



HIGHLIGHTS OF THIS ISSUE

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

INCOME TAX

Rev. Rul. 2000-13, page 774.

Fringe benefits aircraft valuation formula. For purposes of section 1.61-21(g) of the Income Tax Regulations, relating to the rule for valuing noncommercial flights on employer-provided aircraft, the Standard Industry Fare Level (SIFL) cents-per-mile rates and terminal charges in effect for the first half of 2000 are set forth.

Rev. Rul. 2000-14, page 779.

LIFO; price indexes; department stores. The January 2000 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, January 31, 2000.

Rev. Rul. 2000-15, page 774.

Election in respect to losses attributable to a disaster. This ruling lists the areas declared by the President to qualify as major disaster or emergency areas during 1999 under the Disaster Relief and Emergency Assistance Act.

Rev. Rul. 2000-16, page 780.

Interests rates; underpayments and overpayments. The rate of interest determined under section 6621 of the Code for the calendar quarter beginning April 1, 2000, will be 9 percent for overpayments (8 percent in the case of a corporation), 9 percent for underpayments, and 11 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding \$10,000 is 6.5 percent.

Notice 2000-16, page 826.

Differential earnings rate for mutual life insurance companies. This notice sets forth the tentative "differential earn-

ings rate" for 1999 and the "recomputed differential earnings rate" for 1998 under section 809 of the Code.

EXEMPT ORGANIZATIONS

REG-209601-92, page 829.

Proposed regulations under section 513 of the Code relate to the tax treatment of sponsorship payments received by exempt organizations. A public hearing is scheduled for June 21, 2000.

Announcement 2000-15, page 837.

A list is provided of organizations that no longer qualify as organizations to which contributions are deductible under section 170 of the Code.

ADMINISTRATIVE

Rev. Proc. 2000-19, page 785.

Substitute printed, computed-prepared, and computer-generated tax forms and schedules. Requirements are set forth for privately designed and printed federal tax forms and conditions under which the Service will accept computer-prepared and computer-generated tax forms and schedules. Rev. Proc. 98-65 superseded.

Notice 2000-15, page 826.

Listed transactions. This notice lists certain transactions that the Service has determined to be tax avoidance transactions and identifies the transactions as "listed transactions" for purposes of section 1.6011-4T(b)(2) of the Temporary Income Tax Regulations and section 301.6111-2T(b)(2) of the Temporary Procedure and Administration Regulations.

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Finding Lists begin on page ii.



Listed Transactions

Notice 2000-15

Transactions that are the same as or substantially similar to transactions described in the list below have been determined by the Internal Revenue Service to be tax avoidance transactions and are identified as “listed transactions” for purposes of § 1.6011-4T(b)(2) of the Temporary Income Tax Regulations and § 301.6111-2T(b)(2) of the Temporary Procedure and Administration Regulations. As a result, corporate taxpayers may need to disclose their participation in these listed transactions as prescribed in § 1.6011-4T, and promoters (or other persons responsible for registering tax shelter transactions) may need to register such transactions under § 301.6111-2T. In addition, promoters must maintain lists of investors with respect to these listed transactions pursuant to § 301.6112-1T.

(1) Rev. Rul. 90-105, 1990-2 C.B. 69 (transactions in which taxpayers claim deductions for contributions to a qualified cash or deferred arrangement or matching contributions to a defined contribution plan where the contributions are attributable to compensation earned by plan participants after the end of the taxable year);

(2) Notice 95-34, 1995-1 C.B. 309 (certain trust arrangements purported to qualify as multiple employer welfare benefit funds exempt from the limits of §§ 419 and 419A of the Internal Revenue Code);

(3) Notice 95-53, 1995-2 C.B. 334 (certain multiple-party transactions intended to allow one party to realize rental or other income from property or service contracts and to allow another party to report deductions related to that income (often referred to as “lease strips”));

