items of General Interest

### TEB Voluntary Closing Agreement Program: Relief from violation of qualified ownership and use requirements for qualified 501(c)(3) bonds.

#### Announcement 2015-2

This Announcement provides a simplified process for issuers of qualified 501(c)(3) bonds, as defined below, to request a closing agreement in situations in which the borrower of the proceeds of the bonds received Prospective Reinstatement, as defined below, after its tax-exempt status was automatically revoked under section 6033(j)(1) of the Internal Revenue Code (the “Code”).

#### SECTION 1. BACKGROUND

Interest on bonds issued under section 145 of the Code (“qualified 501(c)(3) bonds”) is tax exempt if certain requirements are met, including two principal requirements under section 145(a). First, all the property financed with the net proceeds of the bonds must be owned by an organization exempt from tax under section 501(c)(3) (a “501(c)(3) organization”) or a state or local government entity. Second, the property financed with the net proceeds of the bonds must be used almost exclusively by 501(c)(3) organizations in their related trade or business or state or local government entities. If an organization for which qualified 501(c)(3) bonds are issued fails to qualify as a 501(c)(3) organization at any time while the bonds are outstanding, the bonds may fail to qualify under section 145 of the Code.

Pursuant to section 6033(j), when a 501(c)(3) organization fails to file an annual return or notice required under subsection 6033(a)(1) or 6033(i) for three consecutive years, the organization’s status as a 501(c)(3) organization shall be considered revoked on and after the required date for the filing of the third annual return or notice (the “Revocation Date”). Section 6033(j)(2) of the Code provides a mechanism by which an orga-

nization may seek reinstatement of its exempt status after automatic revocation.

Pursuant to section 6033(j)(3), retroactive reinstatement of the organization’s section 501(c)(3) status may be granted in certain situations. If an organization can show reasonable cause for its failure to file, the organization’s exempt status may be reinstated retroactively to the Revocation Date, which means there will be no time during which the organization was not a 501(c)(3) organization. Revenue Procedure 2014-11, 2014-3 IRB 411, provides the procedures under which an automatically revoked organization can request reinstatement, including retroactive reinstatement, of its exempt status. However, under certain situations described in Rev. Proc. 2014-11, the effective date of reinstatement of the 501(c)(3) organization’s exempt status may be later than the Revocation Date (“Prospective Reinstatement”).

#### SECTION 2. APPLICATION OF THIS ANNOUNCEMENT AND THE CLOSING AGREEMENT PROCESS.

.01 An issuer of qualified 501(c)(3) bonds (the “Bonds”) may apply for a closing agreement under this Announcement if the following requirements are met:

(1) The 501(c)(3) organization that is the beneficiary of the Bonds (the “Organization”) has received Prospective Reinstatement of its exempt status.

(2) The Organization’s exempt status has not been previously revoked since the issue date of the Bonds. If the proceeds of the Bonds were used to refund prior qualified 501(c)(3) bonds, for purposes of this Announcement, the “issue date” means the issue date of the refunded bonds.

(3) The request for the closing agreement is submitted within 12 months of the date of the reinstatement letter. If the reinstatement letter is dated before December 30, 2014, the issuer has 12 months from December 30, 2014 to submit a closing agreement under this Announcement.

(4) The Bonds are not under examination by the Internal Revenue Service.

.02 To obtain relief under this Announcement, an issuer must submit the documents in (1) and (2) below to the address provided in Section 2.05 of this Announcement and pay the closing agree-

ment amount computed in accordance with Section 2.04 of this Announcement:

(1) Three executed copies of the completed closing agreement, including the Attachment A, in the form attached as an Exhibit to this Announcement,

(2) A copy of the reinstatement letter received by the Organization.

.03 If the Organization’s revocation affects more than one of the issuer’s bond issues, the issuer may submit one closing agreement to cover all affected bond issues. If the Bonds fail to qualify because more than one Organization that is the borrower of the proceeds of the Bonds had its exempt status revoked under section 6033(j) of the Code, the issuer must submit a separate closing agreement under this Announcement for each Organization.

