

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

**Bulletin No. 2016-5
February 1, 2016**

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.

EMPLOYEE PLANS

Notice 2016-07, page 296.

This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates for January 2016 used under § 417(e)(3)(D), the 24-month average segment rates applicable for January 2016, and the 30-year Treasury rates. These rates reflect the application of § 430(h)(2)(C)(iv), which was added by the Moving Ahead for Progress in the 21st Century Act, Public Law 112-141 (MAP-21) and amended by section 2003 of the Highway and Transportation Funding Act of 2014 (HATFA).

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 Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases.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 III. Administrative, Procedural, and Miscellaneous

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

Notice 2016-07

This notice provides guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used under § 417(e)(3), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I).

YIELD CURVE AND SEGMENT RATES

Generally, except for certain plans under sections 104 and 105 of the Pension Protection Act of 2006 and CSEC plans under § 414(y), § 430 of the Code specifies the minimum funding requirements that apply

to single-employer plans pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates ("segment rates"), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins.¹ However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007-81, 2007-44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Consistent with the methodology specified in Notice 2007-81, the monthly corporate bond yield curve derived from December

2015 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of December 2015 are, respectively, 1.82, 4.12, and 5.01.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates. For plan years beginning before 2018, the applicable minimum percentage is 90% and the applicable maximum percentage is 110%. The 25-year average segment rates for plan years beginning in 2014, 2015, and 2016 were published in Notice 2013-58, 2013-40 I.R.B. 294, Notice 2014-50, 2014-40 I.R.B. 590, and Notice 2015-61, 2015-39 I.R.B. 408, respectively.

24-MONTH AVERAGE CORPORATE BOND SEGMENT RATES

The three 24-month average corporate bond segment rates applicable for January 2016 without adjustment for the 25-year average segment rate limits are as follows:

Applicable Month	First Segment	Second Segment	Third Segment
January 2016	1.41	3.96	4.97

Based on § 430(h)(2)(C)(iv), the 24-month averages applicable for January 2016 adjusted to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates, are as follows:

For Plan Years Beginning In	Adjusted 24-Month Average Segment Rates				
	Applicable Month	First Segment	Second Segment	Third Segment	
2014	January	2016	4.99	6.32	6.99
2015	January	2016	4.72	6.11	6.81
2016	January	2016	4.43	5.91	6.65

¹Pursuant to § 433(h)(3)(A), the 3rd segment rate determined under § 430(h)(2)(C) is used to determine the current liability of a CSEC plan (which is used to calculate the minimum amount of the full funding limitation under § 433(c)(7)(C)).

30-YEAR TREASURY SECURITIES INTEREST RATES

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in § 431(c)(6)(A), based on the plan's current liability. Section

431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The

rate of interest on 30-year Treasury securities for December 2015 is 2.97 percent. The Service determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in November 2045. For plan years beginning in the month shown below, the weighted average of the rates of interest on 30-year Treasury securities and the permissible range of rate used to calculate current liability are as follows:

For Plan Years Beginning in		30-Year Treasury Weighted Average	Permissible Range		
Month	Year		90%	to	105%
January	2016	3.12	2.81		3.28

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates

computed without regard to a 24-month average. Notice 2007-81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value seg-

ment rates determined for December 2015 are as follows:

First Segment	Second Segment	Third Segment
1.82	4.12	5.01

DRAFTING INFORMATION

The principal author of this notice is Tom Morgan of the Office of the Asso-

ciate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the IRS participated in the development of this guidance. For

further information regarding this notice, contact Mr. Morgan at 202-317-6700 or Tony Montanaro at 202-317-8698 (not toll-free numbers).

