

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. 2004-2, page 265.

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for January 2004.

T.D. 9099, page 255.

Final regulations under section 417(a)(3) of the Code consolidate the content requirements applicable to explanations of qualified joint and survivor annuities and qualified preretirement survivor annuities payable under certain retirement plans, and specify requirements for disclosing the relative value of optional forms of benefit that are payable from certain retirement plans in lieu of a qualified joint and survivor annuity.

Notice 2004-2, page 269.

This notice provides basic information, in question and answer format, on Health Savings Accounts (HSAs).

EMPLOYMENT TAX

Notice 2004-4, page 273.

This notice provides tables that show the amount of an individual's income that is exempt from a notice of levy used to collect delinquent tax in 2004.

ADMINISTRATIVE

Notice 2004-1, page 268.

This notice clarifies that the new application process for an IRS Individual Taxpayer Identification Number (ITIN), which generally requires that the application be accompanied by the applicant's completed tax return, constitutes compliance with regulations section 301.6109-1(d)(3)(ii). This notice also requests taxpayers to submit comments on the revised ITIN application process.

Rev. Proc. 2004-9, page 275.

Insurance companies; loss reserves; discounting unpaid losses. The loss payment patterns and discount factors are set forth for the 2003 accident year. These factors will be used to compute discounted unpaid losses under section 846 of the Code.

Rev. Proc. 2004-10, page 288.

Insurance companies; discounting estimated salvage recoverable. The salvage discount factors are set forth for the 2003 accident year. These factors will be used to compute discounted estimated salvage recoverable under section 832 of the Code.

Announcement 2004-3, page 294.

This document details changes made by Chief Counsel which impact distribution codes for Form 1099-R. These changes could impact the filing of 1099-R and Form 5498 for tax year 2003.

Finding Lists begin on page ii.



The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by

applying the tax 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 and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

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.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

* **Beginning with Internal Revenue Bulletin 2003-43**, we are publishing the index at the end of the month, rather than at the beginning.

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

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

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

The adjusted applicable federal long-term rate is set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 417.—Definition and Special Rules for Purposes of Minimum Survivor Annuity Requirements

26 CFR 1.417(a)(3)-1: Required explanation of qualified joint and survivor annuity and qualified preretirement survivor annuity.

T.D. 9099

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Disclosure of Relative Values of Optional Forms of Benefit

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations that consolidate the content requirements applicable to explanations of qualified joint and survivor annuities and qualified preretirement survivor annuities payable under certain retirement plans, and specify requirements for disclosing the relative value of optional forms of benefit that are payable from certain retirement plans in lieu of a qualified joint and survivor annuity. These regulations affect plan sponsors and administrators, and participants in and beneficiaries of, certain retirement plans.

DATES: *Effective Date:* These final regulations are effective on December 17, 2003.

Applicability Date: These final regulations are applicable to QJSA explanations with respect to distributions with annuity starting dates on or after October 1, 2004, and to QPSA explanations provided on or after July 1, 2004.

FOR FURTHER INFORMATION CONTACT: John T. Ricotta at (202) 622-6060 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information (requirement to disclose information) contained in these final regulations has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) under control number 1545-0928. Responses to this collection of information are mandatory.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

The estimated annual burden per respondent varies from .01 to .99 hours, depending on individual circumstances, with an estimated average of .5 hours.

Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be sent to the **Internal Revenue Service**,

Attn: IRS Reports Clearance Officer, SE:W:CAR:MP:T:SP, Washington, DC 20224, and to the **Office of Management and Budget**, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503.

Books or records relating to a collection of information must be retained as long as their contents might become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

This document contains amendments to 26 CFR part 1 under section 417(a)(3) of the Internal Revenue Code of 1986 (Code).

A qualified retirement plan to which section 401(a)(11) applies must pay a vested participant's retirement benefit under the plan in the form of a qualified joint and survivor annuity (QJSA), except as provided in section 417. Section 401(a)(11) applies to defined benefit plans, money purchase pension plans, and certain other defined contribution plans. A QJSA is defined in section 417(b) as an annuity for the life of the participant with a survivor annuity for the life of the spouse (if the participant is married) that is not less than 50 percent of (and is not greater than 100 percent of) the amount of the annuity that is payable during the joint lives of the participant and the spouse. Under section 417(b)(2), a QJSA for a married participant generally must be the actuarial equivalent of the single life annuity benefit payable for the life of the participant. However, a plan is permitted to subsidize the QJSA for a married participant. If the plan fully subsidizes the QJSA for a married participant so that failure to waive the QJSA would not result in reduced payments over the life of the participant compared to the single life annuity benefit, then the plan need not provide an election to waive the QJSA. See section 417(a)(5).

For a married participant, the QJSA must be at least as valuable as any other optional form of benefit payable under the plan at the same time. See §1.401(a)-20,

Q&A-16. Further, the anti-forfeiture rules of section 411(a) prohibit a participant's benefit under a defined benefit plan from being satisfied through payment of a form of benefit that is actuarially less valuable than the value of the participant's accrued benefit expressed in the form of an annual benefit commencing at normal retirement age. These determinations must be made using reasonable actuarial assumptions. However, see §1.417(e)-1(d) for actuarial assumptions required for use in certain present value calculations.

If a plan provides a subsidy for one optional form of benefit (*i.e.*, the payments under an optional form of benefit have an actuarial present value that is greater than the actuarial present value of the accrued benefit), there is no requirement to extend a similar subsidy (or any subsidy) to every other optional form of benefit. Thus, for example, a participant might be entitled to receive a single-sum distribution upon early retirement that does not reflect any early retirement subsidy in lieu of a QJSA that reflects a substantial early retirement subsidy. As a further example, a participant might be entitled to receive a single-sum distribution at normal retirement age in lieu of a QJSA that is subsidized as described in section 417(a)(5).

Section 417(a) provides rules under which a participant (with spousal consent) may waive payment of the participant's benefit in the form of a QJSA. Section 417(a)(3) provides that a plan must provide to each participant, within a reasonable period before the annuity starting date (and consistent with such regulations as the Secretary may prescribe), a written explanation of the terms and conditions of the QJSA, the participant's right to make, and the effect of, an election to waive the QJSA form of benefit, the rights of the participant's spouse, and the right to revoke (and the effect of the revocation of) an election to waive the QJSA form of benefit.

Section 205 of the Employee Retirement Income Security Act of 1974 (ERISA), Public Law 93-406 (88 Stat. 829) as subsequently amended, provides rules that are parallel to the rules of sections 401(a)(11) and 417 of the Internal Revenue Code. In particular, section 205(c)(3) of ERISA provides a rule parallel to the rule of section 417(a)(3) of the Code.

Under section 101 of Reorganization Plan No. 4 of 1978 (43 FR 47713), the Secretary of the Treasury has interpretative jurisdiction over the ERISA provisions that are parallel to the Code provisions addressed in these regulations. Therefore, these regulations apply for purposes of section 205(c)(3) of ERISA, as well as for section 417(a)(3) of the Code.

Regulations governing the requirements for waiver of a QJSA were published in the **Federal Register** on August 19, 1988 (T.D. 8219, 1988-2 CB. 48 [53 FR 31837]). Section 1.401(a)-20, Q&A-36, provides rules for the explanation that must be provided under section 417(a)(3) as a prerequisite to waiver of a QJSA. Section 1.401(a)-20, Q&A-36, requires that such a written explanation contain a general description of the eligibility conditions and other material features of the optional forms of benefit and sufficient additional information to explain the relative values of the optional forms of benefit available under the plan (*e.g.*, the extent to which optional forms are subsidized relative to the normal form of benefit or the interest rates used to calculate the optional forms). In addition, §1.401(a)-20, Q&A-36, provides that the written explanation must comply with the requirements set forth in §1.401(a)-11(c)(3). Section 1.401(a)-11(c)(3) was issued prior to the enactment of section 417, and provides rules relating to written explanations that were required prior to a participant's election of a preretirement survivor annuity or election to waive a joint and survivor annuity. Section 1.401(a)-11(c)(3)(i)(C) provides that such a written explanation must contain a general explanation of the relative financial effect of these elections on a participant's annuity.

In addition, under section 411 and §1.411(a)-11(c), so long as a benefit is immediately distributable (within the meaning of §1.411(a)-11(c)(4)), a participant must be informed of his or her right to defer that distribution. This requirement is independent of the section 417 requirements addressed in these regulations.

Concerns have been expressed that, in certain cases, the information provided to participants under section 417(a)(3) regarding the available distribution forms does not adequately enable them to compare those distribution forms without professional advice. In particular, partici-

pants who are eligible for both subsidized annuity distributions and unsubsidized single-sum distributions may be receiving notices that do not adequately explain the value of the subsidy that is foregone if the single-sum distribution is elected. In such a case, merely disclosing the amount of the single-sum distribution and the amount of annuity payments, or merely stating that the single sum distribution does not include the subsidy that is included in the annuity payments, may not adequately enable those participants to make an informed comparison of the relative values of those distribution forms, even if the interest rate used to derive the single sum is disclosed. Furthermore, questions have been raised as to how the relative values of optional forms of benefit are required to be expressed under current regulations.

Accordingly, proposed regulations (REG-124667-02, 2002-2 C.B. 791 [67 FR 62417]) were published in the **Federal Register** on October 7, 2002, that would consolidate the content requirements applicable to explanations of qualified joint and survivor annuities and qualified preretirement survivor annuities payable under certain retirement plans, and provide disclosure requirements that would enable participants to compare the relative values of the available distribution forms using more readily understandable information.

After consideration of the comments received concerning the proposed regulations, these final regulations adopt provisions of the proposed regulations with certain modifications, the most significant of which are highlighted below.

Explanation of Provisions

These regulations provide guidance regarding the required description of the relative values of optional forms of benefit compared to the value of the QJSA and the content of the required disclosure of relative values. Commentators generally approved of the increased disclosure that would result from the approach in the proposed regulations, and these final regulations are substantially similar to the proposed regulations.

As under the proposed regulations, the description of the relative value of an optional form of benefit compared to the value of the QJSA must be expressed in a manner that provides a meaningful com-

parison of the relative economic values of the two forms of benefit without the participant having to make calculations using interest or mortality assumptions. In order to provide this comparison, the benefit under one or both optional forms of benefit must be converted, taking into account the time value of money and life expectancies, so that both are expressed in the same form. While one commentator requested that the regulations only permit comparisons to be made on the basis of present value, the regulations do not take this approach. Instead, the final regulations retain the examples of techniques that may be used for this comparison that were included in the proposed regulation: expressing the actuarial present value of the optional form of benefit as a percentage or factor of the actuarial present value of the QJSA; stating the amount of an annuity payable at the same time and under the same conditions as the QJSA that is the actuarial equivalent of the optional form of benefit; or stating the actuarial present value of both the QJSA and the optional form of benefit. However, a specific example has been added illustrating the use of the actuarial present value to express relative value.

The comparisons required under the proposed regulations depended on which form of benefit constitutes the QJSA for the participant. One commentator noted that this would result in a different comparison for married and unmarried participants, creating an unnecessary burden for plan sponsors in situations where the benefit options are identical for married and unmarried participants. Furthermore, if the plan sponsor did not know whether a participant is married, the plan would need to provide comparisons that covered both possibilities. In response to the comment, the final regulations permit a plan to use a uniform basis of comparison of relative value (*i.e.*, either the QJSA for married participants or the QJSA for unmarried participants) for both married and unmarried participants, if the benefit options are the same for married and unmarried participants. Thus, in a plan in which the applicable QJSA form for unmarried participants is a straight life annuity and the applicable QJSA form for married participants is a 50% joint and contingent annuity (and each of these forms of distribution are available to all participants

on the same terms), the plan may choose to compare the relative value of the plan's optional forms of benefit to the value of the straight life annuity with respect to the required disclosure for all participants or the plan may choose to compare the relative value of the plan's optional forms of benefit to the value of the 50% joint and contingent annuity with respect to the required disclosure for all participants.

Since disclosing the relative value of every optional form of benefit regardless of the degree of subsidy may be too burdensome, and may provide participants with information that appears more precise than is warranted based on the inexact nature of the actuarial assumptions used, the final regulations follow the proposed regulation in providing for certain simplifications in the disclosure. Under one simplification, two or more optional forms of benefit that have approximately the same value could be grouped for purposes of disclosing relative value. Under the proposed regulations, two or more optional forms of benefit were treated as having approximately the same value if those optional forms of benefit varied in relative value in comparison to the value of the QJSA by 5 percentage points or less when the relative value comparison is made by expressing the actuarial present value of each of those optional forms of benefit as a percentage of the actuarial present value of the QJSA.

Several commentators recommended changes in this 5 percentage point band. One commentator suggested that a band of 7.5 percentage points be used to simplify compliance and ease the administrative burden to plans. The commentator said that a band of 7.5 percentage points would allow a plan to treat unsubsidized optional forms of benefit for virtually all retiring participants as having approximately equal value. By contrast, another commentator favored a maximum band of 3 percentage points in order for participants to receive adequate disclosure about significant differences in value. The commentator said that a 5 percentage point difference in value was significant enough to be brought to the participant's attention.

