

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2018-27
July 2, 2018

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 2018-56, page 3.

This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates for June 2018 used under § 417(e)(3)(D), the 24-month average segment rates applicable for June 2018, and the 30-year Treasury rates, as reflected by the application of § 430(h)(2)(C)(iv).

Income Tax

Rev. Rul. 2018-19, page 1.

Federal rates; adjusted federal rates; adjusted federal long-term rate, the long-term exempt rate, and the blended annual rate. For purposes of sections 382, 1274, 1288, 7872 and other sections of the Code, tables set forth the rates for July 2018.

REG-106977-18, page 6.

The proposed regulations would amend the definition of investment-type property for purposes of tax-advantaged bonds and the arbitrage investment yield restrictions under §148 that apply to those bonds. Section 103 provides that an arbitrage bond, as defined in §148, is not tax-exempt. A bond is an arbitrage bond under §148 if the bond's proceeds are used to purchase certain investment property with a yield higher than the yield on the issue. Investment property includes not only securities but also, among other things, "investment-type property." Investment-type property is generally defined as any property that is held principally as a passive vehicle for the production of income. The proposed regulations would amend this definition to clarify that real or tangible personal property purchased with proceeds of tax-exempt bonds is not investment-type property if that property is used in furtherance of the public purposes for which the tax-exempt bonds are issued.

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.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

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

Section 1274.— Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 467, 468, 482, 483, 1288, 7520, 7872.)

Rev. Rul. 2018–19

This revenue ruling provides various prescribed rates for federal income tax

purposes for July 2018 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-

income housing credit described in section 42(b)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Finally, Table 6 contains the blended annual rate for 2018 for purposes of section 7872.

REV. RUL. 2018–19 TABLE 1
Applicable Federal Rates (AFR) for July 2018

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
		<i>Short-term</i>		
AFR	2.38%	2.37%	2.36%	2.36%
110% AFR	2.63%	2.61%	2.60%	2.60%
120% AFR	2.86%	2.84%	2.83%	2.82%
130% AFR	3.10%	3.08%	3.07%	3.06%
		<i>Mid-term</i>		
AFR	2.87%	2.85%	2.84%	2.83%
110% AFR	3.16%	3.14%	3.13%	3.12%
120% AFR	3.45%	3.42%	3.41%	3.40%
130% AFR	3.74%	3.71%	3.69%	3.68%
150% AFR	4.33%	4.28%	4.26%	4.24%
175% AFR	5.05%	4.99%	4.96%	4.94%
		<i>Long-term</i>		
AFR	3.06%	3.04%	3.03%	3.02%
110% AFR	3.37%	3.34%	3.33%	3.32%
120% AFR	3.68%	3.65%	3.63%	3.62%
130% AFR	3.99%	3.95%	3.93%	3.92%

REV. RUL. 2018–19 TABLE 2

Adjusted AFR for July 2018

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	1.81%	1.80%	1.80%	1.79%
Mid-term adjusted AFR	2.17%	2.16%	2.15%	2.15%
Long-term adjusted AFR	2.32%	2.31%	2.30%	2.30%

REV. RUL. 2018–19 TABLE 3

Rates Under Section 382 for July 2018

Adjusted federal long-term rate for the current month	2.32%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	2.32%

REV. RUL. 2018–19 TABLE 4

Appropriate Percentages Under Section 42(b)(1) for July 2018

Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.68%
Appropriate percentage for the 30% present value low-income housing credit	3.29%

REV. RUL. 2018–19 TABLE 5

Rate Under Section 7520 for July 2018

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	3.4%
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REV. RUL. 2018–19 TABLE 6

Blended Annual Rate for 2018

Section 7872(e)(2) blended annual rate for 2018	2.03%
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Section 42.—Low-Income Housing Credit

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 467.—Certain Payments for the Use of Property or Services

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 483.—Interest on Certain Deferred Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 280G.—Golden Parachute Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

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

The adjusted applicable federal long-term rate is set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 482.—Allocation of Income and Deductions Among Taxpayers

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 7520.—Valuation Tables

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Section 7872.—Treatment of Loans With Below-Market Interest Rates

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2018. See Rev. Rul. 2018–19, page 1.

Part III. Administrative, Procedural, and Miscellaneous

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

Notice 2018–56

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

Section 430 specifies the minimum funding requirements that apply to single-employer plans (except for CSEC plans under § 414(y)) 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 May 2018 data is in Table 2018–5 at the end of this

notice. The spot first, second, and third segment rates for the month of May 2018 are, respectively, 3.08, 4.19, and 4.58.

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 2021, the applicable minimum percentage is 90% and the applicable maximum percentage is 110%. The 25-year average segment rates for plan years beginning in 2017 and 2018 were published in Notice 2016–54, 2016–40 I.R.B. 429, and Notice 2017–50, 2017–41 I.R.B. 280, respectively.