Table I
 Monthly Yield Curve for December 2015
 Derived from December 2015 Data

<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>
0.5	0.71	20.5	4.80	40.5	5.03	60.5	5.12	80.5	5.16
1.0	1.09	21.0	4.81	41.0	5.04	61.0	5.12	81.0	5.16
1.5	1.43	21.5	4.82	41.5	5.04	61.5	5.12	81.5	5.16
2.0	1.70	22.0	4.83	42.0	5.04	62.0	5.12	82.0	5.16
2.5	1.90	22.5	4.84	42.5	5.04	62.5	5.12	82.5	5.17
3.0	2.04	23.0	4.85	43.0	5.05	63.0	5.13	83.0	5.17
3.5	2.16	23.5	4.85	43.5	5.05	63.5	5.13	83.5	5.17
4.0	2.28	24.0	4.86	44.0	5.05	64.0	5.13	84.0	5.17
4.5	2.39	24.5	4.87	44.5	5.06	64.5	5.13	84.5	5.17
5.0	2.52	25.0	4.88	45.0	5.06	65.0	5.13	85.0	5.17
5.5	2.65	25.5	4.88	45.5	5.06	65.5	5.13	85.5	5.17
6.0	2.79	26.0	4.89	46.0	5.06	66.0	5.13	86.0	5.17
6.5	2.94	26.5	4.90	46.5	5.07	66.5	5.13	86.5	5.17
7.0	3.09	27.0	4.90	47.0	5.07	67.0	5.14	87.0	5.17
7.5	3.24	27.5	4.91	47.5	5.07	67.5	5.14	87.5	5.17
8.0	3.38	28.0	4.92	48.0	5.07	68.0	5.14	88.0	5.17
8.5	3.52	28.5	4.92	48.5	5.08	68.5	5.14	88.5	5.17
9.0	3.65	29.0	4.93	49.0	5.08	69.0	5.14	89.0	5.17
9.5	3.78	29.5	4.93	49.5	5.08	69.5	5.14	89.5	5.18
10.0	3.89	30.0	4.94	50.0	5.08	70.0	5.14	90.0	5.18
10.5	4.00	30.5	4.95	50.5	5.08	70.5	5.14	90.5	5.18
11.0	4.10	31.0	4.95	51.0	5.09	71.0	5.14	91.0	5.18
11.5	4.19	31.5	4.96	51.5	5.09	71.5	5.15	91.5	5.18
12.0	4.27	32.0	4.96	52.0	5.09	72.0	5.15	92.0	5.18
12.5	4.34	32.5	4.97	52.5	5.09	72.5	5.15	92.5	5.18
13.0	4.40	33.0	4.97	53.0	5.09	73.0	5.15	93.0	5.18
13.5	4.46	33.5	4.98	53.5	5.10	73.5	5.15	93.5	5.18
14.0	4.51	34.0	4.98	54.0	5.10	74.0	5.15	94.0	5.18
14.5	4.55	34.5	4.99	54.5	5.10	74.5	5.15	94.5	5.18
15.0	4.59	35.0	4.99	55.0	5.10	75.0	5.15	95.0	5.18
15.5	4.62	35.5	5.00	55.5	5.10	75.5	5.15	95.5	5.18
16.0	4.65	36.0	5.00	56.0	5.10	76.0	5.15	96.0	5.18
16.5	4.68	36.5	5.00	56.5	5.11	76.5	5.16	96.5	5.18
17.0	4.70	37.0	5.01	57.0	5.11	77.0	5.16	97.0	5.18
17.5	4.72	37.5	5.01	57.5	5.11	77.5	5.16	97.5	5.19
18.0	4.74	38.0	5.02	58.0	5.11	78.0	5.16	98.0	5.19
18.5	4.75	38.5	5.02	58.5	5.11	78.5	5.16	98.5	5.19
19.0	4.77	39.0	5.02	59.0	5.11	79.0	5.16	99.0	5.19
19.5	4.78	39.5	5.03	59.5	5.12	79.5	5.16	99.5	5.19
20.0	4.79	40.0	5.03	60.0	5.12	80.0	5.16	100.0	5.19

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 List¹

Bulletins 2016–1 through 2016–5

Announcements:

2016-1, 2016-3 I.R.B. 283
2016-2, 2016-3 I.R.B. 283
2016-3, 2016-4 I.R.B. 294

Notices:

2016-1, 2016-2 I.R.B. 265
2016-2, 2016-2 I.R.B. 265
2016-3, 2016-3 I.R.B. 278
2016-4, 2016-3 I.R.B. 279
2016-6, 2016-4 I.R.B. 287
2016-7, 2016-5 I.R.B. 296

Proposed Regulations:

REG-138344-13, 2016-4 I.R.B. 294

Revenue Procedures:

2016-1, 2016-1 I.R.B. 1
2016-2, 2016-1 I.R.B. 102
2016-3, 2016-1 I.R.B. 126
2016-4, 2016-1 I.R.B. 142
2016-5, 2016-1 I.R.B. 188
2016-6, 2016-1 I.R.B. 200
2016-7, 2016-1 I.R.B. 239
2016-8, 2016-1 I.R.B. 243
2016-10, 2016-2 I.R.B. 270
2016-11, 2016-2 I.R.B. 274
2016-13, 2016-4 I.R.B. 290

Revenue Rulings:

2016-1, 2016-2 I.R.B. 262
2016-2, 2016-4 I.R.B. 284
2016-3, 2016-3 I.R.B. 282

Treasury Decisions:

9745, 2016-2 I.R.B. 256

¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2015–27 through 2015–52 is in Internal Revenue Bulletin 2015–52, dated December 28, 2015.

**Finding List of Current Actions on Revenue Rulings:
Previously Published Items¹**

Bulletins 2016–1 through 2016–5

2008-15
Revoked by
Rev. Rul. 2016-3, 2016-3 I.R.B. 282

Announcements:

2007-21
Modified by
Ann. 2016-1, 2016-3 I.R.B. 283

Notices:

2005-50
Modified by
Notice 2016-2, 2016-2 I.R.B. 265

2014-79
Superseded by
Notice 2016-1, 2016-2 I.R.B. 265

Revenue Procedures:

2015-1
Superseded by
Rev. Proc. 2016-2, 2016-1 I.R.B. 1

2015-2
Superseded by
Rev. Proc. 2016-2, 2016-1 I.R.B. 102

2015-3
Superseded by
Rev. Proc. 2016-3, 2016-1 I.R.B. 126

2015-5
Superseded by
Rev. Proc. 2016-5, 2016-1 I.R.B. 142

2015-7
Superseded by
Rev. Proc. 2016-7, 2016-1 I.R.B. 188

2015-8
Superseded by
Rev. Proc. 2016-8, 2016-1 I.R.B. 200

2015-9
Superseded by
Rev. Proc. 2016-5, 2016-1 I.R.B. 239

2015-10
Superseded by
Rev. Proc. 2016-10, 2016-2 I.R.B. 270

2015-22
Superseded by
Rev. Proc. 2016-8, 2016-1 I.R.B. 243

2015-53
Modified by
Rev. Proc. 2016-11, 2016-2 I.R.B. 274

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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.