

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2018-51
December 17, 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.

Administrative

NOTICE 2018-94, page 1042.

This notice extends the due dates for certain 2018 information reporting requirements for insurers, self-insuring employers, and certain other providers of minimum essential coverage under section 6055 and for applicable large employers under section 6056. Specifically, this notice extends the due date for furnishing to individuals the 2018 Form 1095-B, Health Coverage, and the 2018 Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, from January 31, 2019, to March 4, 2019. This notice also extends transitional good-faith relief from section 6721 and 6722 penalties to the 2018 information reporting requirements under sections 6055 and 6056.

REV. RUL. 2018-32, page 1023.

Interest rates: underpayments and overpayments. The rates for interest determined under Section 6621 of the code for the calendar quarter beginning January 1, 2019, will be 6 percent for overpayments (5 percent in the case of a corporation), 6 percent for underpayments, and 8 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding \$10,000 will be 3.5 percent.

Employment Taxes

NOTICE 2018-92, page 1038.

This notice relates to amendments to sections 3401, 3402, and 3405 made by the Tax Cuts and Jobs Act (Pub. L. No. 115-97), and the decision to delay until 2020 an overhaul of the Form W-4 that had initially been proposed for 2019. This notice provides interim guidance for 2019 on income tax withholding from wages and from retirement and annuity distributions, requests comments on certain wage withholding procedures, indicates that regulations are planned to update the wage withholding regulations to reflect changes made by the TCJA, and provides for

certain miscellaneous changes consistent with current procedures. This notice continues until April 30, 2019, Notice 2018-14's temporary suspension of the requirement to furnish new Forms W-4 within 10 days for changes resulting in a reduction of allowances solely because of the TCJA.

Income Tax

NOTICE 2018-93, page 1041.

This notice publishes the applicable dollar amounts under § 45Q(b)(1) for purposes of determining the credit for carbon oxide sequestration under § 45Q(a)(3) and (a)(4).

REG-103163-18, page 1049.

This notice of proposed rulemaking contains proposed regulations providing guidance on new discounting rules for unpaid losses and estimated salvage recoverable of insurance companies for Federal income tax purposes. The proposed regulations implement recent legislative changes to the Internal Revenue Code and make other technical improvements to the derivation and use of discount factors. The proposed regulation affect entities taxable as insurance companies.

Rev. Proc. 2018-60, page 1045.

This procedure modifies Rev. Proc. 2018-31, 2018-22 I.R.B. 637, to provide procedures under section 446 and the accompanying regulations to obtain automatic consent of the Commissioner of Internal Revenue to change methods of accounting to comply with section 451(b), as amended by section 13221 of the Tax Cuts and Jobs Act, relating to the timing of the recognition of income for taxable years beginning after December 31, 2017. In addition, for the first taxable year beginning after December 31, 2017, this procedure provides streamlined procedures for certain qualifying taxpayers to change a method of accounting under section 451(b).

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

26 CFR 301.6621-1: Interest rate.

Rev. Rul. 2018-32

Section 6621 of the Internal Revenue Code establishes the interest rates on overpayments and underpayments of tax. Under section 6621(a)(1), the overpayment rate is the sum of the federal short-term rate plus 3 percentage points (2 percentage points in the case of a corporation), except the rate for the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the sum of the federal short-term rate plus 0.5 of a percentage point. Under section 6621(a)(2), the underpayment rate is the sum of the federal short-term rate plus 3 percentage points.

Section 6621(c) provides that for purposes of interest payable under section 6601 on any large corporate underpayment, the underpayment rate under section 6621(a)(2) is determined by substituting “5 percentage points” for “3 percentage points.” See section 6621(c) and section 301.6621-3 of the Regulations on Procedure and Administration for the definition of a large corporate underpayment and for the rules for determining the applicable date. Section 6621(c) and section 301.6621-3 are generally effective for periods after December 31, 1990.

Section 6621(b)(1) provides that the Secretary will determine the federal short-term rate for the first month in each calendar quarter. Section 6621(b)(2)(A) provides that the federal short-term rate determined under section 6621(b)(1) for any month applies during the first calendar quarter beginning after that month. Section 6621(b)(3) provides that the fed-

eral short-term rate for any month is the federal short-term rate determined during that month by the Secretary in accordance with section 1274(d), rounded to the nearest full percent (or, if a multiple of 1/2 of 1 percent, the rate is increased to the next highest full percent).

Notice 88-59, 1988-1 C.B. 546, announced that in determining the quarterly interest rates to be used for overpayments and underpayments of tax under section 6621, the Internal Revenue Service will use the federal short-term rate based on daily compounding because that rate is most consistent with section 6621 which, pursuant to section 6622, is subject to daily compounding.

The federal short-term rate determined in accordance with section 1274(d) during October 2018 is the rate published in Revenue Ruling 2018-28, 2018-45 IRB 764, to take effect beginning November 1, 2018. The federal short-term rate, rounded to the nearest full percent, based on daily compounding determined during the month of October 2018 is 3 percent. Accordingly, an overpayment rate of 6 percent (5 percent in the case of a corporation) and an underpayment rate of 6 percent are established for the calendar quarter beginning January 1, 2019. The overpayment rate for the portion of a corporate overpayment exceeding \$10,000 for the calendar quarter beginning January 1, 2019 is 3.5 percent. The underpayment rate for large corporate underpayments for the calendar quarter beginning January 1, 2019, is 8 percent. These rates apply to amounts bearing interest during that calendar quarter.

Sections 6654(a)(1) and 6655(a)(1) provide that the underpayment rate established under section 6621 applies in determining the addition to tax under sections 6654 and 6655 for failure to pay estimated tax for any taxable year. Thus, the 6 percent rate also applies to estimated tax underpayments for the first calendar quarter beginning January 1, 2019. Pursuant to section 6621(b)(2)(B), in determining the addition to tax under section 6654 for any taxable year for an individual, the federal short-term rate that applies during the third month following the taxable year also applies during the first 15 days of the fourth month following the taxable year. In addition, pursuant to section 6603(d)(4), the rate of interest on section 6603 deposits is 3 percent for the first calendar quarter in 2019.

Interest factors for daily compound interest for annual rates of 3.5 percent, 5 percent, 6 percent and 8 percent are published in Tables 12, 15, 17 and 21 of Rev. Proc. 95-17, 1995-1 C.B. 566, 569, 571 and 575.

Annual interest rates to be compounded daily pursuant to section 6622 that apply for prior periods are set forth in the tables accompanying this revenue ruling.

DRAFTING INFORMATION

The principal author of this revenue ruling is Casey R. Conrad of the Office of the Associate Chief Counsel (Procedure and Administration). For further information regarding this revenue ruling, contact Mr. Conrad at (202) 317-6844 (not a toll-free number).

APPENDIX A

365 Day Year					
		0.5% Compound Rate 184 Days			
Days	Factor	Days	Factor	Days	Factor
1	0.000013699	63	0.000863380	125	0.001713784
2	0.000027397	64	0.000877091	126	0.001727506
3	0.000041096	65	0.000890801	127	0.001741228

365 Day Year					
		0.5% Compound Rate 184 Days			
Days	Factor	Days	Factor	Days	Factor
4	0.000054796	66	0.000904512	128	0.001754951
5	0.000068495	67	0.000918223	129	0.001768673
6	0.000082195	68	0.000931934	130	0.001782396
7	0.000095894	69	0.000945646	131	0.001796119
8	0.000109594	70	0.000959357	132	0.001809843
9	0.000123294	71	0.000973069	133	0.001823566
10	0.000136995	72	0.000986781	134	0.001837290
11	0.000150695	73	0.001000493	135	0.001851013
12	0.000164396	74	0.001014206	136	0.001864737
13	0.000178097	75	0.001027918	137	0.001878462
14	0.000191798	76	0.001041631	138	0.001892186
15	0.000205499	77	0.001055344	139	0.001905910
16	0.000219201	78	0.001069057	140	0.001919635
17	0.000232902	79	0.001082770	141	0.001933360
18	0.000246604	80	0.001096484	142	0.001947085
19	0.000260306	81	0.001110197	143	0.001960811
20	0.000274008	82	0.001123911	144	0.001974536
21	0.000287711	83	0.001137625	145	0.001988262
22	0.000301413	84	0.001151339	146	0.002001988
23	0.000315116	85	0.001165054	147	0.002015714
24	0.000328819	86	0.001178768	148	0.002029440
25	0.000342522	87	0.001192483	149	0.002043166
26	0.000356225	88	0.001206198	150	0.002056893
27	0.000369929	89	0.001219913	151	0.002070620
28	0.000383633	90	0.001233629	152	0.002084347
29	0.000397336	91	0.001247344	153	0.002098074
30	0.000411041	92	0.001261060	154	0.002111801
31	0.000424745	93	0.001274776	155	0.002125529
32	0.000438449	94	0.001288492	156	0.002139257
33	0.000452154	95	0.001302208	157	0.002152985
34	0.000465859	96	0.001315925	158	0.002166713
35	0.000479564	97	0.001329641	159	0.002180441
36	0.000493269	98	0.001343358	160	0.002194169
37	0.000506974	99	0.001357075	161	0.002207898
38	0.000520680	100	0.001370792	162	0.002221627
39	0.000534386	101	0.001384510	163	0.002235356
40	0.000548092	102	0.001398227	164	0.002249085
41	0.000561798	103	0.001411945	165	0.002262815
42	0.000575504	104	0.001425663	166	0.002276544
43	0.000589211	105	0.001439381	167	0.002290274
44	0.000602917	106	0.001453100	168	0.002304004
45	0.000616624	107	0.001466818	169	0.002317734
46	0.000630331	108	0.001480537	170	0.002331465
47	0.000644039	109	0.001494256	171	0.002345195
48	0.000657746	110	0.001507975	172	0.002358926

365 Day Year					
0.5% Compound Rate 184 Days					
Days	Factor	Days	Factor	Days	Factor
49	0.000671454	111	0.001521694	173	0.002372657
50	0.000685161	112	0.001535414	174	0.002386388
51	0.000698869	113	0.001549133	175	0.002400120
52	0.000712578	114	0.001562853	176	0.002413851
53	0.000726286	115	0.001576573	177	0.002427583
54	0.000739995	116	0.001590293	178	0.002441315
55	0.000753703	117	0.001604014	179	0.002455047
56	0.000767412	118	0.001617734	180	0.002468779
57	0.000781121	119	0.001631455	181	0.002482511
58	0.000794831	120	0.001645176	182	0.002496244
59	0.000808540	121	0.001658897	183	0.002509977
60	0.000822250	122	0.001672619	184	0.002523710
61	0.000835960	123	0.001686340		
62	0.000849670	124	0.001700062		

366 Day Year					
0.5% Compound Rate 184 Days					
Days	Factor	Days	Factor	Days	Factor
1	0.000013661	63	0.000861020	125	0.001709097
2	0.000027323	64	0.000874693	126	0.001722782
3	0.000040984	65	0.000888366	127	0.001736467
4	0.000054646	66	0.000902040	128	0.001750152
5	0.000068308	67	0.000915713	129	0.001763837
6	0.000081970	68	0.000929387	130	0.001777522
7	0.000095632	69	0.000943061	131	0.001791208
8	0.000109295	70	0.000956735	132	0.001804893
9	0.000122958	71	0.000970409	133	0.001818579
10	0.000136620	72	0.000984084	134	0.001832265
11	0.000150283	73	0.000997758	135	0.001845951
12	0.000163947	74	0.001011433	136	0.001859638
13	0.000177610	75	0.001025108	137	0.001873324
14	0.000191274	76	0.001038783	138	0.001887011
15	0.000204938	77	0.001052459	139	0.001900698
16	0.000218602	78	0.001066134	140	0.001914385
17	0.000232266	79	0.001079810	141	0.001928073
18	0.000245930	80	0.001093486	142	0.001941760
19	0.000259595	81	0.001107162	143	0.001955448
20	0.000273260	82	0.001120839	144	0.001969136
21	0.000286924	83	0.001134515	145	0.001982824
22	0.000300590	84	0.001148192	146	0.001996512
23	0.000314255	85	0.001161869	147	0.002010201
24	0.000327920	86	0.001175546	148	0.002023889
25	0.000341586	87	0.001189223	149	0.002037578
26	0.000355252	88	0.001202900	150	0.002051267
27	0.000368918	89	0.001216578	151	0.002064957

366 Day Year					
		0.5% Compound Rate 184 Days			
Days	Factor	Days	Factor	Days	Factor
28	0.000382584	90	0.001230256	152	0.002078646
29	0.000396251	91	0.001243934	153	0.002092336
30	0.000409917	92	0.001257612	154	0.002106025
31	0.000423584	93	0.001271291	155	0.002119715
32	0.000437251	94	0.001284969	156	0.002133405
33	0.000450918	95	0.001298648	157	0.002147096
34	0.000464586	96	0.001312327	158	0.002160786
35	0.000478253	97	0.001326006	159	0.002174477
36	0.000491921	98	0.001339685	160	0.002188168
37	0.000505589	99	0.001353365	161	0.002201859
38	0.000519257	100	0.001367044	162	0.002215550
39	0.000532925	101	0.001380724	163	0.002229242
40	0.000546594	102	0.001394404	164	0.002242933
41	0.000560262	103	0.001408085	165	0.002256625
42	0.000573931	104	0.001421765	166	0.002270317
43	0.000587600	105	0.001435446	167	0.002284010
44	0.000601269	106	0.001449127	168	0.002297702
45	0.000614939	107	0.001462808	169	0.002311395
46	0.000628608	108	0.001476489	170	0.002325087
47	0.000642278	109	0.001490170	171	0.002338780
48	0.000655948	110	0.001503852	172	0.002352473
49	0.000669618	111	0.001517533	173	0.002366167
50	0.000683289	112	0.001531215	174	0.002379860
51	0.000696959	113	0.001544897	175	0.002393554
52	0.000710630	114	0.001558580	176	0.002407248
53	0.000724301	115	0.001572262	177	0.002420942
54	0.000737972	116	0.001585945	178	0.002434636
55	0.000751643	117	0.001599628	179	0.002448331
56	0.000765315	118	0.001613311	180	0.002462025
57	0.000778986	119	0.001626994	181	0.002475720
58	0.000792658	120	0.001640678	182	0.002489415
59	0.000806330	121	0.001654361	183	0.002503110
60	0.000820003	122	0.001668045	184	0.002516806
61	0.000833675	123	0.001681729		
62	0.000847348	124	0.001695413		

TABLE OF INTEREST RATES		
PERIODS BEFORE JUL. 1, 1975 – PERIODS ENDING DEC. 31, 1986		
OVERPAYMENTS AND UNDERPAYMENTS		
PERIOD	RATE	In 1995–1 C.B. DAILY RATE TABLE
Before Jul. 1, 1975	6%	Table 2, pg. 557
Jul. 1, 1975–Jan. 31, 1976	9%	Table 4, pg. 559
Feb. 1, 1976–Jan. 31, 1978	7%	Table 3, pg. 558

TABLE OF INTEREST RATES
PERIODS BEFORE JUL. 1, 1975 – PERIODS ENDING DEC. 31, 1986
OVERPAYMENTS AND UNDERPAYMENTS

PERIOD	RATE	In 1995–1 C.B. DAILY RATE TABLE
Feb. 1, 1978–Jan. 31, 1980	6%	Table 2, pg. 557
Feb. 1, 1980–Jan. 31, 1982	12%	Table 5, pg. 560
Feb. 1, 1982–Dec. 31, 1982	20%	Table 6, pg. 560
Jan. 1, 1983–Jun. 30, 1983	16%	Table 37, pg. 591
Jul. 1, 1983–Dec. 31, 1983	11%	Table 27, pg. 581
Jan. 1, 1984–Jun. 30, 1984	11%	Table 75, pg. 629
Jul. 1, 1984–Dec. 31, 1984	11%	Table 75, pg. 629
Jan. 1, 1985–Jun. 30, 1985	13%	Table 31, pg. 585
Jul. 1, 1985–Dec. 31, 1985	11%	Table 27, pg. 581
Jan. 1, 1986–Jun. 30, 1986	10%	Table 25, pg. 579
Jul. 1, 1986–Dec. 31, 1986	9%	Table 23, pg. 577

TABLE OF INTEREST RATES
FROM JAN. 1, 1987 – Dec. 31, 1998

	OVERPAYMENTS			UNDERPAYMENTS		
	RATE	1995–1 C.B. TABLE	PG	RATE	1995–1 C.B. TABLE	PG
Jan. 1, 1987–Mar. 31, 1987	8%	21	575	9%	23	577
Apr. 1, 1987–Jun. 30, 1987	8%	21	575	9%	23	577
Jul. 1, 1987–Sep. 30, 1987	8%	21	575	9%	23	577
Oct. 1, 1987–Dec. 31, 1987	9%	23	577	10%	25	579
Jan. 1, 1988–Mar. 31, 1988	10%	73	627	11%	75	629
Apr. 1, 1988–Jun. 30, 1988	9%	71	625	10%	73	627
Jul. 1, 1988–Sep. 30, 1988	9%	71	625	10%	73	627
Oct. 1, 1988–Dec. 31, 1988	10%	73	627	11%	75	629
Jan. 1, 1989–Mar. 31, 1989	10%	25	579	11%	27	581
Apr. 1, 1989–Jun. 30, 1989	11%	27	581	12%	29	583
Jul. 1, 1989–Sep. 30, 1989	11%	27	581	12%	29	583
Oct. 1, 1989–Dec. 31, 1989	10%	25	579	11%	27	581
Jan. 1, 1990–Mar. 31, 1990	10%	25	579	11%	27	581
Apr. 1, 1990–Jun. 30, 1990	10%	25	579	11%	27	581
Jul. 1, 1990–Sep. 30, 1990	10%	25	579	11%	27	581
Oct. 1, 1990–Dec. 31, 1990	10%	25	579	11%	27	581
Jan. 1, 1991–Mar. 31, 1991	10%	25	579	11%	27	581
Apr. 1, 1991–Jun. 30, 1991	9%	23	577	10%	25	579
Jul. 1, 1991–Sep. 30, 1991	9%	23	577	10%	25	579
Oct. 1, 1991–Dec. 31, 1991	9%	23	577	10%	25	579
Jan. 1, 1992–Mar. 31, 1992	8%	69	623	9%	71	625
Apr. 1, 1992–Jun. 30, 1992	7%	67	621	8%	69	623
Jul. 1, 1992–Sep. 30, 1992	7%	67	621	8%	69	623
Oct. 1, 1992–Dec. 31, 1992	6%	65	619	7%	67	621
Jan. 1, 1993–Mar. 31, 1993	6%	17	571	7%	19	573