.04 The closing agreement amount for each bond issue covered by a closing agreement will equal \$500 for each calendar month or portion thereof in the period starting with the month that includes the Revocation Date and ending in the month that includes the effective date of the reinstatement of the exempt status of the Organization. The issuer must pay the closing agreement amount for each bond issue included in the closing agreement as provided in the Attachment to the Agreement.

.05 The issuer must submit items in Section 2.02 of this Announcement to:

Internal Revenue Service (TE/GE)  
1122 Town & Country Commons  
Chesterfield, MO 63017

Attn: Ken Stengel, SE:T:GE:TEB:CPM

.06 Issuers of bonds for which there are violations not covered under this Announcement should refer to Notice 2008-31, 2008-11 IRB 592 (March 17, 2008), setting forth the Office of Tax Exempt Bonds’ Voluntary Closing Agreement Program.

#### SECTION 3. DRAFTING INFORMATION

The principal author of this Announcement is James L. Held of the IRS Office of Tax Exempt Bonds. For further information regarding this Announcement, contact James Held at (401) 528-1869 (not a toll-free number).

**Exhibit**  
**CLOSING AGREEMENT ON FINAL DETERMINATION**  
**COVERING SPECIFIC MATTERS**

Under section 7121 of the Internal Revenue Code of 1986, as amended (the "Code"), Issuer Name, Issuer EIN (the "Issuer"), Affected Organization Name, Affected Organization EIN, (the "Affected Organization") and the Commissioner of Internal Revenue (the "IRS") make this closing agreement (the "Agreement").

WHEREAS, this Agreement is based on the following facts and representations:

- A. This Agreement is in settlement of issues raised in a request for a voluntary closing agreement pertaining to the (insert Legal Description of Bonds, Par Amount, Name, Type, Project, Series, Etc.) (the "Bonds"), issued on (Issue Date(s)).
- B. Except as otherwise specifically stated in this paragraph B, the Issuer and Affected Organization make the following representations:
  1. The Bonds were issued and sold under the representation to bondholders that the Bonds comply with all provisions of the Code such that interest on the Bonds is not included in the bondholders' gross income.
  2. The Bonds were issued as qualified 501(c)(3) bonds pursuant to section 145 of the Code.
  3. The Affected Organization represents that on (insert Date of Revocation), the Affected Organization's status as an organization described in section 501(c)(3) of the Code was revoked pursuant to section 6033(j) of the Code.
  4. The Affected Organization represents that the Affected Organization received reinstatement of its exempt status as an organization described in section 501(c)(3) of the Code effective on (Insert Date).
  5. The Issuer and Affected Organization represent that they are aware of no reason, other than the Affected Organization's revocation under section 6033(j), that the bonds fail to qualify as qualified 501(c)(3) bonds the interest on which is excludable from gross income under section 103 of the Code.
  6. The Issuer represents that to the best of the Issuer's knowledge and belief, the above representations of the Affected Organization are true, accurate and complete.
  7. The Issuer represents that it satisfies all of the requirements for relief under Announcement 2015-2.
- C. Based on the representations of the Issuer and Affected Organization in paragraph B, the IRS has a basis to conclude that interest on the Bonds is includable in the bondholders' gross income because the described revocation of the Affected Organization's status under section 6033(j) of the Code resulted in the failure of the Bonds to meet the requirements of section 145(a) of the Code.
- D. The IRS has not formally asserted any claims against the Issuer or the Affected Organization, or sought to tax interest on the Bonds.
- E. The Issuer, the Affected Organization and the IRS desire to resolve the violation described in paragraph C.
- F. The terms of this Agreement were arrived at pursuant to Announcement 2015-2 and may differ from the settlement terms of other closing agreements.
- G. The Issuer and the Affected Organization also represent that payment of the Settlement Amount defined below shall be made from sources other than proceeds of bonds described in sections 103, 54A or 54AA of the Code.