These final regulations generally retain the 5 percentage point banding rule of the proposed regulations. This rule aims to minimize the compliance burdens for plans to the extent consistent with providing participants with information on differences

in value that are material in light of the inexact nature of the actuarial assumptions used.

The proposed regulations also would have allowed a plan to treat all of its forms of benefit as approximately equal in value if the actuarial present value of all of those forms is not less than 95% of the actuarial present value of the QJSA. The final regulations permit a plan that is comparing the relative value of each optional form to the value of the QJSA for a married participant to treat each presently available optional form of benefit that has an actuarial present value of at least 95% of the actuarial present value of the QJSA as having approximately the same value as the QJSA. In addition, in the case of a plan that is comparing the relative value of each optional form to the value of the single life annuity, if all of the optional forms of benefit presently available have actuarial present values that are at least 95%, but not greater than 102.5%, of the actuarial present value of the presently available single life annuity, the plan is permitted to treat all the presently available forms of distribution as approximately equal in value.

Some commentators recommended that participants have the right to know what actuarial assumptions were used in the plan's estimates of relative value. The final regulations require that this information be made available upon request if it is not provided in the notice.

Several commentators raised questions concerning whether the methods used in disclosing relative value of a plan's optional forms of benefit in accordance with these regulations affect the application of the requirement at §1.401(a)-20, Q&A-16, that the QJSA for married participants be at least as valuable as any other optional form of benefit under the plan. While this issue is not addressed in these final regulations, there is no requirement, or implication, that the same actuarial assumptions used by a plan for purposes of disclosing relative value in accordance with these regulations must be applied for purposes of the requirement in §1.401(a)-20, Q&A-16, that the QJSA for married participants be at least as valuable as any other optional form of benefit under the plan.

One commentator requested that these regulations address the use of electronic

media to deliver the QJSA explanation or the QPSA explanation. The IRS and the Treasury Department are considering the extent to which the QJSA explanation and the QPSA explanation, as well as other notices under the various Internal Revenue Code requirements relating to qualified retirement plans, can be provided electronically, taking into account the effect of the Electronic Signatures in Global and National Commerce Act (ESIGN), Public Law 106-229, 114 Stat. 464 (2000). The IRS and the Treasury Department have invited comments on these issues, and anticipate issuing further guidance regarding electronic notices.

Commentators raised a number of other issues, including issues that relate to basic QJSA rules that are not addressed in these regulations and a request for the final regulations to include model language that can be included in a QJSA notice. These regulations do not include model language for several reasons, including the wide variety of distribution alternatives found in plans (including the variety of actuarial assumptions used to calculate optional forms of benefit), the variations in the average participant in the plan for purposes of understandability, as well as inclusion in the regulations of several detailed examples showing how the information can be provided in order to disclose relative value.

Effective Date

These final regulations are applicable to QJSA explanations with respect to distributions with to annuity starting dates on or after October 1, 2004, and to QPSA explanations provided on or after July 1, 2004. In the case of a retroactive annuity starting date under section 417(a)(7), when required under §1.417(e)-1(b)(3)(vi), the date of commencement of payments based on the retroactive annuity starting date is substituted for the annuity starting date for purposes of this effective date.

Special Analysis

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. It is hereby

certified that the collection of information in these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based upon the fact that qualified retirement plans of small businesses typically commence distribution of benefits to few, if any, plan participants in any given year and, similarly, only offer elections to waive a QPSA to few, if any, participants in any given year. Thus, the collection of information in these regulations will only have a minimal economic impact on most small entities. Therefore, an analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Code, the proposed regulations preceding these regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal authors of these regulations are Linda S. F. Marshall and John T. Ricotta of the Office of the Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the IRS and Treasury participated in their development.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1 — INCOME TAX; TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1986

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

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

Par. 2. Paragraph (c)(3) of §1.401(a)-11 is revised to read as follows:

§1.401(a)-11 Qualified joint and survivor annuities.

* * * * *

(c) * * *

(3) *Information to be provided by plan.* For rules regarding the information required to be provided with respect to the

election to waive a QJSA or a QPSA, see §1.417(a)(3)-1.

* * * * *

Par. 3. A-36 of §1.401(a)-20 is revised to read as follows:

§1.401(a)-20 Requirements of qualified joint and survivor annuity and qualified preretirement survivor annuity.

* * * * *

A-36. For rules regarding the explanation of QPSAs and QJSAs required under section 417(a)(3), see §1.417(a)(3)-1.

* * * * *

Par. 4. Section 1.417(a)(3)-1 is added to read as follows:

§1.417(a)(3)-1 Required explanation of qualified joint and survivor annuity and qualified preretirement survivor annuity.

(a) *Written explanation requirement—(1) General rule.* A plan meets the survivor annuity requirements of section 401(a)(11) only if the plan meets the requirements of section 417(a)(3) and this section regarding the written explanation required to be provided a participant with respect to a QJSA or a QPSA. A written explanation required to be provided to a participant with respect to either a QJSA or a QPSA under section 417(a)(3) and this section is referred to in this section as a section 417(a)(3) explanation. See §1.401(a)-20, Q&A-37, for exceptions to the written explanation requirement in the case of a fully subsidized QPSA or QJSA, and §1.401(a)-20, Q&A-38, for the definition of a fully subsidized QPSA or QJSA.

(2) *Time for providing section 417(a)(3) explanation—(i) QJSA explanation.* See §1.417(e)-1(b)(3)(ii) for rules governing the timing of the QJSA explanation.

(ii) *QPSA explanation.* See §1.401(a)-20, Q&A-35, for rules governing the timing of the QPSA explanation.

(3) *Required method for providing section 417(a)(3) explanation.* A section 417(a)(3) explanation must be a written explanation. First class mail to the last known address of the participant is an acceptable delivery method for a section 417(a)(3) explanation. Likewise, hand delivery is acceptable. However, the posting of the explanation is not considered provision of the section 417(a)(3) explanation.

(4) *Understandability.* A section 417(a)(3) explanation must be written in a manner calculated to be understood by the average participant.

(b) *Required content of section 417(a)(3) explanation—*(1) *Content of QPSA explanation.* The QPSA explanation must contain a general description of the QPSA, the circumstances under which it will be paid if elected, the availability of the election of the QPSA, and, except as provided in paragraph (d)(3) of this section, a description of the financial effect of the election of the QPSA on the participant's benefits (*i.e.*, an estimate of the reduction to the participant's estimated normal retirement benefit that would result from an election of the QPSA).

(2) *Content of QJSA explanation.* The QJSA explanation must satisfy either paragraph (c) or paragraph (d) of this section. Under paragraph (c) of this section, the QJSA explanation must contain certain specific information relating to the benefits available under the plan to the particular participant. Alternatively, under paragraph (d) of this section, the QJSA explanation can contain generally applicable information in lieu of specific participant information, provided that the participant has the right to request additional information regarding the participant's benefits under the plan.

(c) *Participant-specific information required to be provided—*(1) *In general.* A QJSA explanation satisfies this paragraph (c) if it provides the following information with respect to each of the optional forms of benefit presently available to the participant (*i.e.*, optional forms of benefit with an annuity starting date for which the QJSA explanation applies)—

(i) A description of the optional form of benefit;

(ii) A description of the eligibility conditions for the optional form of benefit;

(iii) A description of the financial effect of electing the optional form of benefit (*i.e.*, the amount payable under the form of benefit to the participant during the participant's lifetime and the amount payable after the death of the participant);

(iv) In the case of a defined benefit plan, a description of the relative value of the optional form of benefit compared to the value of the QJSA, in the manner described in paragraph (c)(2) of this section; and

(v) A description of any other material features of the optional form of benefit.

(2) *Requirement for numerical comparison of relative values—*(i) *In general.* The description of the relative value of an optional form of benefit compared to the value of the QJSA under paragraph (c)(1)(iv) of this section must be expressed to the participant in a manner that provides a meaningful comparison of the relative economic values of the two forms of benefit without the participant having to make calculations using interest or mortality assumptions. Thus, in performing the calculations necessary to make this comparison, the benefits under one or both optional forms of benefit must be converted, taking into account the time value of money and life expectancies, so that the values of both optional forms of benefit are expressed in the same form. For example, such a comparison may be expressed to the participant using any of the following techniques—

(A) Expressing the actuarial present value of the optional form of benefit as a percentage or factor of the actuarial present value of the QJSA;

(B) Stating the amount of the annuity that is the actuarial equivalent of the optional form of benefit and that is payable at the same time and under the same conditions as the QJSA; or

(C) Stating the actuarial present value of both the optional form of benefit and the QJSA.

(ii) *Use of one form for both married and unmarried individuals—*(A) *In general.* Under the rules of this paragraph (c)(2)(ii), in lieu of providing different QJSA explanations for married and unmarried individuals, the plan may provide a QJSA explanation to an individual that does not vary based on the participant's marital status. Except as specifically provided in paragraph (c)(3)(iii) of this section, any reference in this section to comparing the relative value of an optional form of benefit to the value of the QJSA may be satisfied using the substitution permitted under paragraph (c)(2)(ii)(B) or (C) of this section.

(B) *Substitution of single life annuity for married individual.* For a married participant, in lieu of comparing the value of each optional form of benefit presently available to the participant to the value of the QJSA, the plan can compare the value

of each optional form of benefit (including the QJSA) to the value of a QJSA for an unmarried participant (*i.e.*, a single life annuity), but only if that same single life annuity is available to that married participant.

(C) *Substitution of joint and survivor annuity for unmarried individual.* For an unmarried participant, in lieu of comparing the value of each optional form of benefit presently available to the participant to the value of the QJSA for that individual (which is a single life annuity), the plan can compare the value of each optional form of benefit (including the single life annuity) to the value of the joint and survivor annuity that is the QJSA for a married participant, but only if that same joint and survivor annuity is available to that unmarried participant.

(iii) *Simplified presentations permitted—*(A) *Grouping of certain optional forms.* Two or more optional forms of benefit that have approximately the same value may be grouped for purposes of a required numerical comparison described in this paragraph (c)(2). For this purpose, two or more optional forms of benefit have approximately the same value if none of those optional forms of benefit vary in relative value in comparison to the value of the QJSA by more than 5 percentage points when the relative value comparison is made by expressing the actuarial present value of each of those optional forms of benefit as a percentage of the actuarial present value of the QJSA. For such a group of optional forms of benefit, the requirement relating to disclosing the relative value of each optional form of benefit compared to the value of the QJSA can be satisfied by disclosing the relative value of any one of the optional forms in the group compared to the value of the QJSA, and disclosing that the other optional forms of benefit in the group are of approximately the same value. If a single-sum distribution is included in such a group of optional forms of benefit, the single-sum distribution must be the distribution form that is used for purposes of this comparison.

(B) *Representative relative value for grouped optional forms.* If, in accordance with paragraph (c)(2)(iii)(A) of this section, two or more optional forms of benefits are grouped, the relative values for all of the optional forms of benefit in the group can be stated using a represen-

tative relative value as the approximate relative value for the entire group. For this purpose, a representative relative value is any relative value that is not less than the relative value of the member of the group of optional forms of benefit with the lowest relative value and is not greater than the relative value of the member of that group with the highest relative value when measured on a consistent basis. For example, if three grouped optional forms have relative values of 87.5%, 89%, and 91% of the value of the QJSA, all three optional forms can be treated as having a relative value of approximately 90% of the value of the QJSA. As required under paragraph (c)(2)(iii)(A) of this section, if a single-sum distribution is included in the group of optional forms of benefit, the 90% relative factor of the value of the QJSA must be disclosed as the approximate relative value of the single sum, and the other forms can be described as having the same approximate value as the single sum.

(C) *Special rules.* If the plan is comparing the value of each optional form to the value of the QJSA for a married participant, this paragraph (c)(2)(iii)(C) provides a grouping rule that is in addition to the grouping rules of paragraph (c)(2)(iii)(A) of this section. Under this special rule, the relative value of all optional forms of benefit that have an actuarial present value that is at least 95% of the actuarial present value of the QJSA for a married participant is permitted to be described by stating that those optional forms of benefit are approximately equal in value to the QJSA, or that all of those forms of benefit and the QJSA are approximately equal in value. In addition, if a plan is comparing the value of optional forms of benefit to the value of the single life annuity and all optional forms of benefit have actuarial present values that are at least 95%, but not greater than 102.5%, of the actuarial present value of the single life annuity, the plan is permitted to describe the relative value of all optional forms of benefit by stating that all the optional forms of benefit are approximately equal in value, or that all of those forms of benefit and the single life annuity are approximately equal in value.