TABLE OF INTEREST RATES
FROM JAN. 1, 1987 – Dec. 31, 1998

	OVERPAYMENTS			UNDERPAYMENTS		
		1995–1 C.B.			1995–1 C.B.	
	RATE	TABLE	PG	RATE	TABLE	PG
Apr. 1, 1993–Jun. 30, 1993	6%	17	571	7%	19	573
Jul. 1, 1993–Sep. 30, 1993	6%	17	571	7%	19	573
Oct. 1, 1993–Dec. 31, 1993	6%	17	571	7%	19	573
Jan. 1, 1994–Mar. 31, 1994	6%	17	571	7%	19	573
Apr. 1, 1994–Jun. 30, 1994	6%	17	571	7%	19	573
Jul. 1, 1994–Sep. 30, 1994	7%	19	573	8%	21	575
Oct. 1, 1994–Dec. 31, 1994	8%	21	575	9%	23	577
Jan. 1, 1995–Mar. 31, 1995	8%	21	575	9%	23	577
Apr. 1, 1995–Jun. 30, 1995	9%	23	577	10%	25	579
Jul. 1, 1995–Sep. 30, 1995	8%	21	575	9%	23	577
Oct. 1, 1995–Dec. 31, 1995	8%	21	575	9%	23	577
Jan. 1, 1996–Mar. 31, 1996	8%	69	623	9%	71	625
Apr. 1, 1996–Jun. 30, 1996	7%	67	621	8%	69	623
Jul. 1, 1996–Sep. 30, 1996	8%	69	623	9%	71	625
Oct. 1, 1996–Dec. 31, 1996	8%	69	623	9%	71	625
Jan. 1, 1997–Mar. 31, 1997	8%	21	575	9%	23	577
Apr. 1, 1997–Jun. 30, 1997	8%	21	575	9%	23	577
Jul. 1, 1997–Sep. 30, 1997	8%	21	575	9%	23	577
Oct. 1, 1997–Dec. 31, 1997	8%	21	575	9%	23	577
Jan. 1, 1998–Mar. 31, 1998	8%	21	575	9%	23	577
Apr. 1, 1998–Jun. 30, 1998	7%	19	573	8%	21	575
Jul. 1, 1998–Sep. 30, 1998	7%	19	573	8%	21	575
Oct. 1, 1998–Dec. 31, 1998	7%	19	573	8%	21	575

TABLE OF INTEREST RATES
FROM JANUARY 1, 1999 – PRESENT

NONCORPORATE OVERPAYMENTS AND UNDERPAYMENTS

		1995–1 C.B.	
	RATE	TABLE	PAGE
Jan. 1, 1999–Mar. 31, 1999	7%	19	573
Apr. 1, 1999–Jun. 30, 1999	8%	21	575
Jul. 1, 1999–Sep. 30, 1999	8%	21	575
Oct. 1, 1999–Dec. 31, 1999	8%	21	575
Jan. 1, 2000–Mar. 31, 2000	8%	69	623
Apr. 1, 2000–Jun. 30, 2000	9%	71	625
Jul. 1, 2000–Sep. 30, 2000	9%	71	625
Oct. 1, 2000–Dec. 31, 2000	9%	71	625
Jan. 1, 2001–Mar. 31, 2001	9%	23	577
Apr. 1, 2001–Jun. 30, 2001	8%	21	575
Jul. 1, 2001–Sep. 30, 2001	7%	19	573
Oct. 1, 2001–Dec. 31, 2001	7%	19	573

TABLE OF INTEREST RATES
FROM JANUARY 1, 1999 – PRESENT
NONCORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	RATE	1995-1 C.B. TABLE	PAGE
Jan. 1, 2002–Mar. 31, 2002	6%	17	571
Apr. 1, 2002–Jun. 30, 2002	6%	17	571
Jul. 1, 2002–Sep. 30, 2002	6%	17	571
Oct. 1, 2002–Dec. 31, 2002	6%	17	571
Jan. 1, 2003–Mar. 31, 2003	5%	15	569
Apr. 1, 2003–Jun. 30, 2003	5%	15	569
Jul. 1, 2003–Sep. 30, 2003	5%	15	569
Oct. 1, 2003–Dec. 31, 2003	4%	13	567
Jan. 1, 2004–Mar. 31, 2004	4%	61	615
Apr. 1, 2004–Jun. 30, 2004	5%	63	617
Jul. 1, 2004–Sep. 30, 2004	4%	61	615
Oct. 1, 2004–Dec. 31, 2004	5%	63	617
Jan. 1, 2005–Mar. 31, 2005	5%	15	569
Apr. 1, 2005–Jun. 30, 2005	6%	17	571
Jul. 1, 2005–Sep. 30, 2005	6%	17	571
Oct. 1, 2005–Dec. 31, 2005	7%	19	573
Jan. 1, 2006–Mar. 31, 2006	7%	19	573
Apr. 1, 2006–Jun. 30, 2006	7%	19	573
Jul. 1, 2006–Sep. 30, 2006	8%	21	575
Oct. 1, 2006–Dec. 31, 2006	8%	21	575
Jan. 1, 2007–Mar. 31, 2007	8%	21	575
Apr. 1, 2007–Jun. 30, 2007	8%	21	575
Jul. 1, 2007–Sep. 30, 2007	8%	21	575
Oct. 1, 2007–Dec. 31, 2007	8%	21	575
Jan. 1, 2008–Mar. 31, 2008	7%	67	621
Apr. 1, 2008–Jun. 30, 2008	6%	65	619
Jul. 1, 2008–Sep. 30, 2008	5%	63	617
Oct. 1, 2008–Dec. 31, 2008	6%	65	619
Jan. 1, 2009–Mar. 31, 2009	5%	15	569
Apr. 1, 2009–Jun. 30, 2009	4%	13	567
Jul. 1, 2009–Sep. 30, 2009	4%	13	567
Oct. 1, 2009–Dec. 31, 2009	4%	13	567
Jan. 1, 2010–Mar. 31, 2010	4%	13	567
Apr. 1, 2010–Jun. 30, 2010	4%	13	567
Jul. 1, 2010–Sep. 30, 2010	4%	13	567
Oct. 1, 2010–Dec. 31, 2010	4%	13	567
Jan. 1, 2011–Mar. 31, 2011	3%	11	565
Apr. 1, 2011–Jun. 30, 2011	4%	13	567
Jul. 1, 2011–Sep. 30, 2011	4%	13	567
Oct. 1, 2011–Dec. 31, 2011	3%	11	565
Jan. 1, 2012–Mar. 31, 2012	3%	59	613
Apr. 1, 2012–Jun. 30, 2012	3%	59	613

TABLE OF INTEREST RATES
FROM JANUARY 1, 1999 – PRESENT
NONCORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	RATE	1995–1 C.B. TABLE	PAGE
Jul. 1, 2012–Sep. 30, 2012	3%	59	613
Oct. 1, 2012–Dec. 31, 2012	3%	59	613
Jan. 1, 2013–Mar. 31, 2013	3%	11	565
Apr. 1, 2013–Jun. 30, 2013	3%	11	565
Jul. 1, 2013–Sep. 30, 2013	3%	11	565
Oct. 1, 2013–Dec. 31, 2013	3%	11	565
Jan. 1, 2014–Mar. 31, 2014	3%	11	565
Apr. 1, 2014–Jun. 30, 2014	3%	11	565
Jul. 1, 2014–Sep. 30, 2014	3%	11	565
Oct. 1, 2014–Dec. 31, 2014	3%	11	565
Jan. 1, 2015–Mar. 31, 2015	3%	11	565
Apr. 1, 2015–Jun. 30, 2015	3%	11	565
Jul. 1, 2015–Sep. 30, 2015	3%	11	565
Oct. 1, 2015–Dec. 31, 2015	3%	11	565
Jan. 1, 2016–Mar. 31, 2016	3%	59	613
Apr. 1, 2016–Jun. 30, 2016	4%	61	615
Jul. 1, 2016–Sep. 30, 2016	4%	61	615
Oct. 1, 2016–Dec. 31, 2016	4%	61	615
Jan. 1, 2017–Mar. 31, 2017	4%	13	567
Apr. 1, 2017–Jun. 30, 2017	4%	13	567
Jul. 1, 2017–Sep. 30, 2017	4%	13	567
Oct. 1, 2017–Dec. 31, 2017	4%	13	567
Jan. 1, 2018–Mar. 31, 2018	4%	13	567
Apr. 1, 2018–Jun. 30, 2018	5%	15	569
Jul. 1, 2018–Sep. 30, 2018	5%	15	569
Oct. 1, 2018–Dec. 31, 2018	5%	15	569
Jan. 1, 2019–Mar. 31, 2019	6%	17	571

TABLE OF INTEREST RATES
FROM JANUARY 1, 1999 – PRESENT
CORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	OVERPAYMENTS			UNDERPAYMENTS		
	RATE	1995–1 C.B. TABLE	PG	RATE	1995–1 C.B. TABLE	PG
Jan. 1, 1999–Mar. 31, 1999	6%	17	571	7%	19	573
Apr. 1, 1999–Jun. 30, 1999	7%	19	573	8%	21	575
Jul. 1, 1999–Sep. 30, 1999	7%	19	573	8%	21	575
Oct. 1, 1999–Dec. 31, 1999	7%	19	573	8%	21	575
Jan. 1, 2000–Mar. 31, 2000	7%	67	621	8%	69	623
Apr. 1, 2000–Jun. 30, 2000	8%	69	623	9%	71	625
Jul. 1, 2000–Sep. 30, 2000	8%	69	623	9%	71	625

TABLE OF INTEREST RATES
FROM JANUARY 1, 1999 – PRESENT
CORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	OVERPAYMENTS			UNDERPAYMENTS		
		1995–1 C.B.			1995–1 C.B.	
	RATE	TABLE	PG	RATE	TABLE	PG
Oct. 1, 2000–Dec. 31, 2000	8%	69	623	9%	71	625
Jan. 1, 2001–Mar. 31, 2001	8%	21	575	9%	23	577
Apr. 1, 2001–Jun. 30, 2001	7%	19	573	8%	21	575
Jul. 1, 2001–Sep. 30, 2001	6%	17	571	7%	19	573
Oct. 1, 2001–Dec. 31, 2001	6%	17	571	7%	19	573
Jan. 1, 2002–Mar. 31, 2002	5%	15	569	6%	17	571
Apr. 1, 2002–Jun. 30, 2002	5%	15	569	6%	17	571
Jul. 1, 2002–Sep. 30, 2002	5%	15	569	6%	17	571
Oct. 1, 2002–Dec. 31, 2002	5%	15	569	6%	17	571
Jan. 1, 2003–Mar. 31, 2003	4%	13	567	5%	15	569
Apr. 1, 2003–Jun. 30, 2003	4%	13	567	5%	15	569
Jul. 1, 2003–Sep. 30, 2003	4%	13	567	5%	15	569
Oct. 1, 2003–Dec. 31, 2003	3%	11	565	4%	13	567
Jan. 1, 2004–Mar. 31, 2004	3%	59	613	4%	61	615
Apr. 1, 2004–Jun. 30, 2004	4%	61	615	5%	63	617
Jul. 1, 2004–Sep. 30, 2004	3%	59	613	4%	61	615
Oct. 1, 2004–Dec. 31, 2004	4%	61	615	5%	63	617
Jan. 1, 2005–Mar. 31, 2005	4%	13	567	5%	15	569
Apr. 1, 2005–Jun. 30, 2005	5%	15	569	6%	17	571
Jul. 1, 2005–Sep. 30, 2005	5%	15	569	6%	17	571
Oct. 1, 2005–Dec. 31, 2005	6%	17	571	7%	19	573
Jan. 1, 2006–Mar. 31, 2006	6%	17	571	7%	19	573
Apr. 1, 2006–Jun. 30, 2006	6%	17	571	7%	19	573
Jul. 1, 2006–Sep. 30, 2006	7%	19	573	8%	21	575
Oct. 1, 2006–Dec. 31, 2006	7%	19	573	8%	21	575
Jan. 1, 2007–Mar. 31, 2007	7%	19	573	8%	21	575
Apr. 1, 2007–Jun. 30, 2007	7%	19	573	8%	21	575
Jul. 1, 2007–Sep. 30, 2007	7%	19	573	8%	21	575
Oct. 1, 2007–Dec. 31, 2007	7%	19	573	8%	21	575
Jan. 1, 2008–Mar. 31, 2008	6%	65	619	7%	67	621
Apr. 1, 2008–Jun. 30, 2008	5%	63	617	6%	65	619
Jul. 1, 2008–Sep. 30, 2008	4%	61	615	5%	63	617
Oct. 1, 2008–Dec. 31, 2008	5%	63	617	6%	65	619
Jan. 1, 2009–Mar. 31, 2009	4%	13	567	5%	15	569
Apr. 1, 2009–Jun. 30, 2009	3%	11	565	4%	13	567
Jul. 1, 2009–Sep. 30, 2009	3%	11	565	4%	13	567
Oct. 1, 2009–Dec. 31, 2009	3%	11	565	4%	13	567
Jan. 1, 2010–Mar. 31, 2010	3%	11	565	4%	13	567
Apr. 1, 2010–Jun. 30, 2010	3%	11	565	4%	13	567
Jul. 1, 2010–Sep. 30, 2010	3%	11	565	4%	13	567
Oct. 1, 2010–Dec. 31, 2010	3%	11	565	4%	13	567

TABLE OF INTEREST RATES
FROM JANUARY 1, 1999 – PRESENT
CORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	OVERPAYMENTS			UNDERPAYMENTS		
	RATE	1995-1 C.B. TABLE	PG	RATE	1995-1 C.B. TABLE	PG
Jan. 1, 2011–Mar. 31, 2011	2%	9	563	3%	11	565
Apr. 1, 2011–Jun. 30, 2011	3%	11	565	4%	13	567
Jul. 1, 2011–Sep. 30, 2011	3%	11	565	4%	13	567
Oct. 1, 2011–Dec. 31, 2011	2%	9	563	3%	11	565
Jan. 1, 2012–Mar. 31, 2012	2%	57	611	3%	59	613
Apr. 1, 2012–Jun. 30, 2012	2%	57	611	3%	59	613
Jul. 1, 2012–Sep. 30, 2012	2%	57	611	3%	59	613
Oct. 1, 2012–Dec. 31, 2012	2%	57	611	3%	59	613
Jan. 1, 2013–Mar. 31, 2013	2%	9	563	3%	11	565
Apr. 1, 2013–Jun. 30, 2013	2%	9	563	3%	11	565
Jul. 1, 2013–Sep. 30, 2013	2%	9	563	3%	11	565
Oct. 1, 2013–Dec. 31, 2013	2%	9	563	3%	11	565
Jan. 1, 2014–Mar. 31, 2014	2%	9	563	3%	11	565
Apr. 1, 2014–Jun. 30, 2014	2%	9	563	3%	11	565
Jul. 1, 2014–Sep. 30, 2014	2%	9	563	3%	11	565
Oct. 1, 2014–Dec. 31, 2014	2%	9	563	3%	11	565
Jan. 1, 2015–Mar. 31, 2015	2%	9	563	3%	11	565
Apr. 1, 2015–Jun. 30, 2015	2%	9	563	3%	11	565
Jul. 1, 2015–Sep. 30, 2015	2%	9	563	3%	11	565
Oct. 1, 2015–Dec. 31, 2015	2%	9	563	3%	11	565
Jan. 1, 2016–Mar. 31, 2016	2%	57	611	3%	59	613
Apr. 1, 2016–Jun. 30, 2016	3%	59	613	4%	61	615
Jul. 1, 2016–Sep. 30, 2016	3%	59	613	4%	61	615
Oct. 1, 2016–Dec. 31, 2016	3%	59	613	4%	61	615
Jan. 1, 2017–Mar. 31, 2017	3%	11	565	4%	13	567
Apr. 1, 2017–Jun. 30, 2017	3%	11	565	4%	13	567
Jul. 1, 2017–Sep. 30, 2017	3%	11	565	4%	13	567
Oct. 1, 2017–Dec. 31, 2017	3%	11	565	4%	13	567
Jan. 1, 2018–Mar. 31, 2018	3%	11	565	4%	13	567
Apr. 1, 2018–Jun. 30, 2018	4%	13	567	5%	15	569
Jul. 1, 2018–Sep. 30, 2018	4%	13	567	5%	15	569
Oct. 1, 2018–Dec. 31, 2018	4%	13	567	5%	15	569
Jan. 1, 2019–Mar. 31, 2019	5%	15	569	6%	17	571

TABLE OF INTEREST RATES FOR LARGE CORPORATE UNDERPAYMENTS
FROM JANUARY 1, 1991 – PRESENT

	RATE	1995-1 C.B. TABLE	PG
Jan. 1, 1991–Mar. 31, 1991	13%	31	585
Apr. 1, 1991–Jun. 30, 1991	12%	29	583
Jul. 1, 1991–Sep. 30, 1991	12%	29	583

TABLE OF INTEREST RATES FOR LARGE CORPORATE UNDERPAYMENTS
FROM JANUARY 1, 1991 – PRESENT

	RATE	1995–1 C.B. TABLE	PG
Oct. 1, 1991–Dec. 31, 1991	12%	29	583
Jan. 1, 1992–Mar. 31, 1992	11%	75	629
Apr. 1, 1992–Jun. 30, 1992	10%	73	627
Jul. 1, 1992–Sep. 30, 1992	10%	73	627
Oct. 1, 1992–Dec. 31, 1992	9%	71	625
Jan. 1, 1993–Mar. 31, 1993	9%	23	577
Apr. 1, 1993–Jun. 30, 1993	9%	23	577
Jul. 1, 1993–Sep. 30, 1993	9%	23	577
Oct. 1, 1993–Dec. 31, 1993	9%	23	577
Jan. 1, 1994–Mar. 31, 1994	9%	23	577
Apr. 1, 1994–Jun. 30, 1994	9%	23	577
Jul. 1, 1994–Sep. 30, 1994	10%	25	579
Oct. 1, 1994–Dec. 31, 1994	11%	27	581
Jan. 1, 1995–Mar. 31, 1995	11%	27	581
Apr. 1, 1995–Jun. 30, 1995	12%	29	583
Jul. 1, 1995–Sep. 30, 1995	11%	27	581
Oct. 1, 1995–Dec. 31, 1995	11%	27	581
Jan. 1, 1996–Mar. 31, 1996	11%	75	629
Apr. 1, 1996–Jun. 30, 1996	10%	73	627
Jul. 1, 1996–Sep. 30, 1996	11%	75	629
Oct. 1, 1996–Dec. 31, 1996	11%	75	629
Jan. 1, 1997–Mar. 31, 1997	11%	27	581
Apr. 1, 1997–Jun. 30, 1997	11%	27	581
Jul. 1, 1997–Sep. 30, 1997	11%	27	581
Oct. 1, 1997–Dec. 31, 1997	11%	27	581
Jan. 1, 1998–Mar. 31, 1998	11%	27	581
Apr. 1, 1998–Jun. 30, 1998	10%	25	579
Jul. 1, 1998–Sep. 30, 1998	10%	25	579
Oct. 1, 1998–Dec. 31, 1998	10%	25	579
Jan. 1, 1999–Mar. 31, 1999	9%	23	577
Apr. 1, 1999–Jun. 30, 1999	10%	25	579
Jul. 1, 1999–Sep. 30, 1999	10%	25	579
Oct. 1, 1999–Dec. 31, 1999	10%	25	579
Jan. 1, 2000–Mar. 31, 2000	10%	73	627
Apr. 1, 2000–Jun. 30, 2000	11%	75	629
Jul. 1, 2000–Sep. 30, 2000	11%	75	629
Oct. 1, 2000–Dec. 31, 2000	11%	75	629
Jan. 1, 2001–Mar. 31, 2001	11%	27	581
Apr. 1, 2001–Jun. 30, 2001	10%	25	579
Jul. 1, 2001–Sep. 30, 2001	9%	23	577
Oct. 1, 2001–Dec. 31, 2001	9%	23	577
Jan. 1, 2002–Mar. 31, 2002	8%	21	575
Apr. 1, 2002–Jun. 30, 2002	8%	21	575
Jul. 1, 2002–Sep. 30, 2002	8%	21	575