NOW, IT IS HEREBY DETERMINED AND AGREED PURSUANT TO THIS AGREEMENT EXECUTED BY THE PARTIES HERETO UNDER SECTION 7121 OF THE CODE THAT FOR FEDERAL INCOME TAX PURPOSES:

1. Prior to the execution of this Agreement by the IRS, the Issuer shall cause to be electronically paid the sum of \$ \_\_\_\_\_, (\_\_\_\_\_ Dollars) (the "Settlement Amount") to the U.S. Treasury via the Electronic Federal Tax Payment System and in accordance with the directions contained in the Attachment to this Agreement.
2. The Settlement Amount is not refundable or subject to credit or offset under any circumstance.
3. The Settlement Amount or any portion thereof paid by or on behalf of the Issuer shall not be deductible or amortizable for federal income tax purposes by any person.
4. The Settlement Amount shall not be treated as income to any person benefiting from this Agreement.
5. The bondholders shall not be required to include interest paid on the Bonds in gross income because of the specific violation identified in paragraph C.
6. The IRS may take any appropriate action, including requiring bondholders to include interest paid on the Bonds in gross income, for any violation not specifically listed in paragraph C that has occurred or will occur with respect to the Bonds.
7. This Agreement is not based upon an examination of the Bonds by the IRS and does not preclude or impede an examination of the Bonds, the Issuer, the Affected Organization, or any Bondholder with respect to matters not addressed herein.
8. This Agreement may not be cited or relied upon by any person or entity whatsoever as precedent in the disposition of any other case.

9. This Agreement is final and conclusive, except that:
- a. The matter it relates to may be reopened in the event of fraud, malfeasance, or misrepresentation of a material fact;
  - b. It is subject to sections of the Code that expressly provide that effect be given to their provisions notwithstanding any other law or rule of law; and
  - c. If it relates to a tax period ending after the effective date of this agreement, it is subject to any law enacted after the Agreement date that applies to that tax period.

This space intentionally left blank.

By signing, the parties certify that they have read and agreed to the terms of this Agreement.

**ISSUER:**

**EIN:**

By signing, I certify that I have the authority to execute this Agreement on behalf of Issuer

**BY:**

\_\_\_\_\_

SIGNATURE

\_\_\_\_\_

NAME (PLEASE PRINT)

\_\_\_\_\_

TITLE

\_\_\_\_\_

DATE

**AFFECTED ORGANIZATION:**

**EIN:**

By signing, I certify that I have the authority to execute this Agreement on behalf of Affected Organization

**BY:**

\_\_\_\_\_

SIGNATURE

\_\_\_\_\_

NAME (PLEASE PRINT)

\_\_\_\_\_

TITLE

\_\_\_\_\_

DATE

**COMMISSIONER OF INTERNAL REVENUE:**

**BY:**

\_\_\_\_\_

SIGNATURE

Karen A. Skinder  
Acting Manager, Tax Exempt Bonds Compliance & Program  
Management

\_\_\_\_\_

NAME AND TITLE

\_\_\_\_\_

DATE

**Attachment A**

**Taxpayer Information Worksheet for Electronic Federal Tax Payment System Deposit**

This Agreement requires the electronic deposit of the Settlement Amount set forth in the Agreement to the U.S. Treasury through the Electronic Federal Tax Payment System (EFTPS) as a term for resolution of certain identified matters related to the tax-advantaged treatment of interest paid on a municipal obligation. This Settlement Amount will be deposited in accordance with this Attachment.

In signing the Agreement, the Issuer represents that to the best of its knowledge, the information provided below is correct. Unless specifically stated otherwise is in this Attachment, Issuer is to deposit the Settlement Amount through the EFTPS (either *EFTPS – Direct* or *EFTPS – Through a Financial Institution*) accurately and in accordance with this information and the terms of this Agreement.