24-MONTH AVERAGE CORPORATE BOND SEGMENT RATES

The three 24-month average corporate bond segment rates applicable for June 2018 without adjustment for the 25-year average segment rate limits are as follows:

<i>24-Month Average Segment Rates Without 25-Year Average Adjustment</i>			
Applicable Month	First Segment	Second Segment	Third Segment
June 2018	2.07	3.70	4.43

Based on § 430(h)(2)(C)(iv), the 24-month averages applicable for June 2018,

adjusted to be within the applicable minimum and maximum percentages of the

corresponding 25-year average segment rates, are as follows:

<i>Adjusted 24-Month Average Segment Rates</i>				
For Plan Years Beginning In	Applicable Month	First Segment	Second Segment	Third Segment
2017	June 2018	4.16	5.72	6.48
2018	June 2018	3.92	5.52	6.29

30-YEAR TREASURY SECURITIES INTEREST RATES

Section 431 specifies the minimum funding requirements that apply to multi-employer 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

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)).

on 30-year Treasury securities for May 2018 is 3.13 percent. The Service determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in February 2048

determined each day through May 9, 2018 and the yield on the 30-year Treasury bond maturing in May 2048 determined each day for the balance of the month. For plan years beginning in June 2018, the

weighted average of the rates of interest on 30-year Treasury securities and the permissible range of rates used to calculate current liability are as follows:

<i>Treasury Weighted Average Rates</i>		
For Plan Years Beginning In	30-Year Treasury Weighted Average	Permissible Range 90% to 105%
June 2018	2.85	2.57 to 3.00

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 May 2018 are as follows:

<i>Minimum Present Value Segment Rates</i>			
Month	First Segment	Second Segment	Third Segment
May 2018	3.08	4.19	4.58

DRAFTING INFORMATION

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

ate 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 2018–5									
Monthly Yield Curve for May 2018									
Derived from May 2018 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	2.44	20.5	4.47	40.5	4.60	60.5	4.64	80.5	4.66
1.0	2.63	21.0	4.48	41.0	4.60	61.0	4.64	81.0	4.66
1.5	2.81	21.5	4.48	41.5	4.60	61.5	4.64	81.5	4.66
2.0	2.96	22.0	4.49	42.0	4.60	62.0	4.64	82.0	4.66
2.5	3.09	22.5	4.49	42.5	4.60	62.5	4.64	82.5	4.66
3.0	3.20	23.0	4.50	43.0	4.60	63.0	4.64	83.0	4.66
3.5	3.29	23.5	4.50	43.5	4.60	63.5	4.64	83.5	4.66
4.0	3.37	24.0	4.51	44.0	4.61	64.0	4.64	84.0	4.67
4.5	3.45	24.5	4.51	44.5	4.61	64.5	4.65	84.5	4.67
5.0	3.52	25.0	4.51	45.0	4.61	65.0	4.65	85.0	4.67
5.5	3.59	25.5	4.52	45.5	4.61	65.5	4.65	85.5	4.67
6.0	3.66	26.0	4.52	46.0	4.61	66.0	4.65	86.0	4.67
6.5	3.73	26.5	4.52	46.5	4.61	66.5	4.65	86.5	4.67
7.0	3.79	27.0	4.53	47.0	4.61	67.0	4.65	87.0	4.67
7.5	3.85	27.5	4.53	47.5	4.62	67.5	4.65	87.5	4.67
8.0	3.91	28.0	4.54	48.0	4.62	68.0	4.65	88.0	4.67
8.5	3.96	28.5	4.54	48.5	4.62	68.5	4.65	88.5	4.67
9.0	4.01	29.0	4.54	49.0	4.62	69.0	4.65	89.0	4.67
9.5	4.06	29.5	4.55	49.5	4.62	69.5	4.65	89.5	4.67
10.0	4.10	30.0	4.55	50.0	4.62	70.0	4.65	90.0	4.67
10.5	4.14	30.5	4.55	50.5	4.62	70.5	4.65	90.5	4.67