TABLE OF INTEREST RATES FOR LARGE CORPORATE UNDERPAYMENTS
FROM JANUARY 1, 1991 – PRESENT

	RATE	1995-1 C.B. TABLE	PG
Oct. 1, 2002–Dec. 31, 2002	8%	21	575
Jan. 1, 2003–Mar. 31, 2003	7%	19	573
Apr. 1, 2003–Jun. 30, 2003	7%	19	573
Jul. 1, 2003–Sep. 30, 2003	7%	19	573
Oct. 1, 2003–Dec. 31, 2003	6%	17	571
Jan. 1, 2004–Mar. 31, 2004	6%	65	619
Apr. 1, 2004–Jun. 30, 2004	7%	67	621
Jul. 1, 2004–Sep. 30, 2004	6%	65	619
Oct. 1, 2004–Dec. 31, 2004	7%	67	621
Jan. 1, 2005–Mar. 31, 2005	7%	19	573
Apr. 1, 2005–Jun. 30, 2005	8%	21	575
Jul. 1, 2005–Sep. 30, 2005	8%	21	575
Oct. 1, 2005–Dec. 31, 2005	9%	23	577
Jan. 1, 2006–Mar. 31, 2006	9%	23	577
Apr. 1, 2006–Jun. 30, 2006	9%	23	577
Jul. 1, 2006–Sep. 30, 2006	10%	25	579
Oct. 1, 2006–Dec. 31, 2006	10%	25	579
Jan. 1, 2007–Mar. 31, 2007	10%	25	579
Apr. 1, 2007–Jun. 30, 2007	10%	25	579
Jul. 1, 2007–Sep. 30, 2007	10%	25	579
Oct. 1, 2007–Dec. 31, 2007	10%	25	579
Jan. 1, 2008–Mar. 31, 2008	9%	71	625
Apr. 1, 2008–Jun. 30, 2008	8%	69	623
Jul. 1, 2008–Sep. 30, 2008	7%	67	621
Oct. 1, 2008–Dec. 31, 2008	8%	69	623
Jan. 1, 2009–Mar. 31, 2009	7%	19	573
Apr. 1, 2009–Jun. 30, 2009	6%	17	571
Jul. 1, 2009–Sep. 30, 2009	6%	17	571
Oct. 1, 2009–Dec. 31, 2009	6%	17	571
Jan. 1, 2010–Mar. 31, 2010	6%	17	571
Apr. 1, 2010–Jun. 30, 2010	6%	17	571
Jul. 1, 2010–Sep. 30, 2010	6%	17	571
Oct. 1, 2010–Dec. 31, 2010	6%	17	571
Jan. 1, 2011–Mar. 31, 2011	5%	15	569
Apr. 1, 2011–Jun. 30, 2011	6%	17	571
Jul. 1, 2011–Sep. 30, 2011	6%	17	571
Oct. 1, 2011–Dec. 31, 2011	5%	15	569
Jan. 1, 2012–Mar. 31, 2012	5%	63	617
Apr. 1, 2012–Jun. 30, 2012	5%	63	617
Jul. 1, 2012–Sep. 30, 2012	5%	63	617
Oct. 1, 2012–Dec. 31, 2012	5%	63	617
Jan. 1, 2013–Mar. 31, 2013	5%	15	569
Apr. 1, 2013–Jun. 30, 2013	5%	15	569
Jul. 1, 2013–Sep. 30, 2013	5%	15	569

TABLE OF INTEREST RATES FOR LARGE CORPORATE UNDERPAYMENTS
FROM JANUARY 1, 1991 – PRESENT

	RATE	1995–1 C.B. TABLE	PG
Oct. 1, 2013–Dec. 31, 2013	5%	15	569
Jan. 1, 2014–Mar. 31, 2014	5%	15	569
Apr. 1, 2014–Jun. 30, 2014	5%	15	569
Jul. 1, 2014–Sep. 30, 2014	5%	15	569
Oct. 1, 2014–Dec. 31, 2014	5%	15	569
Jan. 1, 2015–Mar. 31, 2015	5%	15	569
Apr. 1, 2015–Jun. 30, 2015	5%	15	569
Jul. 1, 2015–Sep. 30, 2015	5%	15	569
Oct. 1, 2015–Dec. 31, 2015	5%	15	569
Jan. 1, 2016–Mar. 31, 2016	5%	63	617
Apr. 1, 2016–Jun. 30, 2016	6%	65	619
Jul. 1, 2016–Sep. 30, 2016	6%	65	619
Oct. 1, 2016–Dec. 31, 2016	6%	65	619
Jan. 1, 2017–Mar. 31, 2017	6%	17	571
Apr. 1, 2017–Jun. 30, 2017	6%	17	571
Jul. 1, 2017–Sep. 30, 2017	6%	17	571
Oct. 1, 2017–Dec. 31, 2017	6%	17	571
Jan. 1, 2018–Mar. 31, 2018	6%	17	571
Apr. 1, 2018–Jun. 30, 2018	7%	19	573
Jul. 1, 2018–Sep. 30, 2018	7%	19	573
Oct. 1, 2018–Dec. 31, 2018	7%	19	573
Jan. 1, 2019–Mar. 31, 2019	8%	21	575

TABLE OF INTEREST RATES FOR CORPORATE
OVERPAYMENTS EXCEEDING \$10,000
FROM JANUARY 1, 1995 – PRESENT

	RATE	1995–1 C.B. TABLE	PG
Jan. 1, 1995–Mar. 31, 1995	6.5%	18	572
Apr. 1, 1995–Jun. 30, 1995	7.5%	20	574
Jul. 1, 1995–Sep. 30, 1995	6.5%	18	572
Oct. 1, 1995–Dec. 31, 1995	6.5%	18	572
Jan. 1, 1996–Mar. 31, 1996	6.5%	66	620
Apr. 1, 1996–Jun. 30, 1996	5.5%	64	618
Jul. 1, 1996–Sep. 30, 1996	6.5%	66	620
Oct. 1, 1996–Dec. 31, 1996	6.5%	66	620
Jan. 1, 1997–Mar. 31, 1997	6.5%	18	572
Apr. 1, 1997–Jun. 30, 1997	6.5%	18	572
Jul. 1, 1997–Sep. 30, 1997	6.5%	18	572
Oct. 1, 1997–Dec. 31, 1997	6.5%	18	572
Jan. 1, 1998–Mar. 31, 1998	6.5%	18	572
Apr. 1, 1998–Jun. 30, 1998	5.5%	16	570
Jul. 1, 1998–Sep. 30, 1998	5.5%	16	570

TABLE OF INTEREST RATES FOR CORPORATE
OVERPAYMENTS EXCEEDING \$10,000
FROM JANUARY 1, 1995 – PRESENT

	RATE	1995-1 C.B. TABLE	PG
Oct. 1, 1998–Dec. 31, 1998	5.5%	16	570
Jan. 1, 1999–Mar. 31, 1999	4.5%	14	568
Apr. 1, 1999–Jun. 30, 1999	5.5%	16	570
Jul. 1, 1999–Sep. 30, 1999	5.5%	16	570
Oct. 1, 1999–Dec. 31, 1999	5.5%	16	570
Jan. 1, 2000–Mar. 31, 2000	5.5%	64	618
Apr. 1, 2000–Jun. 30, 2000	6.5%	66	620
Jul. 1, 2000–Sep. 30, 2000	6.5%	66	620
Oct. 1, 2000–Dec. 31, 2000	6.5%	66	620
Jan. 1, 2001–Mar. 31, 2001	6.5%	18	572
Apr. 1, 2001–Jun. 30, 2001	5.5%	16	570
Jul. 1, 2001–Sep. 30, 2001	4.5%	14	568
Oct. 1, 2001–Dec. 31, 2001	4.5%	14	568
Jan. 1, 2002–Mar. 31, 2002	3.5%	12	566
Apr. 1, 2002–Jun. 30, 2002	3.5%	12	566
Jul. 1, 2002–Sep. 30, 2002	3.5%	12	566
Oct. 1, 2002–Dec. 31, 2002	3.5%	12	566
Jan. 1, 2003–Mar. 31, 2003	2.5%	10	564
Apr. 1, 2003–Jun. 30, 2003	2.5%	10	564
Jul. 1, 2003–Sep. 30, 2003	2.5%	10	564
Oct. 1, 2003–Dec. 31, 2003	1.5%	8	562
Jan. 1, 2004–Mar. 31, 2004	1.5%	56	610
Apr. 1, 2004–Jun. 30, 2004	2.5%	58	612
Jul. 1, 2004–Sep. 30, 2004	1.5%	56	610
Oct. 1, 2004–Dec. 31, 2004	2.5%	58	612
Jan. 1, 2005–Mar. 31, 2005	2.5%	10	564
Apr. 1, 2005–Jun. 30, 2005	3.5%	12	566
Jul. 1, 2005–Sep. 30, 2005	3.5%	12	566
Oct. 1, 2005–Dec. 31, 2005	4.5%	14	568
Jan. 1, 2006–Mar. 31, 2006	4.5%	14	568
Apr. 1, 2006–Jun. 30, 2006	4.5%	14	568
Jul. 1, 2006–Sep. 30, 2006	5.5%	16	570
Oct. 1, 2006–Dec. 31, 2006	5.5%	16	570
Jan. 1, 2007–Mar. 31, 2007	5.5%	16	570
Apr. 1, 2007–Jun. 30, 2007	5.5%	16	570
Jul. 1, 2007–Sep. 30, 2007	5.5%	16	570
Oct. 1, 2007–Dec. 31, 2007	5.5%	16	570
Jan. 1, 2008–Mar. 31, 2008	4.5%	62	616
Apr. 1, 2008–Jun. 30, 2008	3.5%	60	614
Jul. 1, 2008–Sep. 30, 2008	2.5%	58	612
Oct. 1, 2008–Dec. 31, 2008	3.5%	60	614
Jan. 1, 2009–Mar. 31, 2009	2.5%	10	564
Apr. 1, 2009–Jun. 30, 2009	1.5%	8	562

TABLE OF INTEREST RATES FOR CORPORATE
OVERPAYMENTS EXCEEDING \$10,000
FROM JANUARY 1, 1995 – PRESENT

	RATE	1995–1 C.B. TABLE	PG
Jul. 1, 2009–Sep. 30, 2009	1.5%	8	562
Oct. 1, 2009–Dec. 31, 2009	1.5%	8	562
Jan. 1, 2010–Mar. 31, 2010	1.5%	8	562
Apr. 1, 2010–Jun. 30, 2010	1.5%	8	562
Jul. 1, 2010–Sep. 30, 2010	1.5%	8	562
Oct. 1, 2010–Dec. 31, 2010	1.5%	8	562
Jan. 1, 2011–Mar. 31, 2011	0.5%*		
Apr. 1, 2011–Jun. 30, 2011	1.5%	8	562
Jul. 1, 2011–Sep. 30, 2011	1.5%	8	562
Oct. 1, 2011–Dec. 31, 2011	0.5%*		
Jan. 1, 2012–Mar. 31, 2012	0.5%*		
Apr. 1, 2012–Jun. 30, 2012	0.5%*		
Jul. 1, 2012–Sep. 30, 2012	0.5%*		
Oct. 1, 2012–Dec. 31, 2012	0.5%*		
Jan. 1, 2013–Mar. 31, 2013	0.5%*		
Apr. 1, 2013–Jun. 30, 2013	0.5%*		
Jul. 1, 2013–Sep. 30, 2013	0.5%*		
Oct. 1, 2013–Dec. 31, 2013	0.5%*		
Jan. 1, 2014–Mar. 31, 2014	0.5%*		
Apr. 1, 2014–Jun. 30, 2014	0.5%*		
Jul. 1, 2014–Sep. 30, 2014	0.5%*		
Oct. 1, 2014–Dec. 31, 2014	0.5%*		
Jan. 1, 2015–Mar. 31, 2015	0.5%*		
Apr. 1, 2015–Jun. 30, 2015	0.5%*		
Jul. 1, 2015–Sep. 30, 2015	0.5%*		
Oct. 1, 2015–Dec. 31, 2015	0.5%*		
Jan. 1, 2016–Mar. 31, 2016	0.5%*		
Apr. 1, 2016–Jun. 30, 2016	1.5%	56	610
Jul. 1, 2016–Sep. 30, 2016	1.5%	56	610
Oct. 1, 2016–Dec. 31, 2016	1.5%	56	610
Jan. 1, 2017–Mar. 31, 2017	1.5%	8	562
Apr. 1, 2017–Jun. 30, 2017	1.5%	8	562
Jul. 1, 2017–Sep. 30, 2017	1.5%	8	562
Oct. 1, 2017–Dec. 31, 2017	1.5%	8	562
Jan. 1, 2018–Mar. 31, 2018	1.5%	8	562
Apr. 1, 2018–Jun. 30, 2018	2.5%	10	564
Jul. 1, 2018–Sep. 30, 2018	2.5%	10	564
Oct. 1, 2018–Dec. 31, 2018	2.5%	10	564
Jan. 1, 2019–Mar. 31, 2019	3.5%	12	566

* The asterisk reflects the interest factors for daily compound interest for annual rates of 0.5 percent published in Appendix A of this Revenue Ruling.

Part III. Administrative, Procedural, and Miscellaneous

Interim Guidance and Request for Comments on Income Tax Withholding from Wages and from Retirement and Annuity Distributions

Notice 2018–92

SECTION 1. PURPOSE

This notice provides interim guidance for the 2019 calendar year on income tax withholding from wages and from retirement and annuity distributions. This notice provides that certain withholding rules in Notice 2018–14, 2018–7 I.R.B. 353, that applied for 2018 will remain in effect for the 2019 calendar year or, in the case of one such rule, until April 30, 2019. Also, the Internal Revenue Service (IRS) and the Department of the Treasury (Treasury Department) intend to develop regulations under sections 3401 and 3402 of the Internal Revenue Code, as amended by section 11041 of the Tax Cuts and Jobs Act, Pub. L. 115–97 (the “TCJA”). These withholding regulations will reflect changes made by the TCJA, other changes in the Code since the regulations were last amended, and certain miscellaneous changes consistent with current procedures. Comments are requested both on the interim guidance provided herein and guidance that should be provided in regulations. Comments must be received by January 25, 2019.

SECTION 2. OVERVIEW

Section 3402 requires an employer to withhold income tax from wages under methods and procedures prescribed by the Secretary. Section 3402 sets forth certain methods of withholding but also gives the Secretary broad regulatory authority in providing for tables or computational procedures for income tax withholding. Long-standing regulations have provided specific rules for income tax withholding. *See*, for example, Treas. Reg. §§ 31.3402(b)–1 and 31.3402(c)–1. Under section 3402(f)(2), an employee who receives wages subject to withholding under section 3402 is re-

quired to furnish his or her employer a Form W–4 (Employee’s Withholding Allowance Certificate). *See also* Treas. Reg. § 31.3402(f)(5)–1. An employee completes Form W–4 based on his or her personal tax situation and furnishes the Form W–4 to the employer.

Form W–4 is updated each year and is typically released before the beginning of the calendar year. Release of the 2018 Form W–4 was delayed until February 28, 2018, in order to reflect law changes made by the TCJA, such as changes in itemized deductions available, increases in the child tax credit, the new credit for other dependents, and the suspension of personal exemption deductions. Notice 2018–14, 2018–7 I.R.B. 353, provided relief for employers and employees affected by the delayed release of the 2018 Form W–4.

On June 6, 2018, and June 7, 2018, respectively, the IRS released for public comment a draft 2019 Form W–4 and draft instructions. Unlike the relatively minor changes made to Form W–4 in recent years, this draft form and instructions incorporated significant changes intended to improve the accuracy of income tax withholding and make the withholding system more transparent for employees. Many comments were received on the draft form and instructions. In response to comments received from stakeholders, the IRS and the Treasury Department announced on September 20, 2018, that implementation of the redesigned form would be postponed until 2020 and that the IRS and the Treasury Department would continue working closely with stakeholders as additional changes are made to the form. Accordingly, instead of using the draft 2019 Form W–4 that was released in June of 2018, the IRS intends to release a 2019 Form W–4 before the end of 2018 that makes minimal changes to the 2018 Form W–4. Like the 2018 Form W–4, the 2019 Form W–4 will implement changes made by the TCJA using computational procedures based on allowances and will be “appropriate . . . to reflect the provisions of chapter 1 applicable to” the 2019 calendar year. *See* section 3402(a)(1)(B).

This notice includes the following sections. Section 3 addresses the use of the term “withholding allowance” in section 3402 and its regulations. Section 4 continues until April 30, 2019, the temporary suspension of the requirement under section 3402(f)(2)(B) that employees must furnish their employers new Forms W–4 within 10 days for reductions in allowances solely resulting from changes made by the TCJA. *See* Notice 2018–14, 2018–7 I.R.B. 353, 355. Section 5 addresses the repeal of section 3401(e) and provides that employees who have failed to furnish a Form W–4 will be treated as single but entitled to the number of allowances provided in accordance with computational procedures set forth by the Commissioner in Publication 15 (Circular E), Employer’s Tax Guide. Section 6 requests comments on items taken into account under section 3402(m) and Treas. Reg. § 31.3402(m)–1(b) and provides that taxpayers may include an estimate of the deduction allowed under section 199A in determining the additional withholding allowance under section 3402(m) to which they are entitled and may claim on Form W–4. Section 7 explicitly allows taxpayers to use the online withholding calculator (www.irs.gov/W4App) or Publication 505, Tax Withholding and Estimated Tax, in lieu of the worksheets to Form W–4. Section 8 requests comments on alternative withholding methods under section 3402(h) and announces that the IRS and the Treasury Department intend to eliminate the combined income tax withholding and employee FICA tax withholding tables under Treas. Reg. § 31.3402(h)(4)–1(b). Section 9 modifies notification requirements for the withholding compliance program. Section 10 provides that, for 2019, the rules for default withholding for periodic payments under section 3405(a)(4), related to pensions, annuities, and certain other deferred income, will continue to parallel the rules for prior years by treating the payee as a married individual claiming three withholding allowances and applying that status to the 2019 withholding tables.

SECTION 3. WITHHOLDING ALLOWANCES

Under sections 3402(a)(1)(A) and 3402(a)(2), as modified by the TCJA, for each employee, an employer is to withhold on “the amount by which the wages exceed the taxpayer’s withholding allowance, prorated to the payroll period.” This withholding allowance is determined by the criteria set forth in section 3402(f)(1). In addition, section 3402(m) provides that, “[u]nder regulations prescribed by the Secretary, an employee shall be entitled to an additional withholding allowance or additional reductions in withholding” under section 3402(m). On the 2018 Form W-4, in accordance with section 3402, an employee reported “withholding allowances” to the employer based on the employee’s personal situation. Although the TCJA amended section 3402(f) to provide for a “withholding allowance” in the singular rather than “withholding exemptions” in the plural, section 3402(f) provides that under rules determined by the Secretary, an employee shall be entitled to a withholding allowance determined on the basis of multiple items listed in section 3402(f), and section 3402(m) provides for an additional withholding allowance. Accordingly, under the general authority to establish computational procedures pursuant to section 3402(a), the 2019 Form W-4 and the computational procedures in Publication 15 will continue to use the term “withholding allowances” and related terminology to properly incorporate the factors specified in section 3402(f) and the additional items in section 3402(m).