1. Total Amount of Tax Deposit: \$ \_\_\_\_\_
2. Issuer Employee Identification Number (EIN): \_\_\_\_\_
3. Issuer Name Control (4 characters): \_\_\_\_\_
4. Issuer Name (up to 35 characters): \_\_\_\_\_
5. Tax Type (5 characters): **80384**
6. Tax Year (2 digits): \_\_\_\_
7. Tax Month (2 digits): \_\_\_\_

The Issuer's financial institution may call the EFTPS Financial Institution Helpline for questions or assistance at **1-800-605-9876** (Monday – Friday, 8:00 a.m. – 8:00 p.m., Eastern Standard Time).

**NOTE:** If the Issuer is *not* enrolled in *EFTPS – Direct* or *EFTPS – Through a Financial Institution*, or is otherwise unable to use the Same Day Payment option, the Issuer should provide its financial institution with the information listed above and direct it to accurately deposit the Settlement Amount utilizing the following routing and account numbers: **Note that the Receiving ABA/Routing Number, Receiving FI Name, Tax Type (under Beneficiary) and Beneficiary FI indicated below do not change.**

Receiving ABA/Routing Number: **091036164 FRB MPLS ETA**  
Receiving FI Name: **US TREAS SINGLE TX**  
Beneficiary: **Issuer EIN: Name Control: Issuer Name 35 Characters:80384:YY:MM**  
Beneficiary FI: **20092900IRS**

If the financial institution has difficulty transmitting the EFTPS same-day payment, please call **1-800-382-0045** (Monday – Friday, 7:45 a.m. – 4:30 p.m. Central Standard Time) to receive assistance from a Customer Service Representative at the Minneapolis Federal Reserve Bank.

## CONTACT INFORMATION

### ISSUER

Name:  
Address:  
Attn:  
Phone Number:

### AFFECTED ORGANIZATION

Name:  
Address:  
Attn:  
Phone Number:

## Automatic Approval of Change in Funding Method for Takeover Plans

### Announcement 2015–3

#### Purpose

This announcement provides automatic approval of a change in funding method with respect to a single-employer defined benefit plan under certain circumstances in which the change in method results from a change in the plan's enrolled actuary. The automatic approval provided by this announcement will apply for plan years beginning on or after January 1, 2013.

#### Background

Under § 412(c)(5) of the Internal Revenue Code ("Code"), as in effect prior to the Pension Protection Act of 2006 ("PPA

'06"), any change of funding method requires the approval of the Secretary.

A change in funding method can occur when both the enrolled actuary and business organization providing actuarial services for a plan are changed and the new enrolled actuary uses different valuation software than the prior enrolled actuary or otherwise applies the overall funding method in a different manner. Section 4.03 of Rev. Proc. 2000–40, 2000–2 C.B. 357, provided automatic approval for certain changes in funding method that occurred with respect to "takeover plans" (that is, plans for which both the enrolled actuary and the business organization providing actuarial services are changed).

Section 412(d)(1) of the Code, as amended by PPA '06, retains the requirement that a change in funding method be approved by the Secretary. Under PPA '06, a single funding method must be used to determine the liabilities for any single-employer defined benefit plan subject to § 430, but there may be some variation in

the manner the method is applied. (Rev. Proc. 2000–40 has not been updated to reflect the changes made by PPA '06. Moreover, the calculations that were used for the pre-PPA '06 five percent test that was a condition of automatic approval for takeover plans are not used under § 430.)

For plan years beginning on or after January 1, 2009, Announcement 2010–3, 2010–4 I.R.B. 333, provides automatic approval for certain changes in funding method used to determine the minimum funding requirement for defined benefit plans subject to the requirements of § 430. These approvals apply to certain funding method changes that result either from a change in the valuation software used to determine the liabilities for such plans or from a change in the enrolled actuary and the business organization providing actuarial services to the plan. Under Announcement 2010–3, five percent tests similar to the five percent tests under section 4.03(3) of Rev. Proc. 2000–40 are required to be applied with respect to the

liabilities and assets reflected on the Schedule SB (Form 5500, Single-Employer Defined Benefit Plan Actuarial Information) for the prior plan year.

