

Part I

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

(Also Sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807,
846, 1288, 7520, 7872.)

Rev. Rul. 2002-40

This revenue ruling provides various prescribed rates for federal income tax purposes for July 2002 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Finally, Table 6 contains the blended annual rate for 2002 for purposes of section 7872.

REV. RUL. 2002-40 TABLE 1

Applicable Federal Rates (AFR) for July 2002

| | <u>Period for Compounding</u> | | | |
|-------------------|-------------------------------|-------------------|------------------|----------------|
| | <u>Annual</u> | <u>Semiannual</u> | <u>Quarterly</u> | <u>Monthly</u> |
| <u>Short-Term</u> | | | | |
| AFR | 2.84% | 2.82% | 2.81% | 2.80% |
| 110% AFR | 3.12% | 3.10% | 3.09% | 3.08% |
| 120% AFR | 3.41% | 3.38% | 3.37% | 3.36% |
| 130% AFR | 3.70% | 3.67% | 3.65% | 3.64% |
| <u>Mid-Term</u> | | | | |
| AFR | 4.60% | 4.55% | 4.52% | 4.51% |
| 110% AFR | 5.07% | 5.01% | 4.98% | 4.96% |
| 120% AFR | 5.53% | 5.46% | 5.42% | 5.40% |
| 130% AFR | 6.01% | 5.92% | 5.88% | 5.85% |
| 150% AFR | 6.95% | 6.83% | 6.77% | 6.73% |
| 175% AFR | 8.12% | 7.96% | 7.88% | 7.83% |
| <u>Long-Term</u> | | | | |
| AFR | 5.69% | 5.61% | 5.57% | 5.55% |
| 110% AFR | 6.27% | 6.17% | 6.12% | 6.09% |
| 120% AFR | 6.84% | 6.73% | 6.67% | 6.64% |
| 130% AFR | 7.42% | 7.29% | 7.22% | 7.18% |

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Adjusted AFR for July 2002

Period for Compounding

| | <u>Annual</u> | <u>Semiannual</u> | <u>Quarterly</u> | <u>Monthly</u> |
|----------------------------|---------------|-------------------|------------------|----------------|
| Short-term adjusted AFR | 2.18% | 2.17% | 2.16% | 2.16% |
| Mid-term adjusted AFR | 3.57% | 3.54% | 3.52% | 3.51% |
| Long-term adjusted AFR | 4.91% | 4.85% | 4.82% | 4.80% |

REV. RUL. 2002-40 TABLE 3

Rates Under Section 382 for July 2002

| | |
|--|-------|
| Adjusted federal long-term rate for the current month | 4.91% |
| Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.) | 5.01% |

REV. RUL. 2002-40 TABLE 4

Appropriate Percentages Under Section 42(b)(2)
for July 2002

| | |
|--|-------|
| Appropriate percentage for the 70% present value low-income housing credit | 8.20% |
| Appropriate percentage for the 30% present value low-income housing credit | 3.51% |

REV. RUL. 2002-40 TABLE 5

Rate Under Section 7520 for July 2002

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest 5.6%

REV. RUL. 2002-40 TABLE 6

Blended Annual Rate for 2002

Section 7872(e)(2) blended annual rate for 2002 2.78%