Pursuant to Treas. Reg. §§ 31.3402(b)-1 and 31.3402(c)-1, the 2019 Publication 15 will set the value of one withholding allowance for 2019. (The value of one withholding allowance for 2018 is \$4,150.) However, the IRS and the Treasury Department intend to amend the regulations under sections 3401 and 3402 describing withholding allowances and withholding exemptions to update the terminology used in those regulations. Until further guidance is issued, any reference to a withholding exemption in the regulations and guidance under section 3402 will be applied as if it were a reference to a withholding allowance. Thus, for example, the language in Treas. Reg. § 31.3402(f)(2)-1(g)(2)(i)

providing for an IRS notification process to specify a “maximum number of withholding exemptions” an employee may claim will be applied as a reference to a maximum number of withholding allowances.

In addition, as provided with respect to periods prior to 2019, for 2019, certain nonresident aliens may claim only one withholding allowance under Treas. Reg. § 31.3402(f)(6)-1 and related instructions, such as Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens. If an employee identifies as a nonresident alien employee on the 2019 Form W-4, the employer should follow the instructions for adding a specified amount to the nonresident alien individual’s wages before application of the wage withholding tables, as provided in Publication 15, to account for nonresident aliens’ ineligibility for the standard deduction. *See* section 63(c)(6)(B).

Finally, section 3402(f)(2)(B) and (C) and the regulations thereunder provide that if an employee experiences a “change of status” that reduces the “withholding allowance” the employee is entitled to, the employee must furnish his or her employer a new Form W-4 within 10 days after the change if the change affects the current calendar year and by December 1 of the current calendar year if the change affects the next calendar year. *See also* Treas. Reg. §§ 31.3402(f)(2)-1(b) (for a change that affects the current calendar year) and 31.3402(f)(2)-1(c)(1)(i) (for a change that affects the next calendar year). However, if the change affecting the next calendar year occurs in December of the current calendar year, the employee must furnish a new Form W-4 within 10 days after the change occurs. *See* Treas. Reg. § 31.3402(f)(2)-1(c)(1)(i).

For 2019, the IRS and the Treasury Department have determined that the “withholding allowance” as described in section 3402(f)(2)(B) and (C) means the number of withholding allowances claimed by the employee on Form W-4 multiplied by the value of the “withholding allowance” for 2019 as prescribed by the Commissioner in Publication 15. Thus, if an employee no longer reasonably expects to be entitled to one or more of the withholding allowances claimed on the Form W-4, the employee must generally furnish the employer a new Form W-4 within 10 days of

the change. However, see section 4 of this notice for a special rule related to TCJA changes.

SECTION 4. CHANGES OF STATUS SOLELY BECAUSE OF THE TCJA

As noted in section 3 of this notice, section 3402(f)(2)(B) and Treas. Reg. § 31.3402(f)(2)-1(b) provide that if an employee experiences a “change of status” that reduces the withholding allowances to which the employee is entitled, that employee must generally furnish a new Form W-4 within 10 days. Under Section III of Notice 2018-14, employees who had a change of status “solely due to the changes made by the TCJA” were not required to furnish new Forms W-4 to their employers during 2018. The IRS and the Treasury Department have determined that this rule should continue in effect until April 30, 2019. Accordingly, if an employee experiences a change of status on or before April 30, 2019, that reduces the number of withholding allowances to which the employee is entitled and the change is solely due to the changes made by the TCJA, the employee is not required to furnish a new Form W-4 on or before May 9, 2019, but is generally required to furnish the employer a new Form W-4 by May 10, 2019. However, consistent with section 3 of this notice, if an employee no longer reasonably expects to be entitled to a claimed number of withholding allowances because of a change in personal circumstances not solely related to changes made by the TCJA (for example, an individual no longer qualifies as the employee’s qualifying child, as defined in section 152(c), because of a change in the individual’s principal place of abode), the employee must furnish his or her employer a new Form W-4 within 10 days after the change. Similarly, if an employee claims married filing status on Form W-4 but becomes divorced from his or her spouse, the employee must furnish the employer a new Form W-4 within 10 days after the change. *See* section 3402(l); Treas. Reg. § 31.3402(l)-1(b)(2). In addition, employees are encouraged to update their Forms W-4 as soon as they become aware of a change in withholding allowances they are entitled to resulting from changes made by the TCJA. The online withholding calculator (www.irs.gov/W4App) has been updated to reflect changes

made by the TCJA and will be updated for 2019. Employees are encouraged to check their withholding using this online tool to prevent under-withholding and possible section 6654 estimated tax penalties.

SECTION 5. EMPLOYEES WHO FAIL TO FURNISH A VALID FORM W-4

Prior to TCJA, section 3401(e) provided that employees who failed to furnish a Form W-4 were considered to have claimed zero withholding allowances or exemptions. *See also* Treas. Reg. § 31.3402(f)(2)-1(a) (last sentence). Under section 3402(l) an employee is treated as single unless the employee furnishes a Form W-4 indicating that the employee is married (determined by applying the rules of section 3402(l)(3)). Thus, under prior law, employees who failed to furnish a Form W-4 were treated as single with zero allowances for purposes of determining withholding.

TCJA repealed section 3401(e) but made no substantive changes to section 3402(l). Accordingly, the IRS and the Treasury Department intend to withdraw the regulations under section 3401(e) and modify other regulations to provide that employees who have failed to furnish a Form W-4 will be treated as single but entitled to the number of withholding allowances provided in accordance with computational procedures set forth by the Commissioner in Publication 15. Until further guidance is issued, the IRS plans to provide, in the computational procedures in Publication 15 applicable for 2019, that employees who fail to furnish a Form W-4 will be treated as single with zero withholding allowances.

SECTION 6. ESTIMATED AMOUNTS OF DEDUCTIONS AND CREDITS UNDER SECTION 3402(m)

Section 3402(m) allows for an additional withholding allowance or additional reductions in withholding under regulations prescribed by the Secretary. Treas. Reg. § 31.3402(m)-1(b) lists items that may be taken into account in determining the withholding allowance to which an employee is entitled. The IRS and the

Treasury Department request comments with respect to the list of items set forth in Treas. Reg. § 31.3402(m)-1(b). Until further guidance under section 3402(m) is issued, in addition to the items listed in Treas. Reg. § 31.3402(m)-1(b) insofar as they are applicable to the relevant tax year, a taxpayer may include the taxpayer's estimated deduction under section 199A in determining the additional withholding allowance under section 3402(m) that the taxpayer is entitled to claim on Form W-4.

SECTION 7. USE OF WITHHOLDING CALCULATOR AND PUBLICATION 505 AS AN ALTERNATIVE WITHHOLDING PROCEDURE

Consistent with instructions currently provided in Publication 505, Publication 15, and the instructions for Form W-4, the IRS and the Treasury Department intend to update the regulations under section 3402 to explicitly allow employees to use the withholding calculator (www.irs.gov/W4App) or Publication 505 to determine what entries to make on Form W-4 in lieu of completing certain schedules included with the Form W-4. These options are appropriate for employees who want their withholding to be as accurate as possible. For 2018, the withholding calculator provides an amount to enter on line 5 of Form W-4 for total number of allowances claimed and, if appropriate, an additional amount to enter on line 6 of Form W-4 for an additional amount to be withheld from each paycheck. The 2019 Form W-4 is expected to have the same lines. The accuracy of the calculator results depends on the accuracy of the information entered into the calculator.

As explained in the instructions for the IRS withholding calculator on the irs.gov website, taxpayers in certain situations should not use the calculator to calculate their withholding but should use Publication 505 instead. For example, for 2018, the 2018 withholding calculator should not be used by taxpayers who owe self-employment tax, alternative minimum tax, the tax on unearned income of dependents, or certain other taxes; taxpayers with long-term capital gains or qualified dividends; or taxpayers who have taxable social security benefits. It is expected that

the regulations will provide that using the withholding calculator is not an acceptable procedure for an employee to follow in calculating withholding if the instructions for the IRS withholding calculator provide that it should not be used by the employee because of the employee's individual tax situation.

SECTION 8. ALTERNATIVE WITHHOLDING METHODS UNDER SECTION 3402(h)

The IRS and the Treasury Department request comments on alternative withholding procedures under section 3402(h). The IRS and the Treasury Department intend to eliminate one of the alternative withholding procedures, specifically, the combined income tax withholding and employee FICA tax withholding tables under Treas. Reg. § 31.3402(h)(4)-1(b), due to the unintended complexity and burden of the method. Although employers currently may withhold FICA and income tax simultaneously under these tables, they still need to report each of these amounts separately on quarterly or annual employment tax returns and Forms W-2, thus reducing any benefit from using the combined tables.

SECTION 9. SUSPENSION OF REQUIREMENT TO NOTIFY THE IRS THAT AN EMPLOYEE IS NOT EMPLOYED BY AN EMPLOYER

In certain cases, the IRS may issue an employer a notice prescribing a maximum number of withholding allowances an employee may claim (a lock-in letter). *See* Treas. Reg. § 31.3402(f)(2)-1(g)(2)(i). When the employer no longer employs the employee (within the meaning of Treas. Reg. § 31.3402(f)(2)-1(g)(2)(iii)), Treas. Reg. § 31.3402(f)(2)-1(g)(2)(iv) requires the employer to send a written response to the IRS office designated in the lock-in letter that the employee is not employed by the employer. The IRS and the Treasury Department intend to eliminate this requirement from the regulations. Pending issuance of further guidance, employers should not send a written response to the IRS as provided in Treas. Reg. § 31.3402(f)(2)-1(g)(2)(iv).

SECTION 10. WITHHOLDING UNDER SECTION 3405

Under section 3405, the payor of certain payments for pensions, annuities, and certain other deferred income generally is required to withhold from the payments unless an individual elects not to have withholding apply to the payment. (The no-withholding election generally is unavailable with respect to eligible rollover distributions under section 3405(c) and certain payments to be made outside of the United States or its possessions under section 3405(e)(13).) An individual's withholding election identifying the marital status and number of allowances being claimed (as well as an individual's request for additional withholding) generally is made using Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Under the law in effect before 2018, section 3405(a)(4) provided that, in the case of a payee entitled to periodic payments with respect to which a withholding certificate has not been furnished, the amount to be withheld from each such payment "shall be determined by treating the payee as a married individual claiming 3 withholding exemptions." *See also* Temp. Treas. Reg. § 35.3405-1T, Q&A A-10. The TCJA amended section 3405(a)(4) to provide that the withholding rate when no withholding certificate is furnished "shall be determined under rules prescribed by the Secretary." *See* section 11041(c)(2)(G) of TCJA. Section V of Notice 2018-14 provided that, for 2018, the rules for withholding when no withholding certificate is furnished with respect to periodic payments under section 3405(a) parallel the rules for prior years and are based on treating the payee as a married individual claiming three withholding allowances. For 2019, the same rules will continue to apply to periodic payments under section 3405(a). Accordingly, for 2019, the rules for withholding when no withholding certificate is furnished with respect to periodic payments under section 3405(a) will parallel the rules for prior years and will be based on treating the payee as a married individual claiming three withholding allowances and applying that status to the 2019 withholding tables.

SECTION 11. REQUEST FOR COMMENTS

Interested parties are invited to submit comments on this notice by January 25, 2019. Comments should be submitted to: CC:PA:LPD:PR (Notice 2018-92), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, D.C., 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 (Notice 2018-92), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D.C., 20224. Alternatively, taxpayers may submit comments electronically to Notice.comments@irs.counsel.treas.gov. Please include "Notice 2018-92" in the subject line of any electronic submission.

SECTION 12. DRAFTING INFORMATION

The principal authors of this notice are A.G. Kelley and Mikhail Zhidkov of the Office of Associate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this notice, contact Mikhail Zhidkov at (202) 317-4774 (not a toll-free number).

Credit for Carbon Oxide Sequestration Applicable Dollar Amounts Notice 2018-93

SECTION 1. PURPOSE

This notice publishes the applicable dollar amounts under § 45Q(b)(1) of the Internal Revenue Code for purposes of determining the credit for carbon oxide sequestration under § 45Q(a)(3) and (a)(4).

SECTION 2. BACKGROUND

Section 45Q was enacted by § 115 of the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, 122 Stat. 3765, 3829 (October 3, 2008) to provide a credit for the sequestration of carbon dioxide. Section 45Q

was amended by § 1131 of the American Recovery and Reinvestment Tax Act of 2009, Division B of Pub. L. 111-5, 123 Stat. 115, 325 (February 17, 2009), and more recently by section 41119 of the Bipartisan Budget Act of 2018 (BBA), Pub. L. No. 115-123 (February 9, 2018). As a result of modifications made by the BBA amendment, the credit under section 45Q now applies to the sequestration of "qualified carbon oxide," a broader term than qualified carbon dioxide. The amount of the credit is also increased for carbon oxide captured with equipment originally placed in service on or after the date of enactment of BBA.

Section 45Q(a)(1) allows a credit of \$20 per metric ton of qualified carbon oxide (i) captured by the taxpayer using carbon capture equipment which is originally placed in service at a qualified facility before the date of the enactment of BBA, (ii) disposed of by the taxpayer in secure geological storage, and (iii) not used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.

Section 45Q(a)(2) allows a credit of \$10 per metric ton of qualified carbon oxide (i) captured by the taxpayer using carbon capture equipment which is originally placed in service at a qualified facility before the date of the enactment of BBA and (ii) either (I) used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and disposed of by the taxpayer in secure geological storage or (II) utilized by the taxpayer in a manner described in § 45Q(f)(5).

Section 45Q(a)(3) allows a credit of the applicable dollar amount (as determined under § 45Q(b)(1)) per metric ton of qualified carbon oxide (i) captured by the taxpayer using carbon capture equipment which is originally placed in service at a qualified facility on or after the date of the enactment of BBA during the 12-year period beginning on the date the equipment was originally placed in service, (ii) disposed of by the taxpayer in secure geological storage, and (iii) neither used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project nor utilized in a manner described in § 45Q(f)(5).

Section 45Q(a)(4) allows credit of the applicable dollar amount (as determined under § 45Q(b)(1)) per metric ton of qualified carbon oxide (i) captured by the taxpayer using carbon capture equipment which is originally placed in service at a qualified facility on or after the date of the enactment of BBA during the 12-year period beginning on the date the equipment was originally placed in service, and (ii) either (I) used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and disposed of by the taxpayer in secure geological storage or (II) utilized by the taxpayer in a manner described in § 45Q(f)(5).

Section 45Q(b)(1)(A)(i)(I) provides that, for any taxable year beginning in a calendar year after 2016 and before 2027, the applicable dollar amount for purposes of § 45Q(a)(3) is an amount equal to the dollar amount established by linear interpolation between \$22.66 and \$50 for each calendar year during such period.

Section 45Q(b)(1)(A)(i)(II) provides that, for any taxable year beginning in a calendar year after 2016 and before 2027, the applicable dollar amount for purposes of § 45Q(a)(4) is an amount equal to the dollar amount established by linear interpolation between \$12.83 and \$35 for each calendar year during such period.

Section 45Q(b)(1)(A)(ii)(I) provides that, for any taxable year beginning in a calendar year after 2026, the applicable dollar amount for purposes of § 45Q(a)(3) shall be an amount equal to the product of \$50 and the inflation adjustment factor for such calendar year determined under § 43(b)(3)(B) for such calendar year, determined by substituting “2025” for “1990.” Section 45Q(b)(1)(A)(ii)(II) provides that, for any taxable year beginning in a calendar year after 2026, the applicable dollar amount for purposes of § 45Q(a)(4) shall be an amount equal to the product of \$35 and the inflation adjustment factor for such calendar year determined under § 43(b)(3)(B) for such calendar year, determined by substituting “2025” for “1990.”

Pursuant to § 45Q(b)(1)(B), the applicable dollar amount determined under § 45Q(b)(1)(A) is rounded to the nearest cent.

SECTION 3. APPLICABLE DOLLAR AMOUNTS

The applicable dollar amounts under § 45Q(b)(1)(A)(i)(I), established by linear interpolation for purposes of § 45Q(a)(3), are as follows:

Year	Applicable Dollar Amount
2017	\$22.66
2018	\$25.70
2019	\$28.74
2020	\$31.77
2021	\$34.81
2022	\$37.85
2023	\$40.89
2024	\$43.92
2025	\$46.96
2026	\$50.00

The applicable dollar amounts under § 45Q(b)(1)(A)(i)(II), established by linear interpolation for purposes of § 45Q(a)(4), are as follows:

Year	Applicable Dollar Amount
2017	\$12.83
2018	\$15.29
2019	\$17.76
2020	\$20.22
2021	\$22.68
2022	\$25.15
2023	\$27.61
2024	\$30.07
2025	\$32.54
2026	\$35.00

SECTION 4. DRAFTING INFORMATION

The principal author of this notice is David Selig of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this notice, contact Mr. Selig at (202) 317-6853 (not a toll-free number).

EXTENSION OF DUE DATE FOR FURNISHING STATEMENTS AND OF GOOD-FAITH TRANSITION RELIEF UNDER I.R.C. SECTIONS 6721 AND 6722 FOR REPORTING REQUIRED BY I.R.C. SECTIONS 6055 AND 6056 FOR 2018

Notice 2018-94

PURPOSE

This notice extends the due date for certain 2018 information-reporting requirements for insurers, self-insuring employers, and certain other providers of minimum essential coverage under section 6055 of the Internal Revenue Code (Code) and for applicable large employers under section 6056 of the Code. Specifically, this notice extends the due date for furnishing to individuals the 2018 Form 1095-B, *Health Coverage*, and the 2018 Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*, from January 31, 2019, to March 4, 2019. This notice also extends good-faith transition relief from section 6721 and 6722 penalties to the 2018 information-reporting requirements under sections 6055 and 6056.

BACKGROUND

Sections 6055 and 6056 were added to the Code by sections 1502 and 1514 of the Patient Protection and Affordable Care Act (ACA), enacted March 23, 2010, Pub. L. No. 111-148, 124 Stat. 119, 250, 256. Section 6055 requires health insurance issuers, self-insuring employers, government agencies, and other providers of minimum essential coverage to file and furnish annual information returns and statements regarding coverage provided. Section 6056 requires applicable large employers (generally those with 50 or more full-time employees, including full-time equivalent employees, in the previous year) to file and furnish annual information returns and statements relating to the health insurance, if any, that the employer offers to its full-time employees. Section 6056 was amended by sections 10106(g) and 10108(j) of the ACA and was further amended by section 1858(b)(5) of

the Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112–10, 125 Stat. 38, 169.

Section 36B, which was added to the Code by section 1401 of the ACA, provides a premium tax credit for eligible individuals who enroll in coverage through a Health Insurance Marketplace. Section 5000A, which was added to the Code by section 1501(b) of the ACA, generally provides that individuals must have minimum essential coverage, qualify for an exemption from the minimum essential coverage requirement, or make an individual shared responsibility payment when they file their federal income tax return. The Tax Cuts and Jobs Act, Pub. L. No. 115–97, 131 Stat. 2054, 2092, reduced the individual shared responsibility payment to zero for months beginning after December 31, 2018.