Section III.B of Notice 2014–53, 2014–43 I.R.B. 737 (which provides guidance on the changes to the funding stabilization rules for single-employer pension plans that were made by section 2003 of the Highway and Transportation Funding Act of 2014) provides for the filing of an amended Schedule SB for the 2013 plan year under certain circumstances. This announcement expands upon the automatic approval for takeover plans under Announcement 2010–3 by allowing the five percent tests to be performed for the year in which the takeover occurs, and permits the newly hired enrolled actuary to use a signed actuarial valuation report issued by the prior enrolled actuary for the plan in lieu of the Schedule SB. This change facilitates the filing of an amended Schedule SB for the 2013 plan year for a takeover plan without the need for the newly hired enrolled actuary to perform the five percent test using the valuation results for the 2012 plan year.

#### Automatic Approval for Takeover Plans

For a plan subject to the requirements of § 430, automatic approval is granted for a change in funding method that results from a change in enrolled actuary if all of the conditions set forth in paragraphs (1) through (4) below are satisfied:

(1) There has been both a change in the enrolled actuary for the plan and a change in the business organization providing actuarial services to the plan, and the new enrolled actuary uses different valuation software or otherwise applies the funding method that was used by the prior actuary to determine the funding target, target normal cost and actuarial value of assets in a different manner than the prior enrolled actuary;

(2) The funding target and target normal cost for the prior plan year, as calculated by the new enrolled actuary (using the actuarial assumptions of the prior enrolled actuary and without regard to any adjustments for employee contributions

and plan-related expenses), are both within five percent of the values for the funding target and target normal cost reported in the prior plan year's Schedule SB (signed by the prior enrolled actuary regardless of whether it was filed) or actuarial report;

(3) The actuarial value of plan assets for the prior plan year, as calculated by the new enrolled actuary (using the actuarial assumptions of the prior enrolled actuary to the extent applicable), is within five percent of the value for the actuarial value of plan assets reported in the prior plan year's Schedule SB (signed by the prior enrolled actuary regardless of whether it was filed) or actuarial report; and

(4) The funding method used by the new enrolled actuary to determine the funding target, target normal cost, and actuarial value of assets for purposes of the comparisons described in paragraphs (2) and (3) must be substantially the same as the method used by the prior enrolled actuary to determine those amounts and must be consistent with the description of the method contained in the prior plan year's Schedule SB (signed by the prior enrolled actuary regardless of whether it was filed) or actuarial report.

Alternatively, the comparisons of the funding target, target normal cost, and actuarial value of assets described in paragraphs (2) through (4) can be made on the basis of the current plan year, provided that the prior enrolled actuary has issued an actuarial report that includes those results (or has provided a signed Schedule SB to the new enrolled actuary for the current plan year, if revision of the Schedule SB is permitted).

For purposes of this announcement, an actuarial report must be signed by the enrolled actuary for the plan and must meet the applicable standards of performance under regulations issued by the Joint Board for the Enrollment of Actuaries. See 20 CFR 901.20. Also, current plan year means the first plan year for which a Schedule SB is signed by the new enrolled actuary and prior plan year means the plan year that immediately precedes the current plan year.

If the automatic approval granted pursuant to this announcement for a change in the plan's funding method that results from a change in the plan's enrolled actuary applies, the new enrolled actuary is permitted to use new actuarial assumptions and a new funding method for the current plan year only if those changes are permitted under the generally applicable requirements of § 430(h) and § 412(d)(1). Pursuant to § 1.430(d)–1(f)(1)(ii) of the Income Tax Regulations, once the Schedule SB has been filed for a plan year, the assumptions and methods generally cannot be changed for that plan year. However, the enrolled actuary can use new assumptions and methods, to the extent the change is permitted under guidance issued by the Commissioner, including this announcement. For example, see Section III.B of Notice 2014–53, Guidance on Pension Funding Stabilization under the Highway and Transportation Funding Act of 2014 (HATFA).