Table 2018-5
Monthly Yield Curve for May 2018
Derived from May 2018 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>
11.0	4.18	31.0	4.55	51.0	4.62	71.0	4.65	91.0	4.67
11.5	4.21	31.5	4.56	51.5	4.62	71.5	4.65	91.5	4.67
12.0	4.24	32.0	4.56	52.0	4.63	72.0	4.65	92.0	4.67
12.5	4.27	32.5	4.56	52.5	4.63	72.5	4.65	92.5	4.67
13.0	4.29	33.0	4.56	53.0	4.63	73.0	4.66	93.0	4.67
13.5	4.31	33.5	4.57	53.5	4.63	73.5	4.66	93.5	4.67
14.0	4.33	34.0	4.57	54.0	4.63	74.0	4.66	94.0	4.67
14.5	4.35	34.5	4.57	54.5	4.63	74.5	4.66	94.5	4.67
15.0	4.37	35.0	4.57	55.0	4.63	75.0	4.66	95.0	4.67
15.5	4.38	35.5	4.58	55.5	4.63	75.5	4.66	95.5	4.67
16.0	4.39	36.0	4.58	56.0	4.63	76.0	4.66	96.0	4.67
16.5	4.41	36.5	4.58	56.5	4.63	76.5	4.66	96.5	4.67
17.0	4.42	37.0	4.58	57.0	4.63	77.0	4.66	97.0	4.67
17.5	4.43	37.5	4.58	57.5	4.64	77.5	4.66	97.5	4.67
18.0	4.44	38.0	4.59	58.0	4.64	78.0	4.66	98.0	4.67
18.5	4.44	38.5	4.59	58.5	4.64	78.5	4.66	98.5	4.67
19.0	4.45	39.0	4.59	59.0	4.64	79.0	4.66	99.0	4.67
19.5	4.46	39.5	4.59	59.5	4.64	79.5	4.66	99.5	4.68
20.0	4.46	40.0	4.59	60.0	4.64	80.0	4.66	100.0	4.68

Part IV. Items of General Interest

Notice of Proposed Rulemaking Arbitrage Investment Restrictions on Tax-Exempt Bonds

REG-106977-18

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations regarding the arbitrage investment restrictions under section 148 of the Internal Revenue Code (Code) applicable to tax-exempt bonds and other tax-advantaged bonds issued by State and local governments. The proposed regulations would clarify existing regulations regarding the definition of “investment-type property” covered by arbitrage restrictions by expressly providing an exception for investments in capital projects that are used in furtherance of the public purposes of the bonds. The proposed regulations affect State and local governmental issuers of these bonds and potential investors in capital projects financed with these bonds.

DATES: Comments and requests for a public hearing must be received by September 10, 2018.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-106977-18), Room 5203, 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-106977-18), Courier’s Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC 20224, or sent electronically via the Federal eRulemaking Portal at www.regulations.gov (REG-106977-18).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Spence Hanemann, (202) 317-6980; concerning submissions of comments and requesting a hearing, Regina L. Johnson, (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document contains proposed amendments to the Income Tax Regulations (26 CFR part 1) on the arbitrage investment restrictions under section 148 of the Code (Proposed Regulations).

1. In General

In general, under section 103, interest received by holders of eligible bonds issued by State and local governments is exempt from Federal income tax. As a result, tax-exempt State or local bonds generally have lower borrowing costs. To qualify for the tax exemption, State or local bonds must satisfy various eligibility requirements under sections 141 to 150, including the arbitrage investment restrictions under section 148. The arbitrage investment restrictions under section 148 limit the investment of proceeds of tax-exempt bonds in higher yielding investments and require rebate to the Federal government of certain excess earnings on higher yielding investments.

On June 18, 1993, the Department of the Treasury (Treasury Department) and the IRS published comprehensive final regulations in the **Federal Register** (TD 8476, 58 FR 33510) on the arbitrage investment restrictions and related provisions for tax-exempt bonds under sections 103, 148, 149, and 150 and, since that time, those final regulations have been amended in certain limited respects (these 1993 regulations and the amendments thereto collectively are referred to as the Existing Regulations).

2. Investment Property Covered by Arbitrage Restrictions

Section 148(a) defines a taxable “arbitrage bond” generally to mean any bond issued as part of an issue any portion of the proceeds of which are reasonably expected to be used or are intentionally used to acquire “higher yielding investments” or to replace funds so used. Section 148(b)(1) defines the term “higher yielding investments” to mean any “investment property” that produces a yield over the term of the issue that is materially higher than the yield on the issue. Section 148(b)(2) defines the

term “investment property” to include any security (within the meaning of section 165(g)(2)(A) or (B)), any obligation, any annuity contract, certain residential real property for family units located outside the jurisdiction of the issuer that is financed with bonds other than private activity bonds, and any “investment-type property.”

Section 1.148-1(e)(1) of the Existing Regulations defines a catch-all category of “investment-type property” to include any property (other than securities, obligations, annuity contracts, and covered residential real property for family units under section 148(b)(2)(A), (B), (C), and (E)) “that is held principally as a passive vehicle for the production of income.” For this purpose, § 1.148-1(e)(1) of the Existing Regulations provides that the production of income includes any benefit based on the time value of money.

Explanation of Provisions

1. Proposed § 1.148-1(e)(4): Exception to Investment-Type Property Definition for Certain Capital Projects

Institutional investors have suggested clarification of the scope of the regulatory definition of investment-type property under § 1.148-1(e)(1) to ensure that the definition does not impede greater capital investment in public infrastructure.