Section 6721 imposes a penalty for failing to timely file an information return or for filing an incorrect or incomplete information return. Section 6722 imposes a penalty for failing to timely furnish an information statement or for furnishing an incorrect or incomplete information statement. Section 6721 and 6722 penalties are imposed with regard to information returns and statements listed in section 6724(d), which includes those required by sections 6055 and 6056.

The regulations under section 6055 require every person that provides minimum essential coverage to an individual during a calendar year to file with the Internal Revenue Service (Service) an information return and a transmittal on or before the following February 28 (March 31 if filed electronically) and to furnish to the responsible individual identified on the return a written statement on or before January 31 following the calendar year to which the statement relates. *See* Treas. Reg. § 1.6055–1(f), (g)(4); *see also* § 6055(c)(2). The Service has designated Form 1094–B, *Transmittal of Health Coverage Information Returns*, and Form 1095–B, *Health Coverage*, to meet the requirements of the section 6055 regulations.

The regulations under section 6056 require every applicable large employer or a member of an aggregated group that is determined to be an applicable large employer (ALE member) to file with the Ser-

vice an information return and a transmittal on or before February 28 (March 31 if filed electronically) of the year following the calendar year to which it relates and to furnish to full-time employees a written statement on or before January 31 following the calendar year to which the statement relates. *See* Treas. Reg. § 301.6056–1(e), (g); *see also* § 6056(c)(2). The Service has designated Form 1094–C, *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns*, and Form 1095–C, *Employer-Provided Health Insurance Offer and Coverage*, to meet the requirements of the section 6056 regulations.

The regulations under sections 6055 and 6056 allow the Service to grant an extension of time of up to 30 days to furnish Forms 1095–B and 1095–C for good cause shown. *See* Treas. Reg. §§ 1.6055–1(g)(4)(i)(B)(1), 301.6056–1(g)(1)(ii)(A). In addition, filers of Forms 1095–B, 1094–C, and 1095–C may receive an automatic 30-day extension of time to file these forms with the Service by submitting Form 8809, *Application for Extension of Time To File Information Returns*, on or before the due date for filing those forms. *See* Treas. Reg. §§ 1.6081–1, 1.6081–8. Under certain conditions, filers who submit Form 8809 before the automatic 30-day extension period expires and explain in detail why the additional time is needed may also receive an additional 30-day extension of time to file Forms 1095–B, 1094–C, and 1095–C with the Service. *See id.*

The preambles to the section 6055 and 6056 regulations (T.D. 9660, 2014–13 I.R.B. 842; T.D. 9661, 2014–13 I.R.B. 855) provided that, for reporting of 2015 offers and coverage, the Service would not impose penalties under sections 6721 and 6722 on reporting entities that could show that they made good-faith efforts to comply with the information-reporting requirements. This relief applied only to furnishing and filing incorrect or incomplete information reported on a statement or return, and not to a failure to timely furnish or file a statement or return. Notice 2015–87, 2015–52 I.R.B. 889, reiterated that relief, and Notice 2015–68, 2015–41 I.R.B. 547, provided additional information about that relief with regard to reporting under section 6055. The preambles

also noted the general rule that, under section 6724 and the related regulations, the section 6721 and 6722 penalties may be waived if a failure to timely furnish or file a statement or return is due to reasonable cause. To establish reasonable cause, the reporting entity must demonstrate that it acted in a responsible manner and that the failure was due to significant mitigating factors or events beyond the reporting entity’s control. In addition, proposed regulations under section 6055 published on August 2, 2016, proposed additional rules for reporting. 81 Fed. Reg. 50671.

Notice 2016–4, 2016–3 I.R.B. 279, extended the due dates for the 2015 information-reporting requirements under sections 6055 and 6056 (both for furnishing to individuals and for filing with the Service). In particular, the notice provided that the furnishing deadline for the 2015 Forms 1095–B and 1095–C was extended from February 1, 2016, to March 31, 2016, and that the filing deadline for the 2015 Forms 1094–B, 1095–B, 1094–C, and 1095–C was extended from February 29, 2016, to May 31, 2016, if not filing electronically, and from March 31, 2016, to June 30, 2016, if filing electronically. In addition, the notice provided that the provisions regarding an automatic and permissive 30-day extension of time for filing information returns and a permissive extension of time (of up to 30 days) for furnishing statements would not apply to the extended due dates.

Notice 2016–70, 2016–49 I.R.B. 784, extended the due dates for the 2016 information-reporting requirements under sections 6055 and 6056 for furnishing statements to individuals. In particular, the notice provided that the furnishing deadline for the 2016 Forms 1095–B and 1095–C was extended from January 31, 2017, to March 2, 2017. Notice 2016–70 did not extend the deadline for filing information returns with the Service, nor did it affect any extension that would otherwise be applicable to the deadline. The notice also extended good-faith transition relief from section 6721 and 6722 penalties to the 2016 information-reporting requirements under sections 6055 and 6056.

Notice 2018–06, 2018–2 I.R.B. 300, extended the due dates for the 2017 information-reporting requirements under sections 6055 and 6056 for furnishing

statements to individuals. In particular, the notice provided that the furnishing deadline for the 2017 Forms 1095-B and 1095-C was extended from January 31, 2018, to March 2, 2018. Notice 2018-06 did not extend the deadline for filing information returns with the Service, nor did it affect any extension that would otherwise be applicable to the deadline. The notice also extended good-faith transition relief from section 6721 and 6722 penalties to the 2017 information-reporting requirements under sections 6055 and 6056.

TRANSITION RELIEF

A. Extension of Due Date for Furnishing to Individuals under Sections 6055 and 6056 for 2018

Following consultation with stakeholders, the Department of the Treasury (Treasury) and the Service have determined that a substantial number of employers, insurers, and other providers of minimum essential coverage need additional time beyond the January 31, 2019, due date to gather and analyze the information and prepare the 2018 Forms 1095-B and 1095-C to be furnished to individuals. Accordingly, this notice extends the due date for furnishing the 2018 Form 1095-B and the 2018 Form 1095-C, from January 31, 2019, to March 4, 2019.¹ In view of this automatic extension to March 4, 2019, the provisions under Treas. Reg. §§ 1.6055-1(g)(4)(i)(B)(1) and 301.6056-1(g)(1)(ii) (A) allowing the Service to grant an extension of time of up to 30 days to furnish Forms 1095-B and 1095-C will not apply to the extended due date. Notwithstanding the extension provided in this notice, employers and other coverage providers are encouraged to furnish 2018 statements as soon as they are able.

Treasury and the Service have determined that there is no similar need for additional time for employers, insurers, and other providers of minimum essential coverage to file with the Service the 2018 Forms 1094-B, 1095-B, 1094-C, and 1095-C. Therefore, this notice does not extend the due date for filing with the Service the 2018 Forms 1094-B, 1095-B, 1094-C, or 1095-C, which remains Feb-

ruary 28, 2019, if not filing electronically, or April 1, 2019, if filing electronically. However, this notice does not affect the provisions regarding an automatic extension of time for filing information returns; the automatic extension remains available under the normal rules for employers and other coverage providers who submit a Form 8809 before the due date. *See* Treas. Reg. §§ 1.6081-1, 1.6081-8. This notice also does not affect the provisions regarding additional extensions of time to file. *See id.*

Employers or other coverage providers that do not comply with the due dates for furnishing Forms 1095-B and 1095-C (as extended under the rules described above) or for filing Forms 1094-B, 1095-B, 1094-C, or 1095-C are subject to penalties under sections 6722 or 6721 for failure to timely furnish and file, respectively. However, employers and other coverage providers that do not meet the relevant due dates should still furnish and file. The Service will take such furnishing and filing into consideration when determining whether to abate penalties for reasonable cause.

The extension of the due date provided by this notice applies only to section 6055 and 6056 information statements for calendar year 2018 furnished in 2019 and does not require the submission of any request or other documentation to the Service. Because the extension of the due date to furnish granted in this notice applies automatically and is as generous as the permissive 30-day extension of time to furnish 2018 information statements under sections 6055 and 6056 that have already been requested by some reporting entities in submissions to the Service, the Service will not formally respond to such requests.

Because of the extension granted under this notice, some individual taxpayers may not receive a Form 1095-B or Form 1095-C by the time they are ready to file their 2018 tax return. Taxpayers do not need to wait to receive Forms 1095-B and 1095-C before filing their returns and may rely on other information received from their employer or other coverage provider for purposes of filing their re-

turns, including determining eligibility for the premium tax credit under section 36B and confirming that they had minimum essential coverage for purposes of sections 36B and 5000A. Although taxpayers need not send the other information relied upon to the Service when filing their returns, they should keep that information with their tax records.

B. Extension of Good-Faith Transition Relief from Section 6721 and 6722 Penalties for 2018

The preambles to the section 6055 and 6056 regulations provided transition relief from penalties under sections 6721 and 6722 to reporting entities that could show that they made good-faith efforts to comply with the information-reporting requirements for 2015. This relief applied only to incorrect and incomplete information reported on the statement or return and not to a failure to timely furnish or file a statement or return. Notice 2016-70 and Notice 2018-06 extended this relief for the information-reporting requirements under sections 6055 and 6056 for 2016 and 2017, respectively. Treasury and the Service recognize the ongoing challenges involved in complying with these reporting requirements and have determined that this relief is also appropriate for 2018.

Specifically, this notice extends relief from penalties under sections 6721 and 6722 to reporting entities that report incorrect or incomplete information on the return or statement when these entities can show that they made good-faith efforts to comply with the information-reporting requirements under sections 6055 and 6056 for 2018 (both for furnishing to individuals and for filing with the Service). This relief applies to missing and inaccurate taxpayer identification numbers and dates of birth, as well as other information required on the return or statement. No relief is provided in the case of reporting entities that do not make a good-faith effort to comply with the regulations or that fail to file an information return or furnish a statement by the due dates (as extended under the rules described above). In determining good faith, the Service will take into account whether an employer or other

¹This notice extends the due date for furnishing 2018 Forms 1095-B and 1095-C to March 4 (instead of to March 2, as was done in Notice 2016-70 and Notice 2018-06, to provide a 30-day extension), because March 2, 2019, is a Saturday.

coverage provider made reasonable efforts to prepare for reporting the required information to the Service and furnishing it to employees and covered individuals, such as gathering and transmitting the necessary data to an agent to prepare the data for submission to the Service or testing its ability to transmit information to the Service.

C. Future Years

Because the individual shared responsibility payment is reduced to zero for months beginning after December 31, 2018, Treasury and the Service are studying whether and how the reporting requirements under section 6055 should change, if at all, for future years.

CONTACT INFORMATION

The principal author of this notice is Danielle Pierce of the Office of the Associate Chief Counsel (Procedure and Administration). For further information regarding this notice contact Danielle Pierce at (202) 317-6845 (not a toll-free number).

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also: Part I, Sections 446, 451; 1.451-1)

Rev. Proc. 2018-60

SECTION 1. PURPOSE

Section 13221 of the Tax Cuts and Jobs Act, Pub. L. No. 115-97 (December 22, 2017) (TCJA) amended § 451 of the Internal Revenue Code (Code) relating to the timing of the recognition of income for federal income tax purposes for taxable years beginning after December 31, 2017. This revenue procedure modifies Rev. Proc. 2018-31, 2018-22 I.R.B. 637, to provide procedures under § 446 and § 1.446-1(e) of the Income Tax Regulations to obtain automatic consent of the Commissioner of Internal Revenue (Commissioner) to change methods of accounting to comply with § 451(b), as amended by TCJA. In addition, for the first taxable year that begins after December 31, 2017, certain taxpayers are permitted to make a method change to comply with § 451(b) without filing a Form 3115, *Application for Change in Accounting Method*.

SECTION 2. BACKGROUND

.01 Section 13221 of TCJA made several changes to the timing of income for accrual method taxpayers by redesignating § 451(b) through (i) as (d) through (k), and adding new §§ 451(b) and (c). New §§ 451(b) and (c) are generally effective for tax years beginning after December 31, 2017. Section 451(b), as amended by TCJA, generally provides that for an accrual method taxpayer, the all events test with respect to any item of gross income (or portion thereof) shall not be treated as met any later than when such item (or portion thereof) is taken into account as revenue in the taxpayer's applicable financial statement, or such other financial statement as the Secretary may specify.

.02 Section 13221(d) of TCJA provides rules relating to the coordination with § 481(a) for a qualified change in method of accounting for the taxpayer's first taxable year beginning after December 31, 2017. Section 13221(d)(2) of TCJA provides that a qualified change in method of accounting is a change that: is required by the amendments made by section 13221 of TCJA, or was prohibited under the Code of 1986 prior to such amendments and that is permitted under the Code after such amendments. These method changes are treated as initiated by the taxpayer and as made with the consent of the Secretary. This provision of TCJA does not set forth the administrative procedures to make a change in method of accounting to comply with § 451(b), and does not specify whether a taxpayer is entitled to a section 481(a) spread period, audit protection, or ruling protection.

.03 Section 13221(e) of TCJA provides that in the case of income from a debt instrument having original issue discount (OID), the rules of § 451(b) apply to taxable years beginning after December 31, 2018, and the § 481(a) adjustment period for any adjustment under § 481(a) for a qualified change in method of accounting is six taxable years.

.04 On May 28, 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) jointly announced new financial accounting standards for revenue recognition, titled "Revenue from Contracts with Customers (Topic 606)" (New Standards).

See FASB Update No. 2014-09 and IASB International Financial Reporting Standard (IFRS) 15. Publicly-traded entities, certain not-for-profit entities, and certain employee benefit plans are required to adopt the New Standards for annual reporting periods beginning after December 15, 2017. Other entities are required to adopt the New Standards for annual reporting periods beginning after December 15, 2018. However, early adoption was allowed for reporting periods beginning after December 15, 2016. See FASB Update No. 2015-14, "Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date."

.05 Rev. Proc. 2018-29, 2018-22 I.R.B. 634, as modified by Rev. Proc. 2018-49, 2018-41 I.R.B. 548, added a new automatic method change to Rev. Proc. 2018-31 for taxpayers that want to change their method of accounting for the recognition of income to a method that uses the New Standards (i) to identify performance obligations, (ii) to allocate transaction price to performance obligations, and/or (iii) to consider performance obligations satisfied. Rev. Proc. 2018-29, as modified by Rev. Proc. 2018-49, is effective on May 10, 2018, and applies to taxable years ending on or before May 10, 2021.

.06 Section 1.446-1(e)(3)(ii) provides that the Commissioner may prescribe the administrative procedures under which a taxpayer will be permitted to change a method of accounting. Except as otherwise provided in § 1.446-1(e)(3)(ii), a taxpayer must file a Form 3115 in order to secure the Commissioner's consent to change a method of accounting. Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2016-1, 2016-1 I.R.B. 1, and Rev. Proc. 2017-59, 2017-48 I.R.B. 543, provides the general procedures by which a taxpayer may obtain automatic consent of the Commissioner to change a method of accounting described in the List of Automatic Changes. Rev. Proc. 2018-31 contains the current List of Automatic Changes.

.07 Section 3 of this revenue procedure modifies Rev. Proc. 2018-31 to provide new automatic method changes under

§ 451, and modifications to an existing automatic change for a taxpayer to change its method of accounting to comply with §§ 451(b)(1)(A) and 451(b)(4). A taxpayer that files a Form 3115 in accordance with this revenue procedure to make a change in method of accounting to comply with § 451(b) may receive audit protection, as provided in section 8.01 of Rev. Proc. 2015–13.

.08 To further ease the administrative burden faced by taxpayers to comply with TCJA amendments to § 451 for the first taxable year beginning after December 31, 2017, this revenue procedure permits certain taxpayers to make changes in method of accounting to comply with § 451(b) using streamlined method change procedures if the change results in a zero § 481(a) adjustment, or if the taxpayer requesting the change is a small business taxpayer as provided in this revenue procedure. Some taxpayers that qualify to use the streamlined method change procedures provided in this revenue procedure may choose to file a Form 3115 in order to retain a clear record of a change in method of accounting, make permissible concurrent changes on the same Form 3115, or make a change in method of accounting with audit protection. However, other qualifying taxpayers may prefer the administrative convenience of being able to comply with § 451(b) solely by the filing of their federal income tax return. This revenue procedure provides rules for accrual method taxpayers that qualify and prefer to use the streamlined method change procedures.

SECTION 3. AUTOMATIC METHOD CHANGES

.01 Section 16 of Rev. Proc. 2018–31 is modified to add new section 16.12 to read as follows:

.12 *Changes in the timing of income recognition under § 451(b) for a taxpayer with an applicable financial statement (AFS).*

(1) *Description of change.* This change applies to taxable years beginning after December 31, 2017. However, in the case of income from a debt instrument having original issue discount (OID), this change applies to taxable years beginning after December 31, 2018. This change applies to an accrual method taxpayer with an

AFS that wants to change its method of accounting for the recognition of income to a method of accounting that complies with § 451(b)(1)(A). This change also applies to an accrual method taxpayer with an AFS that wants to change its method of accounting to a method under § 451(b)(4).

(2) *Applicability.* This change applies to a taxpayer that:

(a) wants to change to a method of accounting that treats an item of gross income, or portion thereof, as meeting the all events test no later than when such item, or portion thereof, is taken into account as revenue in its AFS under § 451(b)(1)(A), and/or

(b) is not adopting the New Standards (as defined in section 16.11(1) of this revenue procedure) for the year of change, and wants to allocate the transaction price to performance obligations under § 451(b)(4).

(3) *Inapplicability.* This change does not apply to a taxpayer that:

(a) wants to make a change for federal income tax purposes to a method that adopts the New Standards, as provided in section 16.11 of this revenue procedure. See, however, section 16.11 of this revenue procedure for a change to adopt the New Standards;

(b) wants to make a change in method of accounting to a method described in § 451(b)(2); or

(c) does not have an AFS, as defined in § 451(b)(1)(A)(i) or (ii).

(4) *Manner of making change.*

(a) *Short Form 3115.* A taxpayer making a change under this section 16.12 is required to complete only the following information on Form 3115 (Rev. December 2015):

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 16c, and 19; and

(v) Part IV, all lines. For a taxpayer making a change under this section 16.12, the statement required for Line 26 of Form 3115 should list the § 481(a) adjustment(s), and a description of where the § 481(a) adjustment is reflected on the federal income tax return (line number or schedule).

In addition, the requirement to file the duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015–13, is waived.

(b) *Section 481(a) adjustment period for changes relating to items of income involving OID.* In the case of income from a debt instrument having OID, the § 481(a) adjustment period for any qualified change in method of accounting described in this section 16.12(4)(b) is six taxable years (year of change and next five taxable years). For purposes of the preceding sentence, a qualified change in method of accounting is a change in method of accounting for income from a debt instrument having OID to a method that is required by § 451(b), as added by section 13221 of the Tax Cuts and Jobs Act (TCJA) Public Law 115–97, 131 Stat. 2054 (Dec. 22, 2017), for such income, but only for the taxpayer’s first taxable year beginning after December 31, 2018.