(iv) *Actuarial assumptions used to determine relative values.* For the purpose of providing a numerical comparison of the value of an optional form of benefit to

the value of the immediately commencing QJSA under this paragraph (c)(2), the following rules apply—

(A) If an optional form of benefit is subject to the requirements of section 417(e)(3) and §1.417(e)-1(d), any comparison of the value of the optional form of benefit to the value of the QJSA must be made using the applicable mortality table and the applicable interest rate as defined in §1.417(e)-1(d)(2) and (3) (or, at the option of the plan, another reasonable interest rate and reasonable mortality table used under the plan to calculate the amount payable under the optional form of benefit); and

(B) All other optional forms of benefit payable to the participant must be compared with the QJSA using a single set of interest and mortality assumptions that are reasonable and that are applied uniformly with respect to all such optional forms payable to the participant (regardless of whether those assumptions are actually used under the plan for purposes of determining benefit payments).

(v) *Required disclosure of assumptions—(A) Explanation of concept of relative value.* The notice must provide an explanation of the concept of relative value, communicating that the relative value comparison is intended to allow the participant to compare the total value of distributions paid in different forms, that the relative value comparison is made by converting the value of the optional forms of benefit presently available to a common form (such as the QJSA or a single-sum distribution), and that this conversion uses interest and life expectancy assumptions. The explanation of relative value must include a general statement that all comparisons provided are based on average life expectancies, and that the relative value of payments ultimately made under an annuity optional form of benefit will depend on actual longevity.

(B) *Disclosure of assumptions.* A required numerical comparison of the value of the optional form of benefit to the value of the QJSA under this paragraph (c)(2) is required to include a disclosure of the interest rate that is used to develop the comparison. If all optional forms of benefit are permitted to be grouped under paragraph (c)(2)(iii)(A) of this section, then the requirement of this paragraph (c)(2)(v)(B) does not apply for any optional form of

benefit not subject to the requirements of section 417(e)(3) and §1.417(e)-1(d)(3).

(C) *Offer to provide actuarial assumptions.* If the plan does not disclose the actuarial assumptions used to calculate the numerical comparison required under paragraph (c)(2) of this section, then, the notice must be accompanied by a statement that includes an offer to provide, upon the participant's request, the actuarial assumptions used to calculate the relative value of optional forms of benefit under the plan.

(3) *Permitted estimates of financial effect and relative value—(i) General rule.* For purposes of providing a description of the financial effect of the distribution forms available to a participant as required under paragraph (c)(1)(iii) of this section, and for purposes of providing a description of the relative value of an optional form of benefit compared to the value of the QJSA for a participant as required under paragraph (c)(1)(iv) of this section, the plan is permitted to provide reasonable estimates (e.g., estimates based on data as of an earlier date than the annuity starting date, a reasonable assumption for the age of the participant's spouse, or, in the case of a defined contribution plan, reasonable estimates of amounts that would be payable under a purchased annuity contract), including reasonable estimates of the applicable interest rate under section 417(e)(3).

(ii) *Right to more precise calculation.* If a QJSA notice uses a reasonable estimate under paragraph (c)(3)(i) of this section, the QJSA explanation must identify the estimate and explain that the plan will, upon the request of the participant, provide a more precise calculation and the plan must provide the participant with a more precise calculation if so requested. Thus, for example, if a plan provides an estimate of the amount of the QJSA that is based on a reasonable assumption concerning the age of the participant's spouse, the participant can request a calculation that takes into account the actual age of the spouse, as provided by the participant.

(iii) *Revision of prior information.* If a more precise calculation described in paragraph (c)(3)(ii) of this section materially changes the relative value of an optional form compared to the value of the QJSA, the revised relative value of that optional form must be disclosed, regardless of whether the financial effect of selecting the optional form is affected by the more

precise calculation. For example, if a participant provides a plan with the age of the participant's spouse and that information materially changes the relative value of an optional form of benefit (such as a single sum) compared to the value of the QJSA, then the revised relative value of the optional form of benefit and the value of the QJSA must be disclosed, regardless of whether the amount of the payment under that optional form of benefit is affected by the more precise calculation.

(4) *Special rules for disclosure of financial effect for defined contribution plans.* For a written explanation provided by a defined contribution plan, a description of financial effect required by paragraph (c)(1)(iii) of this section with respect to an annuity form of benefit must include a statement that the annuity will be provided by purchasing an annuity contract from an insurance company with the participant's account balance under the plan. If the description of the financial effect of the optional form of benefit is provided using estimates rather than by assuring that an insurer is able to provide the amount disclosed to the participant, the written explanation must also disclose this fact.

(d) *Substitution of generally applicable information for participant information in the section 417(a)(3) explanation—(1) Forms of benefit available.* In lieu of providing the information required under paragraphs (c)(1)(i) through (v) of this section for each optional form of benefit presently available to the participant as described in paragraph (c) of this section, the QJSA explanation may contain the information required under paragraphs (c)(1)(i) through (v) of this section for the QJSA and each other optional form of benefit generally available under the plan, along with a reference to where a participant may readily obtain the information required under paragraphs (c)(1)(i) through (v) of this section for any other optional forms of benefit that are presently available to the participant.

(2) *Financial effect and comparison of relative values—(i) General rule.* In lieu of providing a statement of the financial effect of electing an optional form of benefit as required under paragraph (c)(1)(iii) of this section, or a comparison of relative values as required under paragraph (c)(1)(iv) of this section, based on the actual age and benefit of the participant, the

QJSA explanation is permitted to include a chart (or other comparable device) showing the financial effect and relative value of optional forms of benefit in a series of examples specifying the amount of the optional form of benefit payable to a hypothetical participant at a representative range of ages and the comparison of relative values at those same representative ages. Each example in this chart must show the financial effect of electing the optional form of benefit pursuant to the rules of paragraph (c)(1)(iii) of this section, and a comparison of the relative value of the optional form of benefit to the value of the QJSA pursuant to the rules of paragraph (c)(2) of this section, using reasonable assumptions for the age of the hypothetical participant's spouse and any other variables that affect the financial effect, or relative value, of the optional form of benefit. The requirement to show the financial effect of electing an optional form can be satisfied through the use of other methods (e.g., expressing the amount of the optional form as a percentage or a factor of the amount payable under the normal form of benefit), provided that the method provides sufficient information so that a participant can determine the amount of benefits payable in the optional form. The chart (or other comparable device) must be accompanied by the disclosures described in paragraph (c)(2)(v) of this section explaining the concept of relative value and disclosing certain interest assumptions. In addition, the chart (or other comparable device) must be accompanied by a general statement describing the effect of significant variations between the assumed ages or other variables on the financial effect of electing the optional form of benefit and the comparison of the relative value of the optional form of benefit to the value of the QJSA.

(ii) *Actual benefit must be disclosed.* The generalized notice described in this paragraph (d)(2) will satisfy the requirements of paragraph (b)(2) of this section only if the notice includes either the amount payable to the participant under the normal form of benefit or the amount payable to the participant under the normal form of benefit adjusted for immediate commencement. For this purpose, the normal form of benefit is the form under which payments due to the participant under the plan are expressed under

the plan, prior to adjustments for form of benefit. For example, assuming that a plan's benefit accrual formula is expressed as a straight life annuity, the generalized notice must provide the amount of either the straight life annuity commencing at normal retirement age or the straight life annuity commencing immediately.

(iii) *Ability to request additional information.* The generalized notice described in this paragraph (d)(2) must be accompanied by a statement that includes an offer to provide, upon the participant's request, a statement of financial effect and a comparison of relative values that is specific to the participant for any presently available optional form of benefit, and a description of how a participant may obtain this additional information.

(3) *Financial effect of QPSA election.* In lieu of providing a specific description of the financial effect of the QPSA election, the QPSA explanation may provide a general description of the financial effect of the election. Thus, for example, the description can be in the form of a chart showing the reduction to a hypothetical participant's normal retirement benefit at a representative range of participant ages as a result of the QPSA election (using a reasonable assumption for the age of the hypothetical participant's spouse relative to the age of the hypothetical participant). In addition, this chart must be accompanied by a statement that includes an offer to provide, upon the participant's request, an estimate of the reduction to the participant's estimated normal retirement benefit, and a description of how a participant may obtain this additional information.

(4) *Additional information required to be furnished at the participant's request—*The generalized notice described in paragraph (d)(2) of this section must be accompanied by a statement that includes an offer to provide, upon the participant's request, information described in this paragraph (d)(4)(i) and (ii), and a description of how a participant may obtain this additional information.

(i) *Explanation of QJSA.* If, as permitted under paragraphs (d)(1) and (2) of this section, the content of a QJSA explanation does not include all the items described in paragraph (c) of this section, then, upon a participant's request for any of the information required under paragraphs (c)(1)(i)

through (v) of this section for one or more presently available optional forms (including a request for all optional forms presently available to the participant), the plan must furnish the information required under paragraphs (c)(1)(i) through (v) of this section with respect to those optional forms. Thus, with respect to those optional forms of benefit, the participant must receive a QJSA explanation specific to the participant that is based on the participant's actual age and benefit. In addition, the plan must comply with paragraph (c)(3)(iii) of this section. Further, if as permitted under paragraph (c)(2)(v)(B) of this section, the plan does not disclose the actuarial assumptions used to calculate the numerical comparison required under paragraph (c)(2) of this section, then, upon request, the plan must provide the actuarial assumptions used to calculate the relative value of optional forms of benefit under the plan.

(ii) *Explanation of QPSA.* If, as permitted under paragraph (d)(3) of this section, the content of a QPSA explanation does not include all the items described in paragraph (b)(1) of this section, then, upon a participant's request, the plan must furnish an estimate of the reduction to the participant's estimated normal retirement benefit that would result from a QPSA election.

(e) *Examples.* The following examples illustrate the application of this section. Solely for purposes of these examples, the applicable interest rate that applies to any distribution that is subject to the rules of section 417(e)(3) is assumed to be 5½%, and the applicable mortality table under section 417(e)(3) and § 1.417(e)-1(d)(2) is assumed to be the table that applies as of January 1, 2003. In addition, solely for purposes of these examples, assume that a plan which determines actuarial equivalence using 6% interest and the applicable mortality table under section 417(e)(3) and § 1.417(e)-1(d)(2) that applies as of January 1, 1995, is using reasonable actuarial assumptions. The examples are as follows:

Example 1. (i) Participant M participates in Plan A, a qualified defined benefit plan. Under Plan A, the QJSA is a joint and 100% survivor annuity, which is actuarially equivalent to the single life annuity determined using 6% interest and the section 417(e)(3) applicable mortality table that applies as of January 1, 1995. On October 1, 2004, M will terminate employment at age 55. When M terminates employment, M

will be eligible to elect an unreduced early retirement benefit, payable as either a single life annuity or the QJSA. M will also be eligible to elect a single-sum distribution equal to the actuarial present value of the single life annuity payable at normal retirement age (age 65), determined using the applicable mortality table and the applicable interest rate under section 417(e)(3).

(ii) Consistent with paragraph (c) of this section, Participant M is provided with a QJSA explanation that describes the single life annuity, the QJSA, and single-sum distribution options under the plan, and any eligibility conditions associated with these options. Participant M is married when the explanation is provided. The explanation indicates that, if Participant M commenced benefits at age 55 and had a spouse age 55, the monthly benefit under an immediately commencing single life annuity is \$3,000, the monthly benefit under the QJSA is estimated to be 89.96% of the monthly benefit under the immediately commencing single life annuity or \$2,699, and the single sum is estimated to be 74.7645 times the monthly benefit under the immediately commencing single life annuity or \$224,293.

(iii) The QJSA explanation indicates that the single life annuity and the QJSA are of approximately the same value, but that the single-sum option is equivalent in value to a monthly benefit under the QJSA of \$1,215. (This amount is 45% of the value of the QJSA at age 55 (\$1,215 divided by 89.96% of \$3,000 equals 45%).) The explanation states that the relative value comparison converts the value of the single life annuity and the single-sum options to the value of each if paid in the form of the QJSA and that this conversion uses interest and life expectancy assumptions. The explanation specifies that the calculations relating to the single-sum distribution were prepared using 5.5% interest and average life expectancy, that the other calculations were prepared using a 6% interest rate and that the relative value of actual annuity payments for an individual can vary depending on how long the individual and spouse live. The explanation notes that the calculation of the QJSA assumed that the spouse was age 55, that the amount of the QJSA will depend on the actual age of the spouse (for example, annuity payments will be significantly lower if the spouse is significantly younger than the participant), and that the amount of the single-sum payment will depend on the interest rates that apply when the participant actually takes a distribution. The explanation also includes an offer to provide a more precise calculation to the participant taking into account the spouse's actual age.

(iv) In accordance with paragraph (c)(3)(ii) of this section, Participant M requests a more precise calculation of the financial effect of choosing a QJSA taking into account that Participant M's spouse is 50 years of age. Using the actual age of Participant M's spouse, Plan A determines that the monthly payments under the QJSA are 87.62% of the monthly payments under the single life annuity, or \$2,628.60 per month, and provides this information to M. Plan A is not required to provide an updated calculation of the relative value of the single sum because the value of single sum continues to be 45% of the value of the QJSA.