The following example illustrates the application of this announcement:

Plan S is a single employer defined benefit plan subject to § 430 with a plan year that is the calendar year and a valuation date of January 1. Assume a January 1, 2013 actuarial report is signed by the plan's enrolled actuary using the segment interest rates under MAP-21<sup>1</sup> on September 1, 2013, and the corresponding Schedule SB for the 2013 plan year is filed by the plan administrator on July 15, 2014.

In January 2014, the plan has a new enrolled actuary and a new business organization providing actuarial services for the plan for the 2014 plan year. The new enrolled actuary reproduces the prior enrolled actuary's funding target, target normal cost, and actuarial value of plan assets for the 2013 actuarial valuation using the prior enrolled actuary's methods and assumptions and the results are within five percent of those values that were computed by the prior actuary. The segment interest rate rules under HATFA are applied for the 2013 plan year. Automatic approval is granted under this announcement for the change in funding method that occurred in connection with the change in the enrolled actuary. The new enrolled actuary prepares a revised 2013

<sup>1</sup>The Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21), Pub. L. No.112-141.

Schedule SB that reflects the use of the HATFA segment interest rates, which is filed with the amended Form 5500.

The new enrolled actuary may not use new actuarial assumptions or funding methods for the 2013 plan year actuarial valuation (other than using the HATFA segment interest rates and applying the automatic approval under this announcement) because the Schedule SB had al-

ready been filed for that year. However, for the 2014 plan year, the new enrolled actuary may use new actuarial assumptions and a new funding method, but only if the generally applicable requirements of § 430(h) and § 412(d)(1) are satisfied.

Effect on other guidance

Announcement 2010-3 is amplified.

Drafting information

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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 sub-

stance of a prior ruling, a combination of terms is used. For example, modified and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

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

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

## Abbreviations

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

A—Individual.  
Acq.—Acquiescence.  
B—Individual.  
BE—Beneficiary.  
BK—Bank.  
B.T.A.—Board of Tax Appeals.  
C—Individual.  
C.B.—Cumulative Bulletin.  
CFR—Code of Federal Regulations.  
CI—City.  
COOP—Cooperative.  
Ct.D.—Court Decision.  
CY—County.  
D—Decedent.  
DC—Dummy Corporation.  
DE—Donee.  
Del. Order—Delegation Order.  
DISC—Domestic International Sales Corporation.  
DR—Donor.  
E—Estate.  
EE—Employee.  
E.O.—Executive Order.  
ER—Employer.

ERISA—Employee Retirement Income Security Act.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FICA—Federal Insurance Contributions Act.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
F.R.—Federal Register.  
FUTA—Federal Unemployment Tax Act.  
FX—Foreign corporation.  
G.C.M.—Chief Counsel’s Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
I.R.B.—Internal Revenue Bulletin.  
LE—Lessee.  
LP—Limited Partner.  
LR—Lessor.  
M—Minor.  
Nonacq.—Nonacquiescence.  
O—Organization.  
P—Parent Corporation.  
PHC—Personal Holding Company.  
PO—Possession of the U.S.  
PR—Partner.  
PRS—Partnership.

PTE—Prohibited Transaction Exemption.  
Pub. L.—Public Law.  
REIT—Real Estate Investment Trust.  
Rev. Proc.—Revenue Procedure.  
Rev. Rul.—Revenue Ruling.  
S—Subsidiary.  
S.P.R.—Statement of Procedural Rules.  
Stat.—Statutes at Large.  
T—Target Corporation.  
T.C.—Tax Court.  
T.D.—Treasury Decision.  
TFE—Transferee.  
TFR—Transferor.  
T.I.R.—Technical Information Release.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
U.S.C.—United States Code.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.

## **Numerical Finding List<sup>1</sup>**

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<sup>1</sup>A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2014–27 through 2014–52 is in Internal Revenue Bulletin 2014–52, dated December 28, 2014.

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<sup>1</sup>A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2014–27 through 2014–52 is in Internal Revenue Bulletin 2014–52, dated December 28, 2014.

# Internal Revenue Service

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## INTERNAL REVENUE BULLETIN

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