(c) *Streamlined method change procedures for certain taxpayers.*

(i) *Applicability.* The procedures described in this section 16.12(4)(c) may be used by a taxpayer to make a change in method of accounting described in section 16.12(2) of this revenue procedure in the taxpayer’s first taxable year beginning after December 31, 2017. A taxpayer is permitted to use the streamlined method change procedures if the taxpayer meets one of the following requirements:

(A) the taxpayer, other than a tax shelter (as defined in § 448(d)(3)), meets the § 448(c) gross receipts test (a “small business taxpayer”). The taxpayer meets the § 448(c) gross receipts test if the taxpayer has average annual gross receipts for the three prior taxable years of \$25,000,000 or less; or

(B) the taxpayer is making one or more changes to comply with § 451(b)(1)(A) and/or § 451(b)(4), and the § 481(a) adjustment required by each of the changes is zero. A taxpayer making more than one change in method of accounting under section 16.12(2) of this revenue procedure is not permitted to net the § 481(a) adjustments to determine if the taxpayer meets the requirements to use the streamlined method change procedures. See section 16.12(8)(a) of this revenue procedure for more information on making a permitted concurrent change.

(ii) *Inapplicability.* In addition to the inapplicability rules provided in section 16.12(3) of this revenue procedure, a taxpayer may not use these streamlined method change procedures if the taxpayer wants to make a concurrent automatic change described in section 16.12(8)(b) of this revenue procedure.

(iii) *No Form 3115 required.* In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived for a taxpayer making a change in method of accounting under this section 16.12 using the streamlined method change procedures. Thus, a taxpayer using the streamlined method change procedures is not required to file a Form 3115 and is not required to attach a separate statement when making a change under this section 16.12.

(5) *Certain eligibility rule inapplicable.*

(a) *In general.* Except as otherwise provided in this section 16.12(5), the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a change under this section 16.12 for a taxpayer's first, second, or third taxable year beginning after December 31, 2017.

(b) *Changes related to debt instruments having OID.* For a change related to income from a debt instrument having OID, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer's first, second, or third taxable year beginning after December 31, 2018.

(c) *Changes made under the streamlined method change procedures.* For a change made using the streamlined procedures of section 16.12(4)(c) of this revenue procedure, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer's first taxable year beginning after December 31, 2017.

(6) *No audit protection.* A taxpayer making a change in method of accounting using the streamlined method change procedures provided in section 16.12(4)(c) of this revenue procedure does not receive audit protection under section 8.01 of Rev. Proc. 2015-13.

(7) *No ruling on method used.* The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 16.12 of this revenue procedure is not a determination by the Commissioner

that the new method of accounting is a permissible method of accounting under § 451 and does not create a presumption that the allocation method used under § 451(b)(4) is a permissible method of accounting. The Director may ascertain whether the new method of accounting is a permissible method of accounting under § 451 and whether the allocation method is permissible under § 451(b)(4).

(8) *Concurrent automatic changes.*

(a) *In general.* A taxpayer that wants to make one or more concurrent changes in method of accounting under this section 16.12 may file a single Form 3115 that includes all of the changes, must separately state the § 481(a) adjustment for each change, if applicable, and may not net the § 481(a) adjustment for a change with § 481(a) adjustments from other changes. A taxpayer that makes a change under both section 16.12(2)(a) and (2)(b) of this revenue procedure is required to implement the change under section 16.12(2)(b) before making the change under section 16.12(2)(a). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(b) *Concurrent change in the timing of recognition of income due to the New Standards.* Except as provided in section 16.12(4)(c)(i) of this section, a taxpayer that wants to make a change under section 16.12(2)(a) of this revenue procedure and a change under section 16.11 of this revenue procedure for the same year of change may file a single Form 3115 for both changes and enter the designated automatic accounting method change number for both changes on the appropriate line of Form 3115. A taxpayer that makes both changes is required to make the change under section 16.11 of this revenue procedure before making the change under this section 16.12(2)(a).

(9) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.12 is "239."

(10) *Contact information.* For further information regarding a change under this section, contact Peter E. Ford at (202) 317-7003 (not a toll-free call). For further information regarding a change under this section for OID, contact Charles W. Cul-

mer at (202) 317-4528 (not a toll-free call).

.02 Section 15.01 of Rev. Proc. 2018-31, as modified by Rev. Proc. 2018-44, 2018-37 I.R.B. 416, is modified as follows:

(1) Section 15.01(1)(a) of Rev. Proc. 2018-31 is modified to add a new paragraph at the end thereof to read as follows:

Lastly, a taxpayer with an applicable financial statement (AFS) qualifies to use this section 15.01 for a taxable year beginning after December 31, 2017, to comply with § 451(b)(1)(A), and, if applicable, § 451(b)(4). However, a taxpayer that wants to make a change for the recognition of income for federal income tax purposes to a method under the New Standards, as defined in section 16.11(1) of this revenue procedure, for allocating transaction price to performance obligations for the same year of change must use section 16.11 of this revenue procedure to make the change for purposes of complying with § 451(b)(4).

(2) Section 15.01(1)(b) of Rev. Proc. 2018-31 is modified to add new division (ix) to read as follows:

(ix) a taxpayer with an AFS that wants to make a change for the recognition of income for federal income tax purposes to a method under the New Standards, as defined in section 16.11(1) of this revenue procedure, for allocating transaction price to performance obligations for the same year of change that it wants to change to an accrual method.

(3) Section 15.01(2)(b) of Rev. Proc. 2018-31 is modified to read as follows:

(b) *Accrual method of accounting* is a method identified by § 446(c)(2) and §§ 1.446-1(c)(1)(ii), 1.451-1(a), and 1.461-1(a)(2). For a taxable year beginning after December 31, 2017, a taxpayer with an AFS treats the all events test with respect to an item of income, or portion of an item of income, as met no later than when the item, or portion of that item, is taken into account as revenue in its AFS.

(4) Section 15.01(3)(b) of Rev. Proc. 2018-31 is modified to read as follows:

(b) *Certain eligibility rule inapplicable.*

(i) *Prior change eligibility rule inapplicable.* Any prior change to the overall cash method that the taxpayer implemented using the provisions of Rev. Proc.

2001–10, as modified by Rev. Proc. 2011–14, or Rev. Proc. 2002–28, as modified by Rev. Proc. 2011–14, is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015–13.

(ii) *Certain eligibility rule temporarily inapplicable.* For a taxpayer with an AFS that changes to an overall accrual method that complies with § 451(b)(1)(A), and, if applicable, § 451(b)(4) under this section, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015–13 does not apply to this change for the taxpayer’s first, second, or third taxable year ending beginning after December 31, 2017.

(5) Section 15.01(3) of Rev. Proc. 2018–31 is modified to add new subparagraphs (f) and (g) to read as follows:

(f) *Concurrent automatic changes for a taxpayer with an AFS that complies with § 451(b).* A taxpayer with an AFS that changes to an overall accrual method that complies with § 451(b)(1)(A) under this section 15.01 that also wants to make a change under this section 15.01 to comply with § 451(b)(4) must file a single Form 3115. The taxpayer must separately state the § 481(a) adjustment for each change and may not net these § 481(a) adjustments. A taxpayer must make the change for § 451(b)(4) before making the change for § 451(b)(1)(A). See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes.

(g) *Concurrent change in the timing of recognition of income due to the New Standards.* A taxpayer that wants to make a change under this section 15.01 and a change under section 16.11 of this revenue procedure for the same year of change must file a single Form 3115 for both changes and enter the designated automatic accounting method change number for both changes on the appropriate line of Form 3115. A taxpayer that makes both changes is required to make the change under section 16.11 of this revenue pro-

cedure before making the change under this section 15.01.

(6) Section 15.01(4)(b) of Rev. Proc. 2018–31 is modified to read as follows:

(b) *Certain eligibility rule inapplicable.*

(i) *Prior change eligibility rule inapplicable.* For a taxpayer making a change from the cash method in the first § 448 year, any prior change to the overall cash method is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015–13.

(ii) *Certain eligibility rule temporarily inapplicable.* For a taxpayer with an AFS that changes to an overall accrual method that complies with § 451(b)(1)(A), and, if applicable, § 451(b)(4) under this section, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015–13 does not apply to this change for the taxpayer’s first, second, or third taxable year beginning after December 31, 2017.

(7) Section 15.01 of Rev. Proc. 2018–31 is modified to renumber existing paragraphs 15.01(5) and (6) as paragraphs 15.01(6) and (7), respectively, and add new paragraph 15.01(5) to read as follows:

(5) *No ruling on method used.* The consent granted under section 9 of Rev. Proc. 2015–13 for a change made under section 15.01 of this revenue procedure is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting under § 451 and does not create a presumption that the allocation method used under § 451(b)(4) is a permissible method of accounting. The Director may ascertain whether the new method of accounting is a permissible method of accounting under § 451 and whether the allocation method is permissible under § 451(b)(4).

SECTION 4. EFFECTIVE DATE

.01 *In general.* This revenue procedure is effective on November 29, 2018, for a

taxable year beginning after December 31, 2017.

.02 *Return of Form 3115 filed under the non-automatic change procedures.* The National Office will return any Form 3115 requesting a change in method of accounting that was filed with the National Office on or before November 29, 2018, under the non-automatic procedures of Rev. Proc. 2015–13 for a taxable year beginning after December 31, 2017, that is pending with the National Office on November 29, 2018, and that is described in section 3 of this revenue procedure. The National Office will send a letter to the taxpayer acknowledging the return of the Form 3115, and will return the user fee submitted with the Form 3115. For purposes of the rules of Rev. Proc. 2015–13, the timely resubmitted Form 3115 will be considered filed as of the date the taxpayer originally filed the Form 3115 under the non-automatic change procedures in Rev. Proc. 2015–13. This paragraph does not extend the date the taxpayer must file the original (returned) Form 3115 under section 6.03(1)(a)(i)(A) of Rev. Proc. 2015–13.

SECTION 5. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies Rev. Proc. 2018–31.

SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Peter E. Ford of the Office of the Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Ford on (202) 317-7003 (not a toll free number).

Part IV. Items of General Interest

Notice of Proposed Rulemaking Modification of Discounting Rules for Insurance Companies

REG-103163-18

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking; notice of public hearing.

SUMMARY: This document contains proposed regulations providing guidance on new discounting rules for unpaid losses and estimated salvage recoverable of insurance companies for Federal income tax purposes. The proposed regulations implement recent legislative changes to the Internal Revenue Code (Code) and make other technical improvements to the derivation and use of discount factors. The proposed regulations affect entities taxable as insurance companies. This document invites comments and provides notice of a public hearing on these proposed regulations.

DATES: Written or electronic comments must be received by December 7, 2018. Requests to speak and outlines of topics to be discussed at the public hearing scheduled for December 20, 2018, at 10 a.m., must be received by December 7, 2018.

ADDRESSES: *Comments:* Send submissions to: CC:PA:LPD:PR (REG-103163-18), 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-103163-18), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20224, or sent electronically via the Federal eRulemaking Portal at <http://www.regulations.gov> (REG-103163-18).

Public hearing: The public hearing will be held in the IRS Auditorium, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Kathryn M. Sneade, (202) 317-6995; concerning submissions of comments and requests to speak at the public hearing, Regina L. Johnson, (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document contains proposed amendments to 26 CFR part 1 under section 846 of the Code. Section 846 was added to the Code by section 1023(c) of the Tax Reform Act of 1986, Public Law 99-514 (100 Stat. 2085, 2399). Final regulations under section 846 were published in the **Federal Register** (57 FR 40841) on September 8, 1992 (T.D. 8433). See §§ 1.846-0 through 1.846-4 (1992 Final Regulations).

This document provides guidance on discounting rules under section 846 of the Code, which were amended on December 22, 2017 by section 13523 of "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," Public Law 115-97, title 1, 131 Stat. 2152 (2017) (TCJA) for taxable years beginning after December 31, 2017. The discounting rules of section 846, both prior to and after amendment by the TCJA, are used to determine discounted unpaid losses and estimated salvage recoverable of property and casualty insurance companies and discounted unearned premiums of title insurance companies for Federal income tax purposes under section 832, as well as discounted unpaid losses of life insurance companies for Federal income tax purposes under sections 805(a)(1) and 807(c)(2). These rules are discussed in greater detail in parts A and B of this Background section.

Section 13523(a) of the TCJA amended section 846(c) to provide a new definition of the "annual rate" to be used by taxpayers for discounting purposes. Section 13523(b) of the TCJA amended the computational rules for determining loss payment patterns under section 846(d). Section 13523(c) of the TCJA repealed the election under former section 846(e) to use the taxpayer's own historical loss payment pattern instead of the

pattern published by the Secretary. These changes are effective for taxable years beginning after December 31, 2017. The proposed regulations implement these changes in the law.

Part C of this Background section discusses smoothing adjustments, and part C of the Explanation of Provisions section of this preamble describes a proposed regulation authorizing the Secretary to adopt a methodology to smooth the loss payment patterns derived from the annual statement loss payment data to avoid negative payment amounts and to otherwise produce a stable pattern of positive discount factors less than one. Part A of the Other Discounting Considerations section of this preamble provides additional detail on the proposed methodology that the Department of the Treasury (Treasury Department) and the IRS anticipate developing under the authority provided in this proposed regulation. The Treasury Department and the IRS intend to describe the methodology used under the rules set forth in the proposed regulations in each revenue procedure that publishes discount factors for a determination year.

Part D of this Background section describes the existing procedures for discounting unpaid losses with respect to accident years not separately reported on the National Association of Insurance Commissioners' (NAIC) annual statement, including the method described in section V of Notice 88-100, 1988-2 C.B. 439 (composite method). Part B of the Other Discounting Considerations section of this preamble describes proposed new procedures for discounting such unpaid losses. These procedures would simplify the discounting of unpaid losses by eliminating the need for a second set of discount factors to be used with respect to accident years not separately reported on the NAIC annual statement.

Part C of the Other Discounting Considerations section of this preamble describes an approach that the Secretary intends to adopt for discounting estimated salvage recoverable by applying the unpaid loss discount factors in each line of business to the estimated salvage recoverable in that line of business.

A. Discounted Unpaid Losses, Estimated Salvage Recoverable, and Discounted Unearned Premiums

Under section 832, the taxable income of a property and casualty insurance company (non-life insurance company), including a title insurance company, is the sum of its underwriting income and investment income (as well as gains and other income items), reduced by allowable deductions. Under section 832(b)(3), a non-life insurance company's "losses incurred" is a component of the company's underwriting income. Under section 832(b)(5)(A), the change over a taxable year in the company's "discounted unpaid losses" (as defined in section 846) is a component of its losses incurred for the taxable year. Discounting of unpaid losses is required to take into account the time value of money. See H. Rept. 115-466, at 470 (2017) (Conf. Rep.). Under section 832(b)(3), (4), and (8), a title insurance company's "discounted unearned premiums" is a component of the company's underwriting income. Under section 832(b)(8), a title insurance company must discount its unearned premiums by using the applicable interest rate and the applicable statutory premium recognition pattern. The applicable interest rate for purposes of section 832(b)(8) is the annual rate determined under section 846(c)(2).

Section 832(b)(5)(A) also requires that the change in discounted estimated salvage recoverable be taken into account in computing the losses incurred component of underwriting income. Under section 832(b)(5)(A), the amount of discounted estimated salvage recoverable is determined in accordance with procedures established by the Secretary. Section 1.832-4(c) provides that, except as otherwise provided in guidance published by the Commissioner in the Internal Revenue Bulletin, estimated salvage recoverable must be discounted either (1) by using the applicable discount factors published by the Commissioner for estimated salvage recoverable; or (2) by using the loss payment pattern for a line of business as the salvage recovery pattern for that line of business and by using the applicable interest rate for calculating unpaid losses under section 846(c). In prior years, guidance published by the Commissioner in

the Internal Revenue Bulletin has always directed taxpayers to discount estimated salvage recoverable for each line of business using the applicable discount factors published by the Commissioner for estimated salvage recoverable and has not allowed the use of the second option provided for by regulations. These discount factors were determined using the salvage recovery pattern for the line of business and the applicable interest rate for calculating unpaid losses under section 846. See, e.g., Rev. Proc. 2018-13, 2018-7 I.R.B. 356, and Rev. Proc. 2016-59, 2016-51 I.R.B. 849.

The section 846 discounting rules are also relevant for life insurance companies. Section 807(c) provides that, for life insurance companies, the amount of unpaid losses (other than losses on life insurance contracts) is the amount of discounted unpaid losses as defined in section 846 for purposes of both sections 805(a)(1) and 807(c)(2). Section 805(a)(1) provides life insurance companies with a deduction for losses incurred during the taxable year on insurance and annuity contracts. Section 807(c)(2) provides that unpaid losses included in total reserves under section 816(c)(2) are taken into account under section 807(a) and (b) by a life insurance company. In general, section 807(a) provides that a decrease in discounted unpaid losses over the taxable year is included in life insurance company gross income under section 803(a)(2), while section 807(b) provides that an increase in discounted unpaid losses over the taxable year is deductible under section 805(a)(2).

B. Discounting Rules for Unpaid Losses

Section 846(a)(1) provides that the amount of discounted unpaid losses as of the end of any taxable year is the sum of the discounted unpaid losses, as of such time, separately computed with respect to unpaid losses in each line of business for each accident year. The amount of discounted unpaid losses in a line of business that is attributable to a specified accident year is calculated by multiplying that accident year's undiscounted unpaid losses at the end of each taxable year by a published discount factor associated with that line of business, accident year, and taxable year. Discount factors are published

annually by the IRS. See, e.g., Rev. Proc. 2018-13 and Rev. Proc. 2016-58, 2016-51 I.R.B. 839. These discount factors are derived using the applicable loss payment pattern, determined under section 846(d) using aggregate industry loss payment data, and the applicable interest rate determined by the Secretary under section 846(c).

1. Modification of the Applicable Rate of Interest Used to Discount Unpaid Losses

The "applicable interest rate" used to determine the discount factors associated with any accident year and line of business is the "annual rate" determined under section 846(c)(2).

Before amendment by section 13523(a) of the TCJA, section 846(c)(2) provided that the annual rate for any calendar year was a rate equal to the average of the applicable Federal mid-term rates (as defined in section 1274(d) but based on annual compounding) effective as of the beginning of each of the calendar months in the most recent 60-month period ending before the beginning of the calendar year for which the determination is made. The applicable Federal mid-term rate is determined by the Secretary based on the average market yield on outstanding marketable obligations of the United States with remaining periods of over three years but not over nine years. See section 1274(d)(1).

As amended by section 13523(a) of the TCJA, section 846(c)(2) provides that the annual rate for any calendar year will be determined by the Secretary based on the corporate bond yield curve (as defined in section 430(h)(2)(D)(i), determined by substituting "60-month period" for "24-month period" therein). Section 430, which relates to minimum funding standards for single-employer defined benefit pension plans, includes other rules for determining an "effective interest rate," such as segment rate rules. The term "effective interest rate" along with these other rules, including the segment rate rules, do not apply for purposes of property and casualty insurance reserve discounting. See H. Rept. 115-466, at 471, fn. 979. The corporate bond yield curve is published on a monthly basis by the Treasury Department and consists of spot interest rates for

each stated time to maturity. See, e.g., Notice 2018–60, 2018–31 I.R.B. 275. The spot rate for a given time to maturity represents the yield on a bond that gives a single payment at that maturity. For the stated yield curve, times to maturity are specified at half-year intervals from 0.5 year through 100 years. Section 846(c)(2) does not specify how the Secretary is to determine the annual rate for any calendar year based on the corporate bond yield curve.