Example 2. (i) The facts are the same as in *Example 1*, except that the comparison of the relative values of optional forms of benefit to the value of the QJSA is not expressed as a percentage of the actuarial present value of the QJSA, but instead is expressed by disclosing the actuarial present values of the optional forms and the QJSA. In addition, the Plan uses the applicable interest rate and the applicable mortality table under section 417(e)(3) for all comparison purposes.

(ii) Accordingly, the QJSA explanation indicates that the QJSA has an actuarial present value of \$498,089, while the single-sum payment has an actuarial present value of \$224,293 (*i.e.*, the amount of the single sum is \$224,293) and that the single life annuity is approximately equal in value to the QJSA. The explanation states that the relative value comparison converts the value of single life annuity and the QJSA into an amount payable in the form of the single-sum option (even though a single-sum distribution in that amount is not available under the plan) and that this conversion uses interest and life expectancy assumptions. The explanation specifies that the calculations were prepared using 5.5% interest and average life expectancy, and that the relative value of actual annuity payments for an individual can vary depending on how long the individual and spouse live. The explanation notes that the calculation of the QJSA assumed that the spouse was age 55, that the amount of the QJSA will depend on the actual age of the spouse (for example, annuity payments will be significantly lower if the spouse is significantly younger than the participant), and that the amount of the single-sum payment will depend on the interest rates that apply when the participant actually takes a distribution. The explanation also includes an offer to provide a more precise calculation to the participant taking into account the spouse's actual age.

Example 3. (i) The facts are the same as in *Example 1*, except that, in lieu of providing information specific to Participant M in the QJSA notice as set forth in paragraph (c) of this section, Plan A satisfies the QJSA explanation requirement in accordance with paragraph (d)(2) of this section by providing M with a statement that M's monthly benefit under an immediately commencing single life annuity (which is the normal form of benefit under Plan A, adjusted for immediate commencement) is \$3,000, along with the following chart. The chart shows the financial effect of electing each optional form of benefit for a hypothetical participant with a \$1,000 benefit and a spouse who is the same age as the participant. Instead of showing the relative value of these optional forms of benefit compared to the value of the QJSA, the chart shows the relative value of these optional forms of benefit compared to the value of the single life annuity. Separate charts are provided for ages 55, 60, and 65 as follows:

Age 55 Commencement

Optional Form	Amount of distribution per \$1,000 of immediate single life annuity	Relative Value
Life Annuity	\$1,000 per month	n/a
QJSA (Joint and 100% survivor annuity)	\$900 per month (\$900 per month for survivor annuity)	approximately the same value as the Life Annuity
Lump sum	\$ 74,764	approximately 45% of the value of the Life Annuity

Age 60 Commencement

Optional Form	Amount of distribution per \$1,000 of immediate single life annuity	Relative Value
Life Annuity	\$1,000 per month	n/a
QJSA (Joint and 100% survivor annuity)	\$878 per month (\$878 per month for survivor annuity)	approximately the same value as the Life Annuity
Lump sum	\$99,792	approximately 66% of the value of the Life Annuity

Age 65 Commencement

Optional Form	Amount of distribution per \$1,000 of immediate single life annuity	Relative Value
Life Annuity	\$1,000 per month	n/a
QJSA (Joint and 100% survivor annuity)	\$852 per month (\$852 per month for survivor annuity)	approximately the same value as the Life Annuity
Lump sum	\$135,759	approximately the same value as the Life Annuity

(ii) In accordance with paragraph (d)(4)(i) of this section, when Participant M requests specific information regarding the amounts payable under the QJSA, the joint and 100% survivor annuity, and the single-sum distribution and provides the age of M's spouse, Plan A determines that M's QJSA is \$2,628.60 per month and the single-sum distribution is \$224,293. The actuarial present value of the QJSA (determined using the 5.5% interest and the section 417(e)(3) applicable mortality table) is \$498,896 and the actuarial present value of the single life annuity is \$497,876. Accordingly, the specific information discloses that the single-sum distribution has a value that is 45% of the value of the single life annuity available to M on October 1, 2004. In accordance with paragraph (c)(2)(iii)(C) of this section, the

QJSA notice provides that the QJSA is of approximately the same value as the single life annuity.

Example 4. (i) The facts are the same as in *Example 1*, except that under Plan A, the single-sum distribution is determined as the actuarial present value of the immediately commencing single life annuity. In addition, Plan A provides a joint and 75% survivor annuity that is reduced from the single life annuity and that is the QJSA under Plan A. For purposes of determining the amount of the QJSA, if the participant is married the reduction is only half of the reduction that would normally apply under the actuarial assumptions specified in Plan A for determining actuarial equivalence of optional forms.

(ii) In lieu of providing information specific to Participant M in the QJSA notice as set forth in para-

graph (c) of this section, Plan A satisfies the QJSA explanation requirement in accordance with paragraph (d)(2) of this section by providing M with a statement that M's monthly benefit under an immediately commencing single life annuity (which is the normal form of benefit under Plan A, adjusted for immediate commencement) is \$3,000, along with the following chart showing the financial effect and the relative value of the optional forms of benefit compared to the QJSA for a hypothetical participant with a \$1,000 benefit and a spouse who is three years younger than the participant. For each optional form generally available under the plan, the chart shows the financial effect and the relative value, using the grouping rules of paragraph (c)(2)(ii) of this section. Separate charts are provided for ages 55, 60, and 65, as follows:

Age 55 Commencement

Optional Form	Amount of distribution per \$1,000 of immediate single life annuity	Relative Value
Life Annuity	\$1,000 per month	approximately the same value as the QJSA
QJSA (joint and 75% survivor annuity for a participant who is married)	\$956 per month (\$717 per month for survivor annuity)	n/a
Joint and 100% survivor annuity	\$886 per month (\$886 per month for survivor annuity)	approximately the same value as the QJSA
Lump sum	\$165,959	approximately the same value as the QJSA

Age 60 Commencement

Optional Form	Amount of distribution per \$1,000 of immediate single life annuity	Relative Value
Life Annuity	\$1,000 per month	approximately 94% of the value of the QJSA
QJSA (joint and 75% survivor annuity for a participant who is married)	\$945 per month (\$709 per month for survivor annuity)	n/a
Joint and 100% survivor annuity	\$859 per month (\$859 per month for survivor annuity)	approximately 94% of the value of the QJSA
Lump sum	\$151,691	approximately the same value as the QJSA

Age 65 Commencement

Optional Form	Amount of distribution per \$1,000 of immediate single life annuity	Relative Value
Life Annuity	\$1,000 per month	approximately 93% of the value of the QJSA
QJSA (joint and 75% survivor annuity for a participant who is married)	\$932 per month (\$699 per month for survivor annuity)	n/a
Joint and 100% survivor annuity	\$828 per month (\$828 per month for survivor annuity)	approximately 93% of the value of the QJSA
Lump sum	\$135,759	approximately 93% of the value of the QJSA

(iii) The chart disclosing the financial effect and relative value of the optional forms specifies that the calculations were prepared assuming that the spouse is three years younger than the participant, that the calculations relating to the single-sum distribution were prepared using 5.5% interest and average life expectancy, that the other calculations were prepared using a 6% interest rate, and that the relative value of actual payments for an individual can vary depending on how long the individual and spouse live. The explanation states that the relative value comparison converts the single life annuity, the joint and 100% survivor annuity, and the single-sum options to value of each if paid in the form of the QJSA and that this conversion uses interest and life expectancy assumptions. The explanation notes that the calculation of the QJSA depends on the actual age of the spouse (for example, annuity payments will be significantly lower if the spouse is significantly younger than the participant), and that the amount of the single-sum payment will depend on the interest rates that apply when the participant actually takes a distribution. The explanation also includes an offer to provide a calculation specific to the participant upon request,

and an offer to provide mortality tables used in preparing calculations upon request.

(iv) In accordance with paragraph (d)(4)(i) of this section, Participant M requests specific information regarding the amounts payable under the QJSA, the joint and 100% survivor annuity, and the single sum.

(v) Based on the information about the age of Participant M's spouse, Plan A determines that M's QJSA is \$2,856.30 per month, the joint and 100% survivor annuity is \$2,628.60 per month, and the single sum is \$497,876. The actuarial present value of the QJSA (determined using the 5.5% interest and the section 417(e)(3) applicable mortality table, the actuarial assumptions required under section 417) is \$525,091. Accordingly, the value of the single-sum distribution available to M on October 1, 2004, is 94.8% of the actuarial present value of the QJSA. In addition, the actuarial present value of the life annuity and the 100% joint and survivor annuity are 95.0% of the actuarial present value of the QJSA.

(vi) Plan A provides M with a QJSA explanation that incorporates these more precise calculations of the financial effect and relative value of the optional forms for which M requested information.

(f) *Effective date.* This section applies to QJSA explanations with respect to distributions with annuity starting dates on or after October 1, 2004, and to QPSA explanations provided on or after July 1, 2004. In the case of a retroactive annuity starting date under section 417(a)(7), when required under §1.417(e)-1(b)(3)(vi), the date of commencement of the actual payments based on the retroactive annuity starting date is substituted for the annuity starting date for this purpose.

§1.417(e)-1 [Amended]

Par. 5. In §1.417(e)-1, paragraph (b)(2) is amended by removing the language “§1.401(a)-20 Q&A-36” and adding “§1.417(a)(3)-1” in its place.

PART 602—OMB CONTROL
NUMBERS UNDER THE PAPERWORK
REDUCTION ACT

Par. 6. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7808.
Par. 7. In §602.101, paragraph (b) is amended by adding an entry for “1.417(a)(3)–1” in numerical order to the table to read in part as follows:

§602.101 OMB Control numbers.

* * * * *
(b) * * *

CFR part or section where identified and described	Current OMB control No.
* * * * *	
1.417(a)(3)–1	1545–0928
* * * * *	

Mark E. Matthews,
*Deputy Commissioner for Services
and Enforcement.*

Approved December 3, 2003.

Gregory Jenner,
Deputy Assistant Secretary (Tax Policy).

(Filed by the Office of the Federal Register on December 16, 2003, 8:45 a.m., and published in the issue of the Federal Register for December 17, 2003, 68 F.R. 70141)

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 832.—Insurance Company Taxable Income

26 CFR 1.832-4: *Gross income.*

The salvage discount factors are set forth for 2003. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2004-10, page 288.

Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

26 CFR 1.846-1: *Application of discount factors.*

The loss payment patterns and discount factors are set forth for the 2003 accident year. These factors will

be used for computing discounted unpaid losses under section 846 of the Code. See Rev. Proc. 2004-9, page 275.

26 CFR 1.846-1: *Application of discount factors.*

The salvage discount factors are set forth for 2003. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2004-10, page 288.

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.)

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for January 2004.

Rev. Rul. 2004–2

This revenue ruling provides various prescribed rates for federal income tax purposes for January 2004 (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 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 deemed rate of return for transfers made during calendar year 2004 to pooled

income funds described in § 642(c)(5) that have been in existence for less than 3 taxable years immediately preceding the taxable year in which the transfer was made.

REV. RUL. 2004-2 TABLE 1				
Applicable Federal Rates (AFR) for January 2004				
	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
<i>Short-Term</i>				
AFR	1.71%	1.70%	1.70%	1.69%
110% AFR	1.88%	1.87%	1.87%	1.86%
120% AFR	2.05%	2.04%	2.03%	2.03%
130% AFR	2.22%	2.21%	2.20%	2.20%
<i>Mid-Term</i>				
AFR	3.52%	3.49%	3.47%	3.46%
110% AFR	3.88%	3.84%	3.82%	3.81%
120% AFR	4.23%	4.19%	4.17%	4.15%
130% AFR	4.59%	4.54%	4.51%	4.50%
150% AFR	5.31%	5.24%	5.21%	5.18%
175% AFR	6.20%	6.11%	6.06%	6.03%
<i>Long-Term</i>				
AFR	5.01%	4.95%	4.92%	4.90%
110% AFR	5.52%	5.45%	5.41%	5.39%
120% AFR	6.03%	5.94%	5.90%	5.87%
130% AFR	6.54%	6.44%	6.39%	6.36%

REV. RUL. 2004-2 TABLE 2				
Adjusted AFR for January 2004				
	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
Short-term adjusted AFR	1.44%	1.43%	1.43%	1.43%
Mid-term adjusted AFR	2.67%	2.65%	2.64%	2.64%
Long-term adjusted AFR	4.40%	4.35%	4.33%	4.31%

REV. RUL. 2004-2 TABLE 3	
Rates Under Section 382 for January 2004	
Adjusted federal long-term rate for the current month	4.40%
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.)	4.58%

REV. RUL. 2004-2 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for January 2004

Appropriate percentage for the 70% present value low-income housing credit	7.99%
Appropriate percentage for the 30% present value low-income housing credit	3.42%

REV. RUL. 2004-2 TABLE 5

Rate Under Section 7520 for January 2004

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	4.2%
---	------

REV. RUL. 2004-2 TABLE 6

Deemed Rate for Transfers to New Pooled Income Funds During 2004

Deemed rate of return for transfers during 2004 to pooled income funds that have been in existence for less than 3 taxable years	4.8%
--	------

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2004. See Rev. Rul. 2004-2, page 265.