(4) Transactions described in Part II of Notice 98-5, 1998-1 C.B. 334 (transactions in which the reasonably expected economic profit is insubstantial in comparison to the value of the expected foreign tax credits);

(5) Transactions substantially similar to those at issue in *ASA Investorings Partnership v. Commissioner*, No. 98-1583 (D.C. Cir. Feb. 1, 2000) and *ACM Partnership v. Commissioner*, 157 F.3d 231 (3d Cir. 1998) (transactions involving contingent installment sales of securities by partnerships in order to accelerate and

allocate income to a tax-indifferent partner, such as a tax-exempt entity or foreign person, and to allocate later losses to another partner);

(6) Prop. Treas. Reg. § 1.643(a)-8 (transactions involving distributions described in

§ 1.643(a)-8 from charitable remainder trusts);

(7) Rev. Rul. 99-14, 1999-13 I.R.B. 3 (transactions in which a taxpayer purports to lease property and then purports to immediately sublease it back to the lessor (that is, lease-in/lease out or LILO transactions));

(8) Notice 99-59, 1999-52 I.R.B. 761 (transactions involving the distribution of encumbered property in which taxpayers claim tax losses for capital outlays that they have in fact recovered);

(9) Treas. Reg. § 1.7701(l)-3 (transactions involving fast-pay arrangements as defined in § 1.7701(l)-3(b)); and

(10) Rev. Rul. 2000-12, 2000-11 I.R.B. 744, dated March 13, 2000 (certain transactions involving the acquisition of two debt instruments the values of which are expected to change significantly at about the same time in opposite directions).

This notice is effective February 28, 2000, the date this notice was released to the public.

The principal author of this notice is Richard Castanon of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice contact Richard Castanon on (202) 622-3080 (not a toll-free call).

Differential Earnings Rate for Mutual Life Insurance Companies

Notice 2000-16

This notice publishes a tentative determination under § 809 of the Internal Revenue Code of the “differential earnings rate” for 1999 and the rate that is used to calculate the “recomputed differential earnings amount” for 1998. (The latter rate is referred to in this notice as the “recomputed differential earnings rate” for 1998.) These rates are used by mutual life insurance companies to calculate their federal income tax liability for taxable years beginning in 1999.

BACKGROUND

Section 809(a) provides that, in the case of any mutual life insurance company, the amount of the deduction allowable under § 808 for policyholder dividends is reduced (but not below zero) by the “differential earnings amount.” Any excess of the differential earnings amount over the amount of the deduction allowable under § 808 is taken into account as a reduction in the closing balance of reserves under subsections (a) and (b) of § 807. The “differential earnings amount” for any taxable year is the amount equal to the product of (a) the life insurance company’s average equity base for the taxable year multiplied by (b) the “differential earnings rate” for that taxable year. The “differential earnings rate” for the taxable year is the excess of (a) the “imputed earnings rate” for the taxable year over (b) the “average mutual earnings rate” for the second calendar year preceding the calendar year in which the taxable year begins. The “imputed earnings rate” for any taxable year is the amount that bears the same ratio to 16.5 percent as the “current stock earnings rate” for the taxable year bears to the “base period stock earnings rate.”

Section 809(f) provides that, in the case of any mutual life insurance company, if the “recomputed differential earnings amount” for any taxable year exceeds the differential earnings amount for that taxable year, the excess is included in life insurance gross income for the succeeding taxable year. If the differential earnings amount for any taxable year exceeds the recomputed differential earnings amount for that taxable year, the excess is allowed as a life insurance deduction for the succeeding taxable year. The “recomputed differential earnings amount” for any taxable year is an amount calculated in the same manner as the differential earnings amount for that taxable year, except that the average mutual earnings rate for the calendar year in which the taxable year begins is substituted for the average mutual earnings rate for the second calendar year preceding the calendar year in which the taxable year begins.

The stock earnings rates and mutual earnings rates taken into account under § 809 generally are determined by dividing statement gain from operations by the average equity base. For this purpose, the