2. Modification of Computational Rules for Loss Payment Patterns

Under section 846(d)(1), the Secretary determines a loss payment pattern for each line of business by reference to the historical aggregate loss payment data applicable to that line of business for each determination year. Under section 846(d)(4), the determination year is the calendar year 1987 and each fifth calendar year thereafter. Any loss payment pattern determined by the Secretary applies to the accident year ending with the determination year and to each of the four succeeding accident years. Section 846(d)(2)(A) and (B) provide that the determination of a loss payment pattern for any determination year is made using the aggregate experience reported on the annual statements of insurance companies on the basis of the most recent published aggregate data relating to loss payments available on the first day of the determination year. For instance, the payment data used to determine the loss payment patterns for 2017 (the most recent determination year) were reported on annual statements filed for the year 2015.

The loss payment pattern for each line of business is determined in accordance with the computational rules of section 846(d)(3). These rules determine different loss payment patterns for “long-tail” lines of business (any line of business reported in the schedule or schedules of the annual statement relating to auto liability, other liability, medical malpractice, workers’ compensation, and multiple peril lines) and “short-tail” lines of business (all lines of business other than long-tail lines of business).

For short-tail lines of business, section 846(d)(3) provides that losses unpaid at the end of the first year following the accident year are treated as paid equally in

the second and third years following the accident year. For long-tail lines of business, section 846(d)(3) provides that unpaid losses remaining after ten years are treated as paid in the tenth year following the accident year, except as otherwise provided in that section.

Before amendment by section 13523(b) of the TCJA, section 846(d)(3) provided for the extension of the ten-year payment period specified for long-tail lines by not more than five years provided certain conditions were met.

As amended by section 13523(b) of the TCJA, section 846(d)(3) provides for the extension of the ten-year payment period for a maximum of fourteen additional years if the amount of losses that would have been treated as paid in the tenth year after the accident year exceeds the average of the loss payments treated as paid in the seventh, eighth, and ninth years after the accident year. In that case, the amount of losses that would have been treated as paid in the tenth year after the accident year are treated as paid in such tenth year and each subsequent year in an amount equal to the average of the loss payments treated as paid in the seventh, eighth, and ninth years after the accident year (or, if less, the portion of the unpaid losses not previously taken into account). To the extent such unpaid losses have not been treated as paid before the twenty-fourth year after the accident year, they are to be treated as paid in such twenty-fourth year.

In addition to extending the ten-year payment period, section 13523(b) of the TCJA repealed section 846(d)(3)(E) through (G). Former section 846(d)(3)(G) is discussed in part C of this Background section. Former section 846(d)(3)(F) provided for the Secretary to make appropriate adjustments if annual statement data with respect to payment of losses was available for longer periods after the accident year than the periods assumed under section 846(d). The annual statement requires the reporting of ten years of loss payment data for the international line of business and the three lines of business for non-proportional reinsurance, as it does for long-tail lines of business. Losses from proportional reinsurance are reported in the annual statement schedules related to the underlying line of business, which

may be short-tail or long-tail. Under section 846(d)(3), proportional reinsurance unpaid losses are discounted using the discount factors published for the underlying line of business. Former section 846(d)(3)(E) provided special rules for determining loss payment patterns for the international line of business and for reinsurance lines of business based on the combined losses for all long-tail lines of business and provided explicit authority to the Secretary to override these special rules.

The repeal of section 846(d)(3)(E) and (F) means that the statute no longer explicitly provides for the determination of loss payment patterns for non-proportional reinsurance and international lines of business extending beyond three calendar years following the accident year. Non-proportional reinsurance and international lines of business are not included in the list of long-tail lines set forth in section 846(d)(3)(A)(ii). The Treasury Department and the IRS request comments regarding the length of the loss payment patterns for non-proportional reinsurance and international lines of business to be determined under section 846, as amended, and the legal basis for limiting the loss payment patterns for these lines of business to three calendar years following the accident year or extending the loss payment patterns beyond those years.

Section 846(f) (as redesignated by section 13523(c) of the TCJA) provides the Secretary with authority to prescribe such regulations as may be necessary or appropriate to carry out the purposes of section 846, including an explicit grant of authority to prescribe regulations for providing proper treatment of allocated reinsurance. The 1992 Final Regulations provide special rules for the determination of discount factors for proportional and non-proportional reinsurance lines of business and the international line of business. Section 1.846–1(b)(3) of the 1992 Final Regulations provides rules for the determination of discount factors for reinsurance lines of business. Section 1.846–1(b)(3)(i) provides that, with respect to proportional reinsurance lines of business (for accident years after 1987), unpaid losses are discounted using discount factors applicable to the line of business to which those unpaid losses are allocated as

required on the annual statement. Section 1.846-1(b)(3)(ii)(A) provides that unpaid losses for non-proportional reinsurance (for accident years after 1991) are discounted using the discount factors published by the IRS for the appropriate reinsurance line of business, subject to an exception set forth in § 1.846-1(b)(3)(iv) (if more than 90 percent of the unallocated losses of a taxpayer for an accident year relate to one underlying line of business, the taxpayer must discount all unallocated reinsurance unpaid losses attributable to that accident year using the discount factors published by the IRS for the underlying line of business). Section 1.846-1(b)(3)(ii)(B) provides rules for unpaid losses for non-proportional reinsurance for accident years 1988 through 1991, and § 1.846-1(b)(3)(iii) provides rules for certain reinsurance unpaid losses for accident years before 1988.

Section 1.846-1(b)(4) of the 1992 Final Regulations provides rules for the determination of discount factors for the international line of business. Section 1.846-1(b)(4) provides that unpaid losses attributable to the international line of business are discounted using the discount factors determined for a “composite” long-tail line of business, unless more than 90 percent of such losses for that accident year are related to a single line of business, in which case the international unpaid losses are discounted using that accident year’s published discount factors for the underlying line of business.

3. Repeal of Historical Loss Payment Pattern Election

Before amendment by section 13523(c) of the TCJA, section 846(e) permitted a taxpayer to elect to use its own historical loss payment pattern with respect to all lines of business rather than the industry-wide loss payment pattern determined by the Secretary under section 846(d), provided that applicable requirements were met. Section 13523(c) of the TCJA repealed that election.

4. Transition Rule

The transition rule set forth in section 13523(e) of the TCJA provides that, for the first taxable year beginning after December 31, 2017, the unpaid losses and

expenses unpaid (as defined in section 832(b)(5) and (6)) at the end of the preceding taxable year, and the unpaid losses (as defined in sections 805(a)(1) and 807(c)(2)) at the end of the preceding taxable year, are determined as if the amendments made by section 13523 of the TCJA had applied to such unpaid losses and expenses unpaid in the preceding taxable year and by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018. Any adjustment resulting from this transition rule is taken into account ratably in such first taxable year and the seven succeeding taxable years. For subsequent taxable years, such amendments are applied with respect to unpaid losses and expenses unpaid for accident years ending with or before calendar year 2018 by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018.

C. Smoothing Adjustments

As described in part B(2) of this Background section, section 846(d)(1) requires the Secretary to determine, for each determination year, a loss payment pattern for each line of business by reference to the historical aggregate loss payment data applicable to that line of business. The Secretary makes such determination using the aggregate experience reported on the annual statements of insurance companies on the basis of the most recent published aggregate data from such annual statements relating to loss payment patterns available on the first day of the determination year. Because historical loss payment patterns change from accident year to accident year, the annual payment amounts determined on the basis of data taken from a single year’s annual statements are not always non-negative and may vary significantly from year to year. Accordingly, use of the annual statement payment data to determine the loss payment pattern without any adjustment to compensate for changes from year to year may produce discount factors that vary widely from one year to the next or discount factors for a particular year or years that are negative or greater than one. See Rev. Proc. 2003-17, 2003-1 C.B. 427.

Former section 846(d)(3)(G), prior to its repeal by section 13523 of the TCJA, provided guidance on one aspect of smoothing. Former section 846(d)(3)(G) provided that, if the amount of losses treated as paid in the ninth year after the accident was negative or zero, the average of the losses treated as paid in the seventh, eighth, and ninth years after the accident year would be used instead to determine the amount of losses treated as paid in the following years. Section 846(d)(3)(B)(ii)(II), as amended by section 13523(b) of the TCJA, provides that the average of the loss payments treated as paid in the seventh, eighth, and ninth years after the accident year is used to determine the amount of losses treated as paid in the following years. Section 846, as amended, provides no additional specific guidance regarding smoothing of the loss payment patterns.

In section 2.03(4) of Rev. Proc. 2003-17 and section 3.04 of Rev. Proc. 2007-9, 2007-3 I.R.B. 278, comments were requested as to whether a methodology should be adopted to smooth the annual statement payment data, and thus produce a more stable pattern of discount factors. The Treasury Department and the IRS received comments that agreed that such a methodology should be adopted and suggested specific methods that could be used.

D. Composite Method

Rules for discounting unpaid losses with respect to accident years not separately reported on the NAIC annual statement are described in section V of Notice 88-100 and in Rev. Proc. 2002-74, 2002-2 C.B. 980.

After the enactment of section 846 in 1986, the Treasury Department and the IRS published Notice 88-100 to provide guidance with respect to several issues that were expected to be addressed in then forthcoming regulations under section 846. Section V of Notice 88-100 stated that regulations under section 846 would provide that taxpayers may not use information that does not appear on their NAIC annual statements to allocate aggregate unpaid losses among several accident years, but rather must use a composite discount factor for such aggregated un-

paid losses. The notice set forth a method for computing a composite discount factor to be used to compute discounted unpaid losses with respect to accident years not separately reported on the NAIC annual statement, referred to as the “composite method.” The notice provided a simplified example to illustrate the operation of this method.

The 1992 Final Regulations provided guidance on several issues addressed in Notice 88–100, rendering portions of Notice 88–100 obsolete. However, the 1992 Final Regulations did not adopt the rule anticipated by section V of Notice 88–100 requiring that taxpayers use a composite discount factor for the aggregate unpaid losses from accident years not separately reported on the NAIC annual statement, and therefore section V of Notice 88–100 was not rendered obsolete.

The 1992 Final Regulations adopted a rule requiring taxpayers to use composite discount factors with respect to any line of business for which the IRS has not published discount factors. See § 1.846–1(b)(1)(ii) and (5) of the 1992 Final Regulations. Composite discount factors determined on the basis of the appropriate composite loss payment pattern are published annually by the IRS for use with respect to such lines of business. However, these composite discount factors are unrelated to the composite discount factors of Notice 88–100 that relate to discounting unpaid losses from accident years not separately reported on the NAIC annual statement.

Section 3.01 of Rev. Proc. 2002–74 clarifies that the composite method described in section V of Notice 88–100 is permitted but not required to be used by insurance companies. Section 3.01 also provides that the Secretary will publish composite discount factors annually for use by taxpayers that have not elected under section 846(e) to use their historical loss payment patterns, and such factors have been published annually since 2002, along with the Secretary’s tables containing the section 846 loss payment patterns and discount factors and the section 832 salvage discount factors. See, e.g., Rev. Proc. 2016–58. Section 3.02 of Rev. Proc. 2002–74 provides, in part, that taxpayers who do not use a composite method described in section 3.01 of Rev. Proc.

2002–74 should instead use the discount factors for the appropriate year in the Secretary’s table for the appropriate line of business. Sections 3.01 and 3.02 of Rev. Proc. 2002–74 also provide instructions for taxpayers that have elected under section 846(e) to use their historical loss payment patterns. However, as discussed in part B(3) of this Background section, section 13523(c) of the TCJA repealed section 846(e).

Explanation of Provisions

A. Modification of the Applicable Rate of Interest Used to Discount Unpaid Losses

Proposed § 1.846–1(c) provides that the applicable interest rate is the annual rate determined by the Secretary for any calendar year on the basis of the corporate bond yield curve (as defined in section 430(h)(2)(D)(i), determined by substituting “60-month period” for “24-month period” therein). The annual rate for any calendar year is the average of the corporate bond yield curve’s monthly spot rates with times to maturity of not more than seventeen and one-half years, computed using the most recent 60-month period ending before the beginning of the calendar year for which the determination is made.

Consistent with the text of section 846, as amended by the TCJA, and the statutory structure as a whole, the proposed regulations provide for the use of a single annual rate applicable to all lines of business as was the case under section 846 prior to amendment by the TCJA. Under section 846(c)(2) prior to amendment by section 13523(a) of the TCJA, a single annual rate was used for all lines of business, and the amendments made by the TCJA do not clearly indicate an intent to change from the historical practice of applying a single rate to all loss payment patterns. The change from using the average of the applicable Federal mid-term rates to the averaged corporate bond yield curve, however, indicates that the annual rate should be determined in a manner that more closely matches the investments in bonds used to fund the undiscounted losses to be incurred in the future by insurance companies.

An alternative approach would be the direct application of the corporate bond yield curve to the loss payment pattern for each line of business, which would result in a more accurate measure of the present value of the unpaid losses for each line of business. In light of the investment in corporate bonds to fund the unpaid losses to be paid in the future, the result is a more accurate reflection of the time value of money in the measure of income. Using this approach, for each taxable year, each future loss payment incurred in a line of business for an accident year (as determined by the loss payment pattern determined for that line of business) would be discounted using the spot rate from the corporate bond yield curve with a time to maturity that matches the time between the end of the accident year and the middle of the year of the loss payment.

Although the proposed regulations do not adopt this approach in light of the text of section 846 and the statutory structure as a whole, the maturity range used to determine the single rate applicable to all unpaid losses for all lines of business (times to maturity of not more than seventeen and one-half years) was selected to minimize the differences in taxable income, in the aggregate, resulting from the use of a single discount rate for a given accident year versus the direct application of the corporate bond yield curve for that accident year. For this purpose, losses incurred for the accident year were assumed to be those reported for 2015, and loss payments for each line of business were assumed to follow the loss payment pattern for that line of business determined using aggregate data reported on annual statements filed for 2015. Each maturity range considered had a half-year time to maturity as a lower bound, but had a different upper bound. Discount factors for all lines of business were calculated using the loss payment patterns and the discount rate applicable to the 2018 accident year, and a different discount rate was used for each maturity range being considered. For each maturity range, discounted unpaid losses and taxable income effects were computed for each line of business for the accident year and for each following taxable year. A present value of the taxable income effects for each line of business was calculated and subtracted from the

present value of the taxable income effects calculated for that line of business using a direct application of the applicable corporate bond yield curve. Each present-value difference was expressed as a positive number, and these amounts were summed over all lines of business. The selected maturity range was the one that generated the smallest sum of present-value differences in taxable income effects.

In addition to the approach underlying the proposed regulations, the Treasury Department and the IRS considered a number of other options for determining the annual rate on the basis of the corporate bond yield curve. The Treasury Department and the IRS considered other ranges of maturities that could be used to determine a single annual rate applicable to all lines of business, such as the range of maturities used to determine the applicable Federal mid-term rate (over three years but not over nine years), as well as different maturity ranges of the same width (five and one-half years). The Treasury Department and the IRS also considered the use of a variable maturity range. Under a variable maturity range approach, the annual rate for any calendar year would be the average of the corporate bond yield curve's monthly spot rates with times to maturity contained within the range that would minimize, for that calendar year, the sum of differences in taxable income effects, selected in the same fashion as was the range adopted in the proposed regulations. Additionally, the Treasury Department and the IRS also considered (1) the use of two rates, one for long-tail lines of business, and one for short-tail lines of business; (2) the use of a different annual rate for each line of business; and (3) the direct application of the corporate bond yield curve.

The Treasury Department and the IRS request comments on the method of determining the annual rate on the basis of the corporate bond yield curve, including comments on whether a different option than the one incorporated in the proposed regulations should be adopted in the final regulations and, if so, the legal basis for that alternative option and explanation of how that option would more clearly reflect income.

B. Proposed Removal of Regulations

The proposed regulations propose to remove § 1.846-1(a)(2) of the 1992 Final Regulations because the examples are no longer relevant. The proposed regulations propose to remove § 1.846-1(b)(3)(ii)(B) and (b)(3)(iii) of the 1992 Final Regulations because these provisions apply only to accident years before 1992. The proposed regulations propose to remove § 1.846-1(b)(3)(iv) and (b)(4) of the 1992 Final Regulations because section 13523 of the TCJA repealed section 846(d)(3)(E). Section 1.846-1(b)(3)(i) and (b)(3)(ii)(A) of the 1992 Final Regulations are retained (with § 1.846-1(b)(3)(ii)(A) being redesignated as § 1.846-1(b)(3)(ii)) because these rules continue to provide for the proper treatment of reinsurance unpaid losses. The proposed regulations also propose to make conforming changes to § 1.846-1(a) and (b) of the 1992 Final Regulations to reflect the removal of various § 1.846-1 provisions, as well as the removal of §§ 1.846-2 and 1.846-3 of the 1992 Final Regulations.

Section 13523 of the TCJA repealed the section 846(e) election permitting a taxpayer to use its own historical loss payment pattern with respect to all lines of business rather than the industry-wide loss payment pattern determined by the Secretary under section 846(d), provided that applicable requirements were met. Section 1.846-2 of the 1992 Final Regulations, which provides rules for applying the section 846(e) election, is proposed to be removed.

Section 1.846-3 of the 1992 Final Regulations provides "fresh start" and reserve strengthening rules applicable to the last taxable year beginning before January 1, 1987, and the first taxable year beginning after December 31, 1986. Because the rules in § 1.846-3 are no longer applicable, § 1.846-3 is proposed to be removed.

Section 1.846-4 of the 1992 Final Regulations provides applicability dates for §§ 1.846-1 through 1.846-3 of the 1992 Final Regulations. Under § 1.846-4(a), § 1.846-1 applies to taxable years beginning after December 31, 1986. Because §§ 1.846-2 and 1.846-3 are proposed to be removed, a separate applicability date section for § 1.846-1 is no longer needed, and, therefore, § 1.846-4 is proposed to be removed. The applica-

bility dates for § 1.846-1 are proposed to be included in proposed § 1.846-1(e), including the original applicability date for those portions of § 1.846-1 that are not proposed to be revised.

Section 1.846-0 of the 1992 Final Regulations, which provides a list of the headings in §§ 1.846-1 through 1.846-4 of the 1992 Final Regulations, is proposed to be removed.

On April 10, 2006, the Treasury Department and the IRS published in the **Federal Register** (71 FR 17990) a Treasury decision (T.D. 9257) containing §§ 1.846-2T and 1.846-4T. On January 23, 2008, the Treasury Department and the IRS published in the **Federal Register** (73 FR 3868) a Treasury decision (T.D. 9377) that finalized the rules contained in § 1.846-2T in § 1.846-2 and finalized the rules contained in § 1.846-4T in § 1.846-4. T.D. 9377, however, did not remove §§ 1.846-2T and 1.846-4T from the Code of Federal Regulations (CFR). Because these sections are obsolete, the Treasury Department and the IRS intend to remove §§ 1.846-2T and 1.846-4T from the CFR when the proposed regulations in this document are finalized.