Part III. Administrative, Procedural, and Miscellaneous

Interpretation of Section 301.6109-1(d)(3)(ii) of the Procedure and Administration Regulations

Notice 2004-1

SECTION 1. PURPOSE

This notice addresses the requirements of section 301.6109-1(d)(3)(ii) of the regulations on Procedure and Administration, relating to applications for Individual Taxpayer Identification Numbers (ITINs). The Service has changed its ITIN application process. This notice confirms that taxpayers who comply with the new ITIN application process will be deemed to have satisfied the requirements in section 301.6109-1(d)(3)(ii) relating to the time for applying for an ITIN. This notice also solicits public comments regarding the changes to the ITIN application process.

SECTION 2. BACKGROUND

Section 6109(a)(1) generally provides that a person must furnish a taxpayer identifying number (TIN) on any return, statement, or other document required to be made under the Internal Revenue Code (Code). For taxpayers eligible to obtain a social security number (SSN), the SSN is the taxpayer's TIN. *See* section 6109(d); section 301.6109-1(d)(4). Taxpayers who are required under the Code to furnish a TIN, but who are not eligible for a SSN, must obtain an ITIN from the Service. *See* Section 301.6109-1(d)(3)(ii). A taxpayer must apply for an ITIN on Form W-7, *Application for the IRS Individual Taxpayer Identification Number*.

ITINs were not intended to be used as proof of identity for nontax purposes (*e.g.*, to obtain a driver's license, to claim legal residency, to seek employment in the United States, or to apply for welfare and health benefits) and may not be reliable proof of an individual's identity for those purposes. To help eliminate the nontax use of ITINs, the Service now is requiring taxpayers to attach the original, completed tax return for which the ITIN is needed, such as a Form 1040, to the Form W-7.

SECTION 3. FORM W-7 AND ACCOMPANYING INSTRUCTIONS

The Service has revised Form W-7 and the accompanying instructions. In general, a taxpayer who must obtain an ITIN from the Service is required to attach the taxpayer's original, completed tax return for which the ITIN is needed, such as a Form 1040, to the Form W-7. There are, however, certain exceptions to the requirement that a completed return be filed with the Form W-7. These exceptions are described in detail in the instructions to the revised Form W-7. One of the exceptions applies to holders of financial accounts generating income subject to information reporting or withholding requirements. In these cases, an applicant for an ITIN must provide the IRS with evidence that the applicant had opened the account with the financial institution and that the applicant had an ownership interest in the account. The Treasury Department and the IRS will consider changes to the requirements of this exception if necessary to ensure the timely issuance of ITINs to holders of these types of financial accounts. In addition, financial institutions may participate in the IRS' acceptance agent program.

SECTION 4. CLARIFICATION OF REGULATORY REQUIREMENTS

Section 301.6109-1(d)(3)(ii) provides that any taxpayer who is required to furnish an ITIN must apply for an ITIN on Form W-7. The regulation further states that the application must be made far enough in advance of the taxpayer's first required use of the ITIN to permit the issuance of the ITIN in time for the taxpayer to comply with the required use (*e.g.*, the timely filing of a tax return). This requirement was intended to prevent delays related to Code filing requirements.

Under the Service's new ITIN application process, applicants, in general, are required to submit the Form W-7 with (and not in advance of) the original, completed tax return for which the ITIN is needed. Accordingly, taxpayers who comply with the Service's new ITIN application process will be deemed to have satisfied the requirements of section

301.6109-1(d)(3)(ii) with respect to the time for applying for an ITIN.

The original, completed tax return and the Form W-7 must be filed with the IRS office specified in the instructions to the Form W-7 regardless of where the taxpayer might otherwise be required to file the tax return. The tax return will be processed in the same manner as if it were filed at the address specified in the tax return instructions. No separate filing of the tax return (*e.g.*, a copy) with any other IRS office is requested or required. Taxpayers are responsible for filing the original, completed tax return, with the Form W-7, by the due date applicable to the tax return for which the ITIN is needed (generally, April 15 of the year following the calendar year covered by the tax return).

If a taxpayer requires an ITIN for an amended or delinquent return, then the Form W-7 must be submitted together with the return to the IRS office specified in the instructions accompanying the Form W-7.

SECTION 5. EFFECTIVE DATE

This notice is effective December 17, 2003.

SECTION 6. COMMENTS

The Service is committed to maintaining a dialogue with stakeholders on the ITIN application process, including Form W-7. Comments in response to this notice will be considered carefully by the Service in future revisions to the ITIN application process and Form W-7.

The Service welcomes all comments and suggestions and is particularly interested in comments on the following matters:

1. How can Form W-7 and the instructions be simplified or clarified?
2. The instructions to Form W-7 provide four exceptions to the requirement that a completed tax return be attached to Form W-7. Should these exceptions be modified? Are additional exceptions needed?
3. ITIN applicants may submit a Form W-7 to an acceptance agent. The acceptance agent reviews the applicant's documentation and forwards the completed

Form W-7 to the Service. What steps, if any, should the Service consider to improve the acceptance agent program?

Comments must be submitted by June 15, 2004. Comments may be submitted electronically to tonotice.comments@irs.counsel.treas.gov. Alternatively, comments may be sent to CC:PA:LPD:PR (Notice 2004-1), 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 (Notice 2004-1), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.

SECTION 7. CONTACT INFORMATION

The principal author of this notice is Michael A. Skeen of the Office of Associate Chief Counsel (Procedure and Administration), Administrative Provisions and Judicial Practice Division. For further information regarding this notice, contact Michael A. Skeen at (202) 622-4910 (not a toll-free call).

Health Savings Accounts (HSAs)

Notice 2004-2

PURPOSE

This notice provides guidance on Health Savings Accounts.

BACKGROUND

Section 1201 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, added section 223 to the Internal Revenue Code to permit eligible individuals to establish Health Savings Accounts (HSAs) for taxable years beginning after December 31, 2003. HSAs are established to receive tax-favored contributions by or on behalf of eligible individuals and amounts in an HSA may be accumulated over the years or distributed on a tax-free basis to

pay or reimburse qualified medical expenses.

A number of the rules that apply to HSAs are similar to rules that apply to Individual Retirement Accounts (IRAs) under sections 219, 408 and 408A, and to Archer Medical Savings Accounts (Archer MSAs) under section 220. For example, like an Archer MSA, an HSA is established for the benefit of an individual, is owned by that individual, and is portable. Thus, if the individual is an employee who later changes employers or leaves the work force, the HSA does not stay behind with the former employer, but stays with the individual.

This notice provides certain basic information about HSAs in question and answer format, without attempting to enumerate all of the specific rules that apply under section 223.

The notice is divided into five parts. Part I of the notice explains what HSAs are and who can have them. Part II describes how HSAs can be established. Parts III and IV cover contributions to HSAs and distributions from HSAs. Part V discusses other matters relating to HSAs.

QUESTIONS AND ANSWERS

Set forth below are questions and answers concerning HSAs.

I. What Are HSAs and Who Can Have Them?

Q-1. What is an HSA?

A-1. An HSA is a tax-exempt trust or custodial account established exclusively for the purpose of paying qualified medical expenses of the account beneficiary who, for the months for which contributions are made to an HSA, is covered under a high-deductible health plan.

Q-2. Who is eligible to establish an HSA?

A-2. An "eligible individual" can establish an HSA. An "eligible individual" means, with respect to any month, any individual who: (1) is covered under a high-deductible health plan (HDHP) on the first day of such month; (2) is not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing certain limited types of coverage); (3) is not entitled to benefits under Medicare (generally, has not yet reached

age 65); and (4) may not be claimed as a dependent on another person's tax return.

Q-3. What is a "high-deductible health plan" (HDHP)?

A-3. Generally, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. Specifically, for self-only coverage, an HDHP has an annual deductible of at least \$1,000 and annual out-of-pocket expenses required to be paid (deductibles, co-payments and other amounts, but not premiums) not exceeding \$5,000. For family coverage, an HDHP has an annual deductible of at least \$2,000 and annual out-of-pocket expenses required to be paid not exceeding \$10,000. In the case of family coverage, a plan is an HDHP only if, under the terms of the plan and without regard to which family member or members incur expenses, no amounts are payable from the HDHP until the family has incurred annual covered medical expenses in excess of the minimum annual deductible. Amounts are indexed for inflation. A plan does not fail to qualify as an HDHP merely because it does not have a deductible (or has a small deductible) for preventive care (*e.g.*, first dollar coverage for preventive care). However, except for preventive care, a plan may not provide benefits for any year until the deductible for that year is met. See A-4 and A-6 for special rules regarding network plans and plans providing certain types of coverage.

Example (1): A Plan provides coverage for A and his family. The Plan provides for the payment of covered medical expenses of any member of A's family if the member has incurred covered medical expenses during the year in excess of \$1,000 even if the family has not incurred covered medical expenses in excess of \$2,000. If A incurred covered medical expenses of \$1,500 in a year, the Plan would pay \$500. Thus, benefits are potentially available under the Plan even if the family's covered medical expenses do not exceed \$2,000. Because the Plan provides family coverage with an annual deductible of less than \$2,000, the Plan is not an HDHP.

Example (2): Same facts as in example (1), except that the Plan has a \$5,000 family deductible and provides payment for covered medical expenses if any member of A's family has incurred covered medical expenses during the year in excess of \$2,000. The Plan satisfies the requirements for an HDHP with respect to the deductibles. See A-12 for HSA contribution limits.

Q-4. What are the special rules for determining whether a health plan that is a network plan meets the requirements of an HDHP?

A-4. A network plan is a plan that generally provides more favorable benefits for services provided by its network of providers than for services provided outside of the network. In the case of a plan using a network of providers, the plan does not fail to be an HDHP (if it would otherwise meet the requirements of an HDHP) solely because the out-of-pocket expense limits for services provided outside of the network exceeds the maximum annual out-of-pocket expense limits allowed for an HDHP. In addition, the plan's annual deductible for out-of-network services is not taken into account in determining the annual contribution limit. Rather, the annual contribution limit is determined by reference to the deductible for services within the network.

Q-5. What kind of other health coverage makes an individual ineligible for an HSA?

A-5. Generally, an individual is ineligible for an HSA if the individual, while covered under an HDHP, is also covered under a health plan (whether as an individual, spouse, or dependent) that is not an HDHP. *See also* A-6.

Q-6. What other kinds of health coverage may an individual maintain without losing eligibility for an HSA?

A-6. An individual does not fail to be eligible for an HSA merely because, in addition to an HDHP, the individual has coverage for any benefit provided by "permitted insurance." Permitted insurance is insurance under which substantially all of the coverage provided relates to liabilities incurred under workers' compensation laws, tort liabilities, liabilities relating to ownership or use of property (*e.g.*, automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization.

In addition to permitted insurance, an individual does not fail to be eligible for an HSA merely because, in addition to an HDHP, the individual has coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care. If a plan that is intended to be an HDHP is one in which substantially all of the coverage of the plan is through permitted insurance or other coverage as described in this answer, it is not an HDHP.

Q-7. Can a self-insured medical reimbursement plan sponsored by an employer be an HDHP?

A-7. Yes.

II. How Can An HSA Be Established?

Q-8. How does an eligible individual establish an HSA?

A-8. Beginning January 1, 2004, any eligible individual (as described in A-2) can establish an HSA with a qualified HSA trustee or custodian, in much the same way that individuals establish IRAs or Archer MSAs with qualified IRA or Archer MSA trustees or custodians. No permission or authorization from the Internal Revenue Service (IRS) is necessary to establish an HSA. An eligible individual who is an employee may establish an HSA with or without involvement of the employer.

Q-9. Who is a qualified HSA trustee or custodian?

A-9. Any insurance company or any bank (including a similar financial institution as defined in section 408(n)) can be an HSA trustee or custodian. In addition, any other person already approved by the IRS to be a trustee or custodian of IRAs or Archer MSAs is automatically approved to be an HSA trustee or custodian. Other persons may request approval to be a trustee or custodian in accordance with the procedures set forth in Treas. Reg. § 1.408-2(e) (relating to IRA nonbank trustees). For additional information concerning nonbank trustees and custodians, *see* Announcement 2003-54, 2003-40 I.R.B. 761.

Q-10. Does the HSA have to be opened at the same institution that provides the HDHP?