The legislative history to the Tax Reform Act of 1986, Public Law 99-514, 100 Stat. 2085, indicates that Congress intended to limit the scope of the arbitrage restriction on investment-type property so that it did not extend to investments in capital projects in furtherance of the public purposes of the bonds. In this regard, the House Report to the Tax Reform Act of 1986 included the following statement about the intended scope of the definition of investment-type property: “The restriction would not apply, however, to real or tangible personal property acquired with bond proceeds for reasons other than investment (e.g., courthouse facilities financed with bond proceeds).” H.R. Rep. No. 99-426, at 552 (1985), 1986-3 (vol. 2) C.B. 457; *see also* S. Rep. No. 99-313, at 844 (1986), 1986-3 (vol. 3) C.B. 682 (containing a statement substantially identical to that in the House report); H.R.

Rep. No. 99–841, at II–747 (1986) (Conf. Rep.), 1986–3 (vol. 4) C.B. 608 (stating that the conference agreement follows the House bill and the Senate amendment on this restriction).

To clarify the scope of the investment-type property definition consistent with Congressional intent reflected in the legislative history, the Proposed Regulations would provide an express exception to the definition of investment-type property for capital projects that further the public purposes for which the tax-exempt bonds were issued. For example, investment-type property does not include a courthouse financed with governmental bonds or an eligible exempt facility under section 142, such as a public road, financed with private activity bonds.

2. Applicability Dates and Reliance

The proposed amendments to the definition of investment-type property in the Proposed Regulations are proposed to apply to bonds sold on or after the date that is 90 days after the date of publication of a Treasury Decision adopting these rules as final regulations in the **Federal Register**. Issuers may apply the Proposed Regulations to bonds that are sold before the applicability date provided in a Treasury Decision adopting these rules as final regulations in the **Federal Register**.

Special Analyses

This regulation is not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (April 11, 2018) between the Department of the Treasury and the Office of Management and Budget regarding review of tax regulations. Because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. 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 entities.

Comments and Requests for Public Hearing

Before the Proposed Regulations are adopted as final regulations, consideration will be given to any comments that are submit-

ted timely to the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department 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 that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the **Federal Register**.

Drafting Information

The principal authors of these regulations are Spence Hanemann of the Office of Associate Chief Counsel (Financial Institutions and Products) and Vicky Tsilas, formerly of the Office of Associate Chief Counsel (Financial Institutions and Products). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and record-keeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is 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 1.148–0(c) is amended by adding entries for §§ 1.148–1(e)(4) and 1.148–11(n) to read as follows:

§ 1.148–0 Scope and table of contents.

* * * * *

(c) * * *

§ 1.148–1 Definitions and elections.

* * * * *

(e) * * *

(4) Exception for certain capital projects.

* * * * *

§ 1.148–11 Effective/applicability dates.

* * * * *

(n) Investment-type property.

Par. 3. Section 1.148–1 is amended by:

1. Revising the first sentence of paragraph (e)(1).

2. Adding paragraph (e)(4).

The revision and addition read as follows:

§ 1.148–1 Definitions and elections.

* * * * *

(e) *Investment-type property*—(1) *In general*. Except as otherwise provided in this paragraph (e), investment-type property includes any property, other than property described in section 148(b)(2) (A), (B), (C), or (E), that is held principally as a passive vehicle for the production of income. * * *

* * * * *

(4) *Exception for certain capital projects*. Investment-type property does not include real property or tangible personal property (for example, land, buildings, and equipment) that is used in furtherance of the public purposes for which the tax-exempt bonds are issued. For example, investment-type property does not include a courthouse financed with governmental bonds or an eligible exempt facility under section 142, such as a public road, financed with private activity bonds.

* * * * *

Par. 4. Section 1.148–11 is amended by adding paragraph (n) to read as follows:

§ 1.148–11 Effective/applicability dates.

* * * * *

(n) *Investment-type property*. Section 1.148–1(e)(1) and (4) apply to bonds sold on or after the date that is 90 days after the date of publication of a Treasury Decision adopting these rules as final regulations in the **Federal Register**.

Kirsten Wielobob,
Deputy Commissioner for Services and
Enforcement.

(Filed by the Office of the Federal Register on June 11, 2018, 8:45 a.m., and published in the issue of the Federal Register for June 12, 2018, 80 F.R. 27302)

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

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Notices:

2018-56, 2018-27 I.R.B. 3

Proposed Regulations:

REG-106977-18, 2018-27 I.R.B. 6

Revenue Rulings:

2018-19, 2018-27 I.R.B. 1

¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2018–01 through 2018–26 is in Internal Revenue Bulletin 2018–26, dated June 27, 2018.

Finding List of Current Actions on Previously Published Items¹

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¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2018–01 through 2018–26 is in Internal Revenue Bulletin 2018–26, dated June 27, 2018.

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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.