C. Smoothing Adjustments

Section 846(d) instructs the Secretary to determine a loss payment pattern for each line of business for each determination year "by reference to" the historical loss payment pattern applicable to such line of business "on the basis of" the most recent published aggregate data from annual statements of insurance companies available on the first day of the determination year. Section 846 provides broad discretion to the Secretary to make needed adjustments when determining the loss payment patterns for each line of business. Use of loss payment patterns with negative payment amounts may produce discount factors that vary widely from year to year or discount factors that are negative or that exceed one. Commenters responding to prior requests for comments agreed that a methodology should be adopted to smooth the loss payment patterns. Proposed § 1.846-1(d)(2) provides that the Secretary may, if necessary to avoid negative payment amounts and otherwise produce a stable pattern of positive dis-

count factors less than one, adjust the loss payment pattern for any line of business using a methodology described by the Secretary in other published guidance.

Part A of the Other Discounting Considerations section of this preamble provides additional detail on the methodology that the Treasury Department and the IRS anticipate using to adjust loss payment patterns.

Proposed Applicability Dates

The rules in proposed § 1.846–1(c) and (d) are proposed to apply to taxable years beginning after December 31, 2017.

Other Discounting Considerations

A. Smoothing Adjustments

1. Proposed Methodology

The Treasury Department and the IRS intend to describe the adjustments made to the loss payment patterns produced using annual statement payment data and the methodology used to make such adjustments under the rule set forth in proposed § 1.846–1(d)(2) for each determination year in the revenue procedure publishing discount factors for that determination year. The methodology that the Treasury Department and the IRS anticipate using to make adjustments to loss payment patterns for lines of business described in section 846(d)(3)(A)(ii) is illustrated by the following computational steps.

Step 1. Compute the yearly payment amounts and cumulative payment amounts for the accident year and the nine years following the accident year using the most recent published aggregate data from annual statements relating to loss payment patterns available on the first day of the determination year. If any of the payment amounts for the seventh, eighth, or ninth year following the accident year are negative, or if the sum of these amounts is zero (and the cumulative payment amount for the ninth year following the accident year is not 1 (one)), go to Step 2 of this illustration. Otherwise, compute the average of the payment amounts for these three years for later reference in Step 3 and use in Step 7 of this illustration, and proceed to Step 3 of this illustration.

Step 2. Average the payments for the seventh, eighth, and ninth years after the

accident year. If that average is non-positive, include in the average the payment for the immediate prior year (that is, the sixth year following the accident year). If the average payment is still non-positive, continue including payments (from the fifth, fourth, etc. years after the accident year) until a positive average is produced. When a positive average payment amount is achieved, assign this payment amount to all years for which payment amounts were included in the average, and recalculate the cumulative payments for those years.

Step 3. Identify the payment for the year immediately prior to the earliest year included in the average computed in Step 1 or Step 2 of this illustration. Call that year the “current year,” and go to Step 4 of this illustration.

Step 4. If the payment for the current year is negative, go to Step 5 of this illustration. If it is non-negative, keep that payment amount for the current year, go to the next prior year, call it the “current year,” and repeat this Step 4. Repeat until all payments are non-negative, then go to Step 7 of this illustration.

Step 5. If the payment amount for the current year is negative, average that amount with the payment amounts from an even number of adjacent years, before and after the current year. Choose the minimum number of adjacent years necessary to achieve a non-negative average payment amount. This average may include amounts that were the result of a previous averaging calculation, but may not include any payment amount for a year following the sixth year after the accident year. If including payments for all prior years in the average does not achieve a non-negative average, include as many additional payments from years following the current year as necessary to achieve a non-negative average. Assign the non-negative average payment amount to all years for which payment amounts were included in the calculation of the average, and recalculate the cumulative payments for those years.

Step 6. Identify the payment for the year immediately prior to the earliest year included in the average of Step 5 of this illustration. Call it the “current year,” and go to Step 4 of this illustration.

Step 7. Apply the rules of section 846(d)(3)(B)(ii), using the average payment for the seventh, eighth, and ninth year after the accident year, to produce payment amounts for years following the ninth year after the accident year.

For example, using this methodology, if the tentative payment amount for the fifth year following the accident year is negative, that amount is averaged with the tentative payment amounts for the fourth and sixth years following the accident year. If that average is negative, the tentative payment amount for the third year following the accident year is included in the average. If that average is non-negative, it becomes the tentative payment amount for the third through sixth years following the accident year.

2. Comparison to Other Suggested Methods

The methods suggested by commenters responding to the requests for comments in Rev. Proc. 2003–17 and Rev. Proc. 2007–9 can be described in general terms as follows:

- (1) Treat a negative estimated loss paid as zero.
- (2) Average the negative estimated loss paid with estimated losses from other years to yield a positive result. For instance, commenters suggested two different methods for eliminating a negative estimated loss paid in the ninth year after the accident year: averaging the negative estimated loss with estimated losses from as many earlier years as needed to yield a positive result, and averaging the negative estimated loss with the estimated losses for all later years.
- (3) Adjust the negative estimated loss paid to equal the lesser of the value for the next younger year and the amount that brings the cumulative losses paid to 100 percent.
- (4) Adjust the negative estimated loss paid using a smoothing calculation that results in younger years having a lower “Estimated Cumulative Losses Paid” than more mature years.
- (5) Adjust the negative estimated loss paid by ensuring the percent paid in any year is no higher than the year before.

The Treasury Department and the IRS considered the methods suggested by

commenters responding to prior requests for comments, but anticipate using the proposed methodology to adjust loss payment patterns for several reasons. Among other things, the proposed methodology, to the extent possible, centers the average on the negative payment year and therefore should not display a bias towards increasing or decreasing discount factors. The proposed methodology ensures that the amount used to extend the loss payment pattern past the ninth year after the accident year is positive, and preserves the average for the seventh, eighth, and ninth years after the accident year when that average is initially positive.

B. Discontinuance of Composite Method

This document proposes to eliminate the need to determine a second set of discount factors to be used with respect to accident years not separately reported on the NAIC annual statement by providing that, effective for taxable years beginning on or after the date the proposed regulations are published as final regulations in the **Federal Register**, a taxpayer that has unpaid losses relating to an accident year not separately reported on the NAIC annual statement must compute discounted unpaid losses with respect to that year using the discount factor published by the Secretary for that year for the appropriate line of business.

The methods described in Rev. Proc. 2002-74, including the composite method described in section 3.01 of Rev. Proc. 2002-74 and section V of Notice 88-100, would not be permitted methods, effective for taxable years beginning on or after the date the proposed regulations are published as final regulations in the **Federal Register**. Section V of Notice 88-100 and Rev. Proc. 2002-74 would be obsolete for taxable years beginning on or after that date. The Treasury Department and the IRS anticipate providing rules applicable to taxpayers that seek to change a method of accounting to comply with these changes. The Treasury Department and the IRS anticipate that these rules will provide that a taxpayer seeking to change to the method of accounting prescribed must follow the applicable procedures for obtaining

the Commissioner's automatic consent to a change in accounting method.

C. Determination of Estimated Discounted Salvage Recoverable

In prior years, guidance published by the Commissioner in the Internal Revenue Bulletin has directed taxpayers to discount estimated salvage recoverable for each line of business using the applicable discount factors published by the Commissioner for estimated salvage recoverable. See, e.g., Rev. Proc. 2018-13 and Rev. Proc. 2016-59. These discount factors were determined using the salvage recovery pattern for the line of business and the applicable interest rate for calculating unpaid losses under section 846. *Id.* The Treasury Department and the IRS anticipate providing in similar future guidance published in the Internal Revenue Bulletin that estimated salvage recoverable is to be discounted using the published discount factors applicable to unpaid losses. This treatment of estimated salvage recoverable is equivalent to netting undiscounted unpaid losses with estimates of salvage recoverable and discounting the net amount using the unpaid loss discount factors. This method is permitted under section 832(b)(5)(A) and § 1.832-4(c) and should reduce compliance complexity and costs. Separate discount factors for estimated salvage recoverable (including anticipated recoveries on account of subrogation claims) would no longer be published by the IRS. The Treasury Department and the IRS request comments on whether net payment data (loss payments less salvage recovered) and net losses incurred data (losses incurred less salvage recoverable) should be used to compute loss discount factors.

Effect on Other Documents

Section V of Notice 88-100 and Rev. Proc. 2002-74 are proposed to be obsolete for taxable years beginning on or after the date the proposed regulations are published 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 Treasury Department 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 business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department and the IRS request comments on all aspects of the proposed rules. All comments that are submitted by the public will be available for public inspection and copying at <http://www.regulations.gov> or upon request.

A public hearing has been scheduled for December 20, 2018, at 10 a.m., in the IRS Auditorium, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than thirty (30) minutes before the hearing starts. For more information about having your name placed on the building access list to attend the hearing, see the **FOR FURTHER INFORMATION CONTACT** section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing must submit written or electronic comments and an outline of the topics to be discussed and the time to be devoted to each topic by Friday, December 7, 2018. Such persons should submit a signed paper original and eight (8) copies or an electronic copy. A period of ten (10) minutes will be allotted to each person for making comments. An agenda showing the sched-

uling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Kathryn M. Sneade, Office of Associate Chief Counsel (Financial Institutions and Products), IRS. However, other personnel from the Treasury Department and the IRS participated in their development.

Statement of Availability of IRS Documents

The IRS notices and revenue procedures cited in this preamble are published in the Internal Revenue Bulletin (or Cumulative Bulletin) and are available from the Superintendent of Documents, U.S. Government Publishing Office, Washington, DC 20402, or by visiting the IRS website at <http://www.irs.gov>.

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 is amended by removing the entry for § 1.846–2(d), removing the entry for §§ 1.846–1 through 1.846–4, and adding an entry in numerical order for § 1.846–1. The addition reads in part as follows:

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

Section 1.846–1 also issued under 26 U.S.C. 846.

* * * * *

§ 1.846–0 [Removed]

Par. 2. Section 1.846–0 is removed.

Par. 3. Section 1.846–1 is amended by:

1. Removing “section 846(f)(3)” from the first sentence of paragraph (a)(1) and adding “section 846(e)(3)” in its place.

2. Removing “and § 1.846–3(b) contains guidance relating to discount factors applicable to accident years prior to the 1987 accident year” from the third sentence of paragraph (a)(1).
3. Removing the last sentence of paragraph (a)(1).
4. Removing paragraph (a)(2) and redesignating paragraphs (a)(3) and (4) as paragraphs (a)(2) and (3), respectively.
5. In the first sentence of paragraph (b)(1), removing “section 846(f)(6)” and adding “section 846(e)(6)” in its place; and removing “, in § 1.846–2 (relating to a taxpayer’s election to use its own historical loss payment pattern)”.
6. Removing “for accident years after 1987” from the heading for paragraph (b)(3)(i).
7. Removing the designation “(A)” and the accompanying heading “Accident years after 1991” after the heading of paragraph (b)(3)(ii).
8. Removing paragraphs (b)(3)(ii)(B), and (b)(3)(iii) and (iv).
9. Removing paragraph (b)(4) and redesignating paragraph (b)(5) as paragraph (b)(4).
10. Adding paragraphs (c), (d), and (e). The additions read as follows:

§ 1.846–1 Application of discount factors.

* * * * *

(c) *Determination of annual rate.* The applicable interest rate is the annual rate determined by the Secretary for any calendar year on the basis of the corporate bond yield curve (as defined in section 430(h)(2)(D)(i), determined by substituting “60-month period” for “24-month period” therein). The annual rate for any calendar year is determined on the basis of a yield curve that reflects the average, for the most recent 60-month period ending before the beginning of the calendar year, of monthly yields on corporate bonds described in section 430(h)(2)(D)(i). The annual rate is the average of that yield curve’s monthly spot rates with times to maturity of not more than seventeen and one-half years.

(d) *Determination of loss payment pattern—(1) In general.* Under section 846(d)(1), the loss payment pattern determined by the Secretary for each line of

business is determined by reference to the historical loss payment pattern applicable to such line of business determined in accordance with the method of determination set forth in section 846(d)(2) and the computational rules prescribed in section 846(d)(3) on the basis of the annual statement data from annual statements described in section 846(d)(2)(A) and (B). However, the Secretary may adjust the loss payment pattern for any line of business as provided in paragraph (d)(2) of this section.

(2) *Smoothing adjustments.* The Secretary may adjust the loss payment pattern for any line of business using a methodology described by the Secretary in other published guidance if necessary to avoid negative payment amounts and otherwise produce a stable pattern of positive discount factors less than one.

(e) *Applicability date.* (1) Except as provided in paragraph (e)(2) of this section, this section applies to taxable years beginning after December 31, 1986.

(2) Paragraphs (c) and (d) of this section apply to taxable years beginning after December 31, 2017.

§ 1.846–2 [Removed]

Par. 4. Section 1.846–2 is removed.

§ 1.846–2T [Removed]

Par. 5. Section 1.846–2T is removed.

§ 1.846–3 [Removed]

Par. 6. Section 1.846–3 is removed.

§ 1.846–4 [Removed]

Par. 7. Section 1.846–4 is removed.

§ 1.846–4T [Removed]

Par. 8. Section 1.846–4T is removed.

Kirsten Wielobob,
Deputy Commissioner for Services and Enforcement.

(Filed by the Office of the Federal Register on November 5, 2018, 4:15 p.m., and published in the issue of the Federal Register for November 7, 2018, 83 F.R. 55646)

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

Bulletin 2018–27 through 2018–51

Announcements:

2018-09, 2018-28 I.R.B. 206
2018-12, 2018-30 I.R.B. 232
2018-13, 2018-43 I.R.B. 232
2018-14, 2018-46 I.R.B. 773
2018-15, 2018-50 I.R.B. 1020

Notices:

2018-48, 2018-28 I.R.B. 9
2018-56, 2018-27 I.R.B. 3
2018-58, 2018-33 I.R.B. 305
2018-59, 2018-28 I.R.B. 196
2018-60, 2018-31 I.R.B. 275
2018-61, 2018-31 I.R.B. 278
2018-62, 2018-34 I.R.B. 316
2018-63, 2018-34 I.R.B. 318
2018-64, 2018-35 I.R.B. 347
2018-65, 2018-35 I.R.B. 350
2018-67, 2018-36 I.R.B. 409
2018-68, 2018-36 I.R.B. 418
2018-69, 2018-37 I.R.B. 426
2018-70, 2018-38 I.R.B. 441
2018-71, 2018-41 I.R.B. 548
2018-72, 2018-40 I.R.B. 522
2018-73, 2018-40 I.R.B. 526
2018-74, 2018-40 I.R.B. 529
2018-75, 2018-41 I.R.B. 556
2018-76, 2018-42 I.R.B. 599
2018-77, 2018-42 I.R.B. 601
2018-78, 2018-42 I.R.B. 604
2018-79, 2018-42 I.R.B. 606
2018-80, 2018-42 I.R.B. 609
2018-81, 2018-43 I.R.B. 666
2018-82, 2018-44 I.R.B. 718
2018-83, 2018-47 I.R.B. 774
2018-84, 2018-45 I.R.B. 768
2018-85, 2018-48 I.R.B. 788
2018-86, 2018-50 I.R.B. 982
2018-88, 2018-49 I.R.B. 817
2018-89, 2018-49 I.R.B. 826
2018-90, 2018-49 I.R.B. 826
2018-91, 2018-50 I.R.B. 985
2018-92, 2018-51 I.R.B. 1038
2018-93, 2018-51 I.R.B. 1041
2018-94, 2018-51 I.R.B. 1042

Proposed Regulations:

REG-130244-17, 2018-41 I.R.B. 593
REG-103163-18, 2018-51 I.R.B. 1049
REG-103474-18, 2018-32 I.R.B. 284
REG-104390-18, 2018-43 I.R.B. 671
REG-104397-18, 2018-41 I.R.B. 560
REG-104872-18, 2018-44 I.R.B. 762
REG-106977-18, 2018-27 I.R.B. 6

Proposed Regulations:—Continued

REG-107163-18, 2018-49 I.R.B. 839
REG-107813-18, 2018-49 I.R.B. 841
REG-107892-18, 2018-35 I.R.B. 353
REG-112176-18, 2018-37 I.R.B. 430
REG-114540-18, 2018-47 I.R.B. 777
REG-118826-16, 2018-48 I.R.B. 789

Revenue Procedures:

2018-35, 2018-28 I.R.B. 204
2018-36, 2018-38 I.R.B. 442
2018-37, 2018-29 I.R.B. 210
2018-38, 2018-31 I.R.B. 280
2018-39, 2018-34 I.R.B. 319
2018-40, 2018-34 I.R.B. 320
2018-42, 2018-36 I.R.B. 424
2018-43, 2018-36 I.R.B. 425
2018-44, 2018-37 I.R.B. 426
2018-45, 2018-37 I.R.B. 428
2018-46, 2018-39 I.R.B. 460
2018-47, 2018-39 I.R.B. 518
2018-48, 2018-40 I.R.B. 521
2018-49, 2018-41 I.R.B. 548
2018-50, 2018-42 I.R.B. 610
2018-51, 2018-44 I.R.B. 721
2018-52, 2018-42 I.R.B. 611
2018-53, 2018-43 I.R.B. 667
2018-54, 2018-45 I.R.B. 769
2018-55, 2018-47 I.R.B. 775
2018-56, 2018-50 I.R.B. 985
2018-57, 2018-49 I.R.B. 827
2018-58, 2018-50 I.R.B. 990
2018-59, 2018-50 I.R.B. 1018
2018-60, 2018-51 I.R.B. 1045

Revenue Rulings:

2018-19, 2018-27 I.R.B. 1
2018-20, 2018-28 I.R.B. 8
2018-21, 2018-32 I.R.B. 282
2018-22, 2018-34 I.R.B. 308
2018-23, 2018-36 I.R.B. 405
2018-24, 2018-36 I.R.B. 407
2018-25, 2018-39 I.R.B. 445
2018-26, 2018-40 I.R.B. 520
2018-27, 2018-41 I.R.B. 546
2018-28, 2018-45 I.R.B. 764
2018-29, 2018-45 I.R.B. 765
2018-30, 2018-49 I.R.B. 815
2018-31, 2018-50 I.R.B. 848
2018-32, 2018-51 I.R.B. 1023

Treasury Decisions:

9834, 2018-31 I.R.B. 233
9835, 2018-33 I.R.B. 288
9836, 2018-33 I.R.B. 291
9838, 2018-34 I.R.B. 309
9839, 2018-35 I.R.B. 325

9840, 2018-50 I.R.B. 817
9841, 2018-50 I.R.B. 913
9842, 2018-48 I.R.B. 783
9843, 2018-50 I.R.B. 957

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

Bulletin 2018–27 through 2018–51

Notices:

2014-5

Modified by

Notice 2018-69, 2018-37 I.R.B. 426

2015-28

Modified by

Notice 2018-69, 2018-37 I.R.B. 426

2016-57

Modified by

Notice 2018-69, 2018-37 I.R.B. 426

2017-45

Modified by

Notice 2018-69, 2018-37 I.R.B. 426

Revenue Procedures:

2015-27

Amplified by

Rev. Proc. 2018-39, 2018-34 I.R.B. 319

2017-24

Amplified by

Rev. Proc. 2018-39, 2018-34 I.R.B. 319

2018-31

Modified by

Rev. Proc. 2018-44, 2018-37 I.R.B. 426

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.

Internal Revenue Service

Washington, DC 20224

Official Business
Penalty for Private Use, \$300

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.