A-10. No. The HSA can be established through a qualified trustee or custodian who is different from the HDHP provider. Where a trustee or custodian does not sponsor the HDHP, the trustee or custodian may require proof or certification that the account beneficiary is an eligible individual, including that the individual is covered by a health plan that meets all of the requirements of an HDHP.

III. Contributions to HSAs.

Q-11. Who may contribute to an HSA?

A-11. Any eligible individual may contribute to an HSA. For an HSA established by an employee, the employee, the

employee's employer or both may contribute to the HSA of the employee in a given year. For an HSA established by a self-employed (or unemployed) individual, the individual may contribute to the HSA. Family members may also make contributions to an HSA on behalf of another family member as long as that other family member is an eligible individual.

Q-12. How much may be contributed to an HSA in calendar year 2004?

A-12. The maximum annual contribution to an HSA is the sum of the limits determined separately for each month, based on status, eligibility and health plan coverage as of the first day of the month. For calendar year 2004, the maximum monthly contribution for eligible individuals with self-only coverage under an HDHP is 1/12 of the lesser of 100% of the annual deductible under the HDHP (minimum of \$1,000) but not more than \$2,600. For eligible individuals with family coverage under an HDHP, the maximum monthly contribution is 1/12 of the lesser of 100% of the annual deductible under the HDHP (minimum of \$2,000) but not more than \$5,150. In addition to the maximum contribution amount, catch-up contributions, as described in A-14, may be made by or on behalf of individuals age 55 or older and younger than 65.

All HSA contributions made by or on behalf of an eligible individual to an HSA are aggregated for purposes of applying the limit. The annual limit is decreased by the aggregate contributions to an Archer MSA. The same annual contribution limit applies whether the contributions are made by an employee, an employer, a self-employed person, or a family member. Unlike Archer MSAs, contributions may be made by or on behalf of eligible individuals even if the individuals have no compensation or if the contributions exceed their compensation. If an individual has more than one HSA, the aggregate annual contributions to all the HSAs are subject to the limit.

Q-13. How is the contribution limit computed for an individual who begins self-only coverage under an HDHP on June 1, 2004 and continues to be covered under the HDHP for the rest of the year?

A-13. The contribution limit is computed each month. If the annual deductible is \$5,000 for the HDHP, then the lesser of the annual deductible and \$2,600 is

\$2,600. The monthly contribution limit is \$216.67 (\$2,600 /12). The annual contribution limit is \$1,516.69 (7 x \$216.67).

Q-14. What are the "catch-up contributions" for individuals age 55 or older?

A-14. For individuals (and their spouses covered under the HDHP) between ages 55 and 65, the HSA contribution limit is increased by \$500 in calendar year 2004. This catch-up amount will increase in \$100 increments annually, until it reaches \$1,000 in calendar year 2009. As with the annual contribution limit, the catch-up contribution is also computed on a monthly basis. After an individual has attained age 65 (the Medicare eligibility age), contributions, including catch-up contributions, cannot be made to an individual's HSA.

Example: An individual attains age 65 and becomes eligible for Medicare benefits in July, 2004 and had been participating in self-only coverage under an HDHP with an annual deductible of \$1,000. The individual is no longer eligible to make HSA contributions (including catch-up contributions) after June, 2004. The monthly contribution limit is \$125 (\$1,000 /12+ \$500/12 for the catch-up contribution). The individual may make contributions for January through June totaling \$750 (6 x \$125), but may not make any contributions for July through December, 2004.

Q-15. If one or both spouses have family coverage, how is the contribution limit computed?

A-15. In the case of individuals who are married to each other, if either spouse has family coverage, both are treated as having family coverage. If each spouse has family coverage under a separate health plan, both spouses are treated as covered under the plan with the lowest deductible. The contribution limit for the spouses is the lowest deductible amount, divided equally between the spouses unless they agree on a different division. The family coverage limit is reduced further by any contribution to an Archer MSA. However, both spouses may make the catch-up contributions for individuals age 55 or over without exceeding the family coverage limit.

Example (1): H and W are married. H is 58 and W is 53. H and W both have family coverage under separate HDHPs. H has a \$3,000 deductible under his HDHP and W has a \$2,000 deductible under her HDHP. H and W are treated as covered under the plan with the \$2,000 deductible. H can contribute \$1,500 to an HSA (1/2 the deductible of \$2,000 + \$500 catch up contribution) and W can contribute \$1,000 to an HSA (unless they agree to a different division).

Example (2): H and W are married. H is 35 and W is 33. H and W each have a self-only HDHP. H has a \$1,000 deductible under his HDHP and W has a \$1,500 deductible under her HDHP. H can contribute

\$1,000 to an HSA and W can contribute \$1,500 to an HSA.

Q-16. In what form must contributions be made to an HSA?

A-16. Contributions to an HSA must be made in cash. For example, contributions may not be made in the form of stock or other property. Payments for the HDHP and contributions to the HSA can be made through a cafeteria plan. *See* A-33.

Q-17. What is the tax treatment of an eligible individual's HSA contributions?

A-17. Contributions made by an eligible individual to an HSA (which are subject to the limits described in A-12) are deductible by the eligible individual in determining adjusted gross income (*i.e.*, "above-the-line"). The contributions are deductible whether or not the eligible individual itemizes deductions. However, the individual cannot also deduct the contributions as medical expense deductions under section 213.

Q-18. What is the tax treatment of contributions made by a family member on behalf of an eligible individual?

A-18. Contributions made by a family member on behalf of an eligible individual to an HSA (which are subject to the limits described in A-12) are deductible by the eligible individual in computing adjusted gross income. The contributions are deductible whether or not the eligible individual itemizes deductions. An individual who may be claimed as a dependent on another person's tax return is not an eligible individual and may not deduct contributions to an HSA.

Q-19. What is the tax treatment of employer contributions to an employee's HSA?

A-19. In the case of an employee who is an eligible individual, employer contributions (provided they are within the limits described in A-12) to the employee's HSA are treated as employer-provided coverage for medical expenses under an accident or health plan and are excludable from the employee's gross income. The employer contributions are not subject to withholding from wages for income tax or subject to the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), or the Railroad Retirement Tax Act. Contributions to an employee's HSA through a cafeteria plan are treated as employer contributions. The employee cannot deduct employer contributions on

his or her federal income tax return as HSA contributions or as medical expense deductions under section 213.

Q-20. What is the tax treatment of an HSA?

A-20. An HSA is generally exempt from tax (like an IRA or Archer MSA), unless it has ceased to be an HSA. Earnings on amounts in an HSA are not includable in gross income while held in the HSA (*i.e.*, inside buildup is not taxable). *See* A-25 regarding the taxation of distributions to the account beneficiary.

Q-21. When may HSA contributions be made? Is there a deadline for contributions to an HSA for a taxable year?

A-21. Contributions for the taxable year can be made in one or more payments, at the convenience of the individual or the employer, at any time prior to the time prescribed by law (without extensions) for filing the eligible individual's federal income tax return for that year, but not before the beginning of that year. For calendar year taxpayers, the deadline for contributions to an HSA is generally April 15 following the year for which the contributions are made. Although the annual contribution is determined monthly, the maximum contribution may be made on the first day of the year. *See* A-22 regarding correcting excess contributions.

Example: B has self-only coverage under an HDHP with a deductible of \$1,500 and also has an HSA. B's employer contributes \$200 to B's HSA at the end of every quarter in 2004 and at the end of the first quarter in 2005 (March 31, 2005). B can exclude from income in 2004 all of the employer contributions (*i.e.*, \$1,000) because B's exclusion for all contributions does not exceed the maximum annual HSA contributions. *See* A-12.

Q-22. What happens when HSA contributions exceed the maximum amount that may be deducted or excluded from gross income in a taxable year?

A-22. Contributions by individuals to an HSA, or if made on behalf of an individual to an HSA, are not deductible to the extent they exceed the limits described in A-12. Contributions by an employer to an HSA for an employee are included in the gross income of the employee to the extent that they exceed the limits described in A-12 or if they are made on behalf of an employee who is not an eligible individual. In addition, an excise tax of 6% for each taxable year is imposed on the account beneficiary for excess individual and employer contributions.

However, if the excess contributions for a taxable year and the net income attributable to such excess contributions are paid to the account beneficiary before the last day prescribed by law (including extensions) for filing the account beneficiary's federal income tax return for the taxable year, then the net income attributable to the excess contributions is included in the account beneficiary's gross income for the taxable year in which the distribution is received but the excise tax is not imposed on the excess contribution and the distribution of the excess contributions is not taxed.

Q-23. Are rollover contributions to HSAs permitted?

A-23. Rollover contributions from Archer MSAs and other HSAs into an HSA are permitted. Rollover contributions need not be in cash. Rollovers are not subject to the annual contribution limits. Rollovers from an IRA, from a health reimbursement arrangement (HRA), or from a health flexible spending arrangement (FSA) to an HSA are not permitted.

IV. Distributions from HSAs.

Q-24. When is an individual permitted to receive distributions from an HSA?

A-24. An individual is permitted to receive distributions from an HSA at any time.

Q-25. How are distributions from an HSA taxed?

A-25. Distributions from an HSA used exclusively to pay for qualified medical expenses of the account beneficiary, his or her spouse, or dependents are excludable from gross income. In general, amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if the individual is not currently eligible for contributions to the HSA.

However, any amount of the distribution not used exclusively to pay for qualified medical expenses of the account beneficiary, spouse or dependents is includable in gross income of the account beneficiary and is subject to an additional 10% tax on the amount includable, except in the case of distributions made after the account beneficiary's death, disability, or attaining age 65.

Q-26. What are the "qualified medical expenses" that are eligible for tax-free distributions?

A-26. The term "qualified medical expenses" are expenses paid by the account beneficiary, his or her spouse or dependents for medical care as defined in section 213(d) (including nonprescription drugs as described in Rev. Rul. 2003-102, 2003-38 I.R.B. 559), but only to the extent the expenses are not covered by insurance or otherwise. The qualified medical expenses must be incurred only after the HSA has been established. For purposes of determining the itemized deduction for medical expenses, medical expenses paid or reimbursed by distributions from an HSA are not treated as expenses paid for medical care under section 213.

Q-27. Are health insurance premiums qualified medical expenses?

A-27. Generally, health insurance premiums are not qualified medical expenses except for the following: qualified long-term care insurance, COBRA health care continuation coverage, and health care coverage while an individual is receiving unemployment compensation. In addition, for individuals over age 65, premiums for Medicare Part A or B, Medicare HMO, and the employee share of premiums for employer-sponsored health insurance, including premiums for employer-sponsored retiree health insurance can be paid from an HSA. Premiums for Medigap policies are not qualified medical expenses.

Q-28. How are distributions from an HSA taxed after the account beneficiary is no longer an eligible individual?

A-28. If the account beneficiary is no longer an eligible individual (*e.g.*, the individual is over age 65 and entitled to Medicare benefits, or no longer has an HDHP), distributions used exclusively to pay for qualified medical expenses continue to be excludable from the account beneficiary's gross income.

Q-29. Must HSA trustees or custodians determine whether HSA distributions are used exclusively for qualified medical expenses?

A-29. No. HSA trustees or custodians are not required to determine whether HSA distributions are used for qualified medical expenses. Individuals who establish HSAs make that determination and should maintain records of their medical expenses sufficient to show that the distributions have been made exclusively for qualified medi-

cal expenses and are therefore excludable from gross income.

Q-30. Must employers who make contributions to an employee's HSA determine whether HSA distributions are used exclusively for qualified medical expenses?

A-30. No. The same rule that applies to trustees or custodians applies to employers. *See* A-29.

Q-31. What are the income tax consequences after the HSA account beneficiary's death?

A-31. Upon death, any balance remaining in the account beneficiary's HSA becomes the property of the individual named in the HSA instrument as the beneficiary of the account. If the account beneficiary's surviving spouse is the named beneficiary of the HSA, the HSA becomes the HSA of the surviving spouse. The surviving spouse is subject to income tax only to the extent distributions from the HSA are not used for qualified medical expenses.

If, by reason of the death of the account beneficiary, the HSA passes to a person other than the account beneficiary's surviving spouse, the HSA ceases to be an HSA as of the date of the account beneficiary's death, and the person is required to include in gross income the fair market value of the HSA assets as of the date of death. For such a person (except the decedent's estate), the includable amount is reduced by any payments from the HSA made for the decedent's qualified medical expenses, if paid within one year after death.

V. Other Matters.

Q-32. What discrimination rules apply to HSAs?

A-32. If an employer makes HSA contributions, the employer must make available comparable contributions on behalf of all "comparable participating employees" (*i.e.*, eligible employees with comparable coverage) during the same period. Contributions are considered comparable if they are either the same amount or same percentage of the deductible under the HDHP.

The comparability rule is applied separately to part-time employees (*i.e.*, employees who are customarily employed for fewer than 30 hours per week). The comparability rule does not apply to amounts rolled over from an employee's HSA or Archer MSA, or to contributions made

through a cafeteria plan. If employer contributions do not satisfy the comparability rule during a period, the employer is subject to an excise tax equal to 35% of the aggregate amount contributed by the employer to HSAs for that period.

Example: Employer X offers its collectively bargained employees three health plans, including an HDHP with self-only coverage and a \$2,000 deductible. For each employee electing the HDHP self-only coverage, X contributes \$1,000 per year on behalf of the employee to an HSA. X makes no HSA contributions for employees who do not elect the HDHP. X's plans and HSA contributions satisfy the comparability rule.

Q-33. Can an HSA be offered under a cafeteria plan?

A-33. Yes. Both an HSA and an HDHP may be offered as options under a cafeteria plan. Thus, an employee may elect to have amounts contributed as employer contributions to an HSA and an HDHP on a salary-reduction basis.

Q-34. What reporting is required for an HSA?

A-34. Employer contributions to an HSA must be reported on the employee's Form W-2. In addition, information reporting for HSAs will be similar to information reporting for Archer MSAs. The IRS will release forms and instructions, similar to those required for Archer MSAs, on how to report HSA contributions, deductions, and distributions.

Q-35. Are HSAs subject to COBRA continuation coverage under section 4980B?

A-35. No. Like Archer MSAs, HSAs are not subject to COBRA continuation coverage.

Q-36. How do the rules under section 419 affect contributions by an employer to an HSA?

A-36. Contributions by an employer to an HSA are not subject to the rules under section 419. An HSA is a trust that is exempt from tax under section 223. Thus, an HSA is not a "fund" under section 419(e)(3) and, therefore, is not a "welfare benefit fund" under section 419(e)(1).

Q-37. May eligible individuals use debit, credit or stored-value cards to re-

ceive distributions from an HSA for qualified medical expenses?

A-37. Yes.

Q-38. Are HSAs subject to other statutory rules and provisions?

A-38. Yes. HSAs are subject to other statutory rules and provisions not addressed in this notice. No inference should be drawn regarding issues not expressly addressed in this notice that may be suggested by a particular question or answer, or by the inclusion or exclusion of certain questions.

COMMENTS REQUESTED

Comments are requested on the questions and answers set forth in this notice. In addition, comments are requested on any other issue not addressed in this notice but which should be addressed in future IRS guidance. In particular, comments are requested as to the following:

1. The appropriate standard for preventive care in section 223(c)(2)(C).
2. The relationship between section 223 and the rules governing health FSAs in cafeteria plans under section 125 and the proposed and final regulations under section 125 (in particular, Prop. Treas. Reg. § 1.125-2 Q&A 7).
3. Whether transition relief should be provided in cases of inappropriate coordination of an HDHP with other coverage.
4. The relationship between HSAs and health FSAs or HRAs.
5. The application of the nondiscrimination rules in section 125 to HSAs offered under a cafeteria plan.
6. The corrective procedures in instances where employer contributions exceed the statutory contribution limits.
7. The relationship between limits on out-of-pocket expenses in section

223(c)(2)(A) and reasonable lifetime maximums on benefits in health insurance plans.

Send comments to: CC:DOM:CORP:R (Notice 2004-2), Room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Comments may be hand-delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORT:R (Notice 2004-2), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, D.C. Alternatively, taxpayers may submit comments electronically at: Notice.2004.2.Comments@irscomment.treas.gov (a Service Comments e-mail address).

DRAFTING INFORMATION

The principal authors of this notice are Elizabeth Purcell and Shoshanna Tanner of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice, contact Ms. Purcell or Ms. Tanner at (202) 622-6080 (not a toll-free call).

Tables for Figuring Amount Exempt From Levy on Wages, Salary, and Other Income

Notice 2004-4

Publication 1494, shown below, provides tables that show the amount of an individual's income that is exempt from a notice of levy used to collect delinquent tax in 2004.

1. Table for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income (Forms 668-W(c), 668-W(c)(DO) & 668-W(ICS)) 2004 (Amounts are for each pay period.)

Filing Status: Single

Pay Period	Number of Exemptions Claimed on Statement						
	1	2	3	4	5	6	More Than 6
Daily	30.58	42.50	54.42	66.35	78.27	90.19	18.65 plus 11.92 for each exemption
Weekly	152.88	212.50	272.12	331.73	391.35	450.96	93.27 plus 59.62 for each exemption
Biweekly	305.77	425.00	544.23	663.46	782.69	901.92	186.54 plus 119.23 for each exemption
Semimonthly	331.25	460.42	589.58	718.75	847.92	977.08	202.08 plus 129.17 for each exemption
Monthly	662.50	920.83	1179.17	1437.50	1695.83	1954.17	404.17 plus 258.33 for each exemption

Filing Status: Unmarried Head of Household

Pay Period	Number of Exemptions Claimed on Statement						
	1	2	3	4	5	6	More Than 6
Daily	39.42	51.35	63.27	75.19	87.12	99.04	27.50 plus 11.92 for each exemption
Weekly	197.12	256.73	316.35	375.96	435.58	495.19	137.50 plus 59.62 for each exemption
Biweekly	394.23	513.46	632.69	751.92	871.15	990.38	275.00 plus 119.23 for each exemption
Semimonthly	427.08	566.25	685.42	814.58	943.75	1072.92	297.92 plus 129.17 for each exemption
Monthly	854.17	1112.50	1370.83	1629.17	1887.50	2145.83	595.83 plus 258.33 for each exemption

Filing Status: Married Filing Joint Return (and Qualifying Widow(er)s)

Pay Period	Number of Exemptions Claimed on Statement						
	1	2	3	4	5	6	More Than 6
Daily	49.23	61.15	73.08	85.00	96.92	108.85	37.31 plus 11.92 for each exemption
Weekly	246.15	305.77	365.38	425.00	484.62	544.23	186.54 plus 59.62 for each exemption
Biweekly	492.31	611.54	730.77	850.00	969.23	1088.46	373.08 plus 119.23 for each exemption
Semimonthly	533.33	662.50	791.67	920.83	1050.00	1179.17	404.17 plus 129.17 for each exemption
Monthly	1066.67	1325.00	1583.33	1841.67	2100.00	2358.33	808.33 plus 258.33 for each exemption

Filing Status: Married Filing Separate Return							
Pay Period	Number of Exemptions Claimed on Statement						
	1	2	3	4	5	6	More Than 6
Daily	30.58	42.50	54.42	66.35	78.27	90.19	18.65 plus 11.92 for each exemption
Weekly	152.88	212.50	272.12	331.73	391.35	450.96	93.27 plus 59.62 for each exemption
Biweekly	305.77	425.00	544.23	663.46	782.69	901.92	186.54 plus 119.23 for each exemption
Semimonthly	331.25	460.42	589.58	718.75	847.92	977.08	202.08 plus 129.17 for each exemption
Monthly	662.50	920.83	1179.17	1437.50	1695.83	1954.17	404.17 plus 258.33 for each exemption

2. Table for Figuring Additional Exempt Amount for Taxpayers at Least 65 Years Old and/or Blind

Additional Exempt Amount

Filing Status	*	Daily	Weekly	Biweekly	Semi-monthly	Monthly
Single or Head of Household	1	4.62	23.08	46.15	50.00	100.00
	2	9.23	46.15	92.31	100.00	200.00
Any Other Filing Status	1	3.65	18.27	36.54	39.58	79.17
	2	7.31	36.54	73.08	79.17	158.33
	3	10.96	54.81	109.62	118.75	237.50
	4	14.62	73.08	146.15	158.33	316.67

*ADDITIONAL STANDARD DEDUCTION claimed on Parts 3, 4, & 5 of levy.

Examples

These tables show the amount exempt from a levy on wages, salary, and other income. For example:

1. A single taxpayer who is paid weekly and claims three exemptions (including one for the taxpayer) has \$272.12 exempt from levy.

2. If the taxpayer in number 1 is over 65 and writes 1 in the ADDITIONAL STANDARD DEDUCTION space on Parts 3, 4, & 5 of the levy, \$295.20 is exempt from this levy (\$272.12 plus \$23.08).

3. A taxpayer who is married, files jointly, is paid bi-weekly, and claims two exemptions (including one for the taxpayer) has \$611.54 exempt from levy.

4. If the taxpayer in number 3 is over 65 and has a spouse who is blind, this taxpayer should write 2 in the ADDITIONAL STANDARD DEDUCTION space on Parts 3, 4, & 5 of the levy. Then, \$684.62 is exempt from this levy (\$611.54 plus \$73.08).

26 CFR 601.201: Rulings and determination letters. (Also Part I, Sections 846; 1.846-1.)

Rev. Proc. 2004-9

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 2003 accident year. These factors

will be used for computing discounted unpaid losses under § 846 of the Internal Revenue Code. See Rev. Proc. 2003-17, 2003-6 I.R.B. 427, for background concerning the loss payment patterns and application of the discount factors.

SECTION 2. SCOPE

This revenue procedure applies to any taxpayer that is required to discount its unpaid losses under § 846 for a line of business using discount factors published by the Secretary.

SECTION 3. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount

factors under § 846 for accident year 2003. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2003, which is 5.27 percent, and by assuming all loss payments occur in the middle of the calendar year.

.02 If the groupings of individual lines of business on the annual statement change, taxpayers must discount the unpaid losses on the affected lines of business in accordance with the discounting

patterns that would have applied to those unpaid losses based on their classification on the 2000 annual statement. *See* Rev. Proc. 2003-17, 2003-6 I.R.B. 427, section 2, for additional background on discounting under section 846 and the use of the Secretary's tables.

.03 Section V of Notice 88-100, 1988-2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement.

The tables separately provide discount factors for taxpayers who elect to use the composite method of section V of Notice 88-100. *See* Rev. Proc. 2002-74, 2002-2 C.B. I.R.B. 980.

.04 Tables

**Accident and Health
(Other Than Disability Income or Credit Disability Insurance)**

Taxpayers that do not use the composite method of Notice 88-100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the 2003 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 97.4648 percent to discount all unpaid losses that are incurred in this line of business and that are outstanding at the end of the 2003 tax year.

Auto Physical Damage

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	89.6468	89.6468	10.3532	10.0680	97.2455
2004	99.6845	10.0377	0.3155	0.2998	95.0251

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2005 and later years	0.1578	0.1578	0.1538	97.4648
----------------------	--------	--------	--------	---------

Taxpayers that use the composite method of Notice 88-100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2005 tax year.

Commercial Auto/Truck Liability/Medical

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	28.8244	28.8244	71.1756	64.4355	90.5304
2004	54.9871	26.1626	45.0129	40.9881	91.0586
2005	72.8039	17.8168	27.1961	24.8680	91.4393
2006	85.0572	12.2533	14.9428	13.6065	91.0568
2007	91.6276	6.5704	8.3724	7.5822	90.5618
2008	94.9514	3.3239	5.0486	4.5715	90.5501
2009	97.0453	2.0938	2.9547	2.6641	90.1639
2010	98.1574	1.1121	1.8426	1.6635	90.2768
2011	98.7370	0.5796	1.2630	1.1564	91.5620
2012	99.1070	0.3700	0.8930	0.8378	93.8128

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	0.3700	0.5230	0.5023	96.0372
2014 and later years	0.3700	0.1530	0.1492	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 96.3144 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Composite

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	40.9985	40.9985	59.0015	52.3463	88.7203
2004	65.8439	24.8454	34.1561	29.6133	86.6999
2005	77.5023	11.6583	22.4977	19.2123	85.3966
2006	84.6221	7.1198	15.3779	12.9198	84.0151
2007	90.2455	5.6234	9.7545	7.8309	80.2805
2008	92.2780	2.0325	7.7220	6.1583	79.7500
2009	94.3974	2.1195	5.6026	4.3083	76.8980
2010	95.2526	0.8552	4.7474	3.6579	77.0504
2011	96.2792	1.0266	3.7208	2.7973	75.1817
2012	96.4323	0.1531	3.5677	2.7877	78.1369

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	0.1531	3.4145	2.7774	81.3423
2014	0.1531	3.2614	2.7667	84.8321
2015	0.1531	3.1083	2.7554	88.6476
2016	0.1531	2.9551	2.7435	92.8384
2017 and later years	0.1531	2.8020	2.7310	97.4648

Composite

Taxpayers that use the composite method of Notice 88–100 should use 87.9561 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Fidelity/Surety

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	38.3328	38.3328	61.6672	57.1422	92.6623
2004	58.8485	20.5156	41.1515	39.1043	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2005 and later years	20.5758	20.5758	20.0541	97.4648
----------------------	---------	---------	---------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2005 tax year.

Financial Guaranty/Mortgage Guaranty

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	4.0723	4.0723	95.9277	89.2327	93.0207
2004	40.7639	36.6916	59.2361	56.2892	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2005 and later years	29.6180	29.6180	28.8672	97.4648
----------------------	---------	---------	---------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2005 tax year.

International (Composite)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	40.9985	40.9985	59.0015	52.3463	88.7203
2004	65.8439	24.8454	34.1561	29.6133	86.6999
2005	77.5023	11.6583	22.4977	19.2123	85.3966
2006	84.6221	7.1198	15.3779	12.9198	84.0151
2007	90.2455	5.6234	9.7545	7.8309	80.2805
2008	92.2780	2.0325	7.7220	6.1583	79.7500
2009	94.3974	2.1195	5.6026	4.3083	76.8980
2010	95.2526	0.8552	4.7474	3.6579	77.0504
2011	96.2792	1.0266	3.7208	2.7973	75.1817
2012	96.4323	0.1531	3.5677	2.7877	78.1369

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	0.1531	3.4145	2.7774	81.3423
2014	0.1531	3.2614	2.7667	84.8321
2015	0.1531	3.1083	2.7554	88.6476
2016	0.1531	2.9551	2.7435	92.8384
2017 and later	0.1531	2.8020	2.7310	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 87.9561 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Medical Malpractice —Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	7.3447	7.3447	92.6553	80.8929	87.3052
2004	29.0191	21.6744	70.9809	62.9178	88.6404
2005	53.3108	24.2917	46.6892	41.3100	88.4786
2006	69.1517	15.8409	30.8483	27.2341	88.2838
2007	82.0981	12.9464	17.9019	15.3861	85.9469
2008	86.3995	4.3014	13.6005	11.7837	86.6415
2009	89.7111	3.3116	10.2889	9.0069	87.5404
2010	92.4688	2.7577	7.5312	6.6522	88.3283
2011	94.5163	2.0475	5.4837	4.9020	89.3920
2012	95.7635	1.2471	4.2365	3.8807	91.6012

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	1.2471	2.9894	2.8056	93.8535
2014	1.2471	1.7422	1.6739	96.0782
2015 and later years	1.2471	0.4951	0.4825	97.4648

Medical Malpractice —Claims-Made

Taxpayers that use the composite method of Notice 88–100 should use 94.5587 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Medical Malpractice —Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	0.8316	0.8316	99.1684	80.5880	81.2638
2004	7.4573	6.6257	92.5427	78.0369	84.3253
2005	23.5575	16.1002	76.4425	65.6305	85.8560
2006	41.0062	17.4487	58.9938	51.1867	86.7661
2007	55.5832	14.5770	44.4168	38.9280	87.6425
2008	68.9413	13.3581	31.0587	27.2740	87.8142
2009	78.2095	9.2682	21.7905	19.2020	88.1210
2010	82.8727	4.6632	17.1273	15.4294	90.0869
2011	86.3178	3.4451	13.6822	12.7078	92.8788
2012	91.0834	4.7656	8.9166	8.4880	95.1933

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013 and later years	4.7656	4.1510	4.0457	97.4648
----------------------	--------	--------	--------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Miscellaneous Casualty

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	79.7790	79.7790	20.2210	19.3443	95.6645
2004	94.9417	15.1627	5.0583	4.8067	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2005 and later years	2.5292	2.5292	2.4650	97.4648
----------------------	--------	--------	--------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2005 tax year.

**Multiple Peril Lines
(Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability
(Ocean Marine, Aircraft (All Perils), Boiler and Machinery))**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	59.7445	59.7445	40.2555	36.6385	91.0149
2004	81.0347	21.2902	18.9653	16.7253	88.1893
2005	87.3325	6.2978	12.6675	11.1451	87.9825
2006	91.0659	3.7334	8.9341	7.9020	88.4479
2007	95.1781	4.1122	4.8219	4.0993	85.0140
2008	95.7605	0.5824	4.2395	3.7177	87.6937
2009	97.0539	1.2933	2.9461	2.5867	87.7996
2010	97.6441	0.5903	2.3559	2.1174	89.8774
2011	98.7037	1.0596	1.2963	1.1418	88.0851
2012	98.6217	-0.0821	1.3783	1.2862	93.3151

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	0.5226	0.8558	0.8178	95.5652
2014 and later years	0.5226	0.3332	0.3247	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 96.3076 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Other (Including Credit)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	69.1729	69.1729	30.8271	29.4135	95.4143
2004	91.2168	22.0439	8.7832	8.3463	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2005 and later years	4.3916	4.3916	4.2803	97.4648
----------------------	--------	--------	--------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2005 tax year.

Other Liability — Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	14.9618	14.9618	85.0382	72.6837	85.4719
2004	36.2113	21.2494	63.7887	54.7120	85.7706
2005	54.2876	18.0763	45.7124	39.0488	85.4227
2006	64.2163	9.9288	35.7837	30.9196	86.4071
2007	73.2732	9.0569	26.7268	23.2566	87.0162
2008	80.5748	7.3016	19.4252	16.9907	87.4675
2009	87.6200	7.0452	12.3800	10.6577	86.0880
2010	89.9155	2.2955	10.0845	8.8641	87.8987
2011	93.3946	3.4791	6.6054	5.7616	87.2268
2012	94.6170	1.2223	5.3830	4.8111	89.3763

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	1.2223	4.1607	3.8106	91.5850
2014	1.2223	2.9383	2.7572	93.8366
2015	1.2223	1.7160	1.6484	96.0612
2016 and later years	1.2223	0.4936	0.4811	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 92.3191 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Other Liability — Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	19.1133	19.1133	80.8867	66.7947	82.5780
2004	36.4434	17.3301	63.5566	52.5339	82.6568
2005	52.1648	15.7215	47.8352	39.1720	81.8895
2006	63.2383	11.0734	36.7617	29.8749	81.2663
2007	72.0780	8.8397	27.9220	22.3797	80.1505
2008	75.9021	3.8241	24.0979	19.6355	81.4821
2009	82.9305	7.0284	17.0695	13.4590	78.8484
2010	85.1441	2.2136	14.8559	11.8972	80.0837
2011	89.3006	4.1565	10.6994	8.2595	77.1961
2012	89.9898	0.6892	10.0102	7.9877	79.7952

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

Other Liability — Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2013		0.6892	9.3210	7.7015	82.6250
2014		0.6892	8.6318	7.4002	85.7320
2015		0.6892	7.9426	7.0830	89.1783
2016		0.6892	7.2533	6.7492	93.0492
2017 and later years		0.6892	6.5641	6.3977	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 87.9049 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Private Passenger Auto Liability/Medical

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	43.1926	43.1926	56.8074	52.5668	92.5350
2004	72.2008	29.0082	27.7992	25.5743	91.9963
2005	84.5632	12.3625	15.4368	14.2380	92.2343
2006	91.9316	7.3684	8.0684	7.4283	92.0667
2007	95.8729	3.9413	4.1271	3.7760	91.4919
2008	97.7804	1.9075	2.2196	2.0178	90.9099
2009	98.7957	1.0153	1.2043	1.0825	89.8838
2010	99.2491	0.4535	0.7509	0.6743	89.8010
2011	99.5195	0.2703	0.4805	0.4325	89.9950
2012	99.6353	0.1159	0.3647	0.3364	92.2395

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	0.1159	0.2488	0.2352	94.5391
2014	0.1159	0.1330	0.1287	96.8375
2015 and later years	0.1159	0.0171	0.0167	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 95.5509 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Products Liability — Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	6.5804	6.5804	93.4196	76.7759	82.1839
2004	26.7183	20.1379	73.2817	60.1603	82.0945
2005	43.1834	16.4652	56.8166	46.4373	81.7320
2006	43.9209	0.7375	56.0791	48.1279	85.8214
2007	54.3806	10.4597	45.6194	39.9324	87.5339
2008	78.3630	23.9824	21.6370	17.4307	80.5596
2009	82.8643	4.5013	17.1357	13.7309	80.1303
2010	68.2184	-14.6459	31.7816	29.4814	92.7624
2011	79.1582	10.9399	20.8418	19.8107	95.0526
2012	89.6963	10.5381	10.3037	10.0424	97.4648

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 92.4655 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Products Liability — Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	9.4198	9.4198	90.5802	72.9877	80.5780
2004	20.5845	11.1647	79.4155	65.3791	82.3253
2005	36.7807	16.1962	63.2193	52.2071	82.5809
2006	55.5974	18.8167	44.4026	35.6522	80.2930
2007	66.6238	11.0263	33.3762	26.2179	78.5526
2008	77.2636	10.6399	22.7364	16.6829	73.3756
2009	79.1888	1.9251	20.8112	15.5869	74.8967
2010	83.6816	4.4928	16.3184	11.7987	72.3029
2011	85.5507	1.8691	14.4493	10.5027	72.6868
2012	85.7291	0.1784	14.2709	10.8732	76.1914

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	0.1784	14.0925	11.2632	79.9231
2014	0.1784	13.9141	11.6737	83.8983
2015	0.1784	13.7357	12.1059	88.1343
2016	0.1784	13.5573	12.5608	92.6497
2017 and later years	0.1784	13.3789	13.0397	97.4648

Products Liability — Occurrence

Taxpayers that use the composite method of Notice 88–100 should use 85.1270 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Reinsurance A (Nonproportional Assumed Property)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	25.0571	25.0571	74.9429	67.9998	90.7355
2004	52.0402	26.9831	47.9598	43.8985	91.5317
2005	82.4709	30.4307	17.5291	14.9896	85.5127
2006	85.6387	3.1678	14.3613	12.5293	87.2439
2007	92.7228	7.0840	7.2772	5.9213	81.3678
2008	91.8604	-0.8624	8.1396	7.1182	87.4513
2009	96.5016	4.6412	3.4984	2.7314	78.0753
2010	96.1872	-0.3143	3.8128	3.1979	83.8727
2011	97.6206	1.4333	2.3794	1.8958	79.6738
2012	97.8419	0.2214	2.1581	1.7686	81.9516

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	0.2214	1.9367	1.6347	84.4040
2014	0.2214	1.7154	1.4937	87.0779
2015	0.2214	1.4940	1.3453	90.0469
2016	0.2214	1.2727	1.1891	93.4342
2017 and later years	0.2214	1.0513	1.0247	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 88.6413 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Reinsurance B (Nonproportional Assumed Liability)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	8.9223	8.9223	91.0777	72.6945	79.8159
2004	27.3618	18.4395	72.6382	57.6064	79.3058
2005	44.5758	17.2140	55.4242	42.9804	77.5481
2006	53.8781	9.3023	46.1219	35.7012	77.4062
2007	60.8896	7.0115	39.1104	30.3888	77.7000
2008	69.7327	8.8430	30.2673	22.9172	75.7159
2009	76.6292	6.8965	23.3708	17.0490	72.9500
2010	79.4030	2.7738	20.5970	15.1015	73.3191
2011	83.8936	4.4906	16.1064	11.2899	70.0961
2012	80.1707	-3.7229	19.8293	15.7046	79.1993

Reinsurance B (Nonproportional Assumed Liability)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
----------	--	--	--	--	----------------------------

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013		1.1805	18.6487	15.3210	82.1560
2014		1.1805	17.4682	14.9172	85.3965
2015		1.1805	16.2877	14.4921	88.9761
2016		1.1805	15.1072	14.0446	92.9668
2017 and later years		1.1805	13.9266	13.5736	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 88.0916 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

Reinsurance C (Nonproportional Assumed Financial Lines)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
----------	--	--	--	--	----------------------------

2003	17.1195	17.1195	82.8805	72.3532	87.2983
2004	46.6590	29.5395	53.3410	45.8584	85.9721
2005	67.7135	21.0545	32.2865	26.6730	82.6134
2006	78.1379	10.4244	21.8621	17.3830	79.5123
2007	89.7346	11.5967	10.2654	6.4008	62.3531
2008	92.1268	2.3921	7.8732	4.2837	54.4090
2009	89.7323	-2.3945	10.2677	6.9663	67.8462
2010	90.0460	0.3137	9.9540	7.0115	70.4390
2011	94.8867	4.8407	5.1133	2.4144	47.2179
2012	86.7041	-8.1827	13.2959	10.9371	82.2591

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013		1.4277	11.8683	10.0487	84.6686
2014		1.4277	10.4406	9.1134	87.2886
2015		1.4277	9.0129	8.1289	90.1918
2016		1.4277	7.5852	7.0924	93.5039
2017 and later years		1.4277	6.1575	6.0014	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 85.4523 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

**Special Property
(Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	62.9320	62.9320	37.0680	35.3003	95.2311
2004	88.4950	25.5631	11.5050	10.9326	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2005 and later years	5.7525	5.7525	5.6067	97.4648
----------------------	--------	--------	--------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2005 tax year.

Workers' Compensation

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2003	28.2489	28.2489	71.7511	62.2360	86.7389
2004	57.8739	29.6249	42.1261	35.1204	83.3695
2005	71.2999	13.4260	28.7001	23.1959	80.8218
2006	77.7584	6.4585	22.2416	17.7919	79.9937
2007	81.9301	4.1717	18.0699	14.4493	79.9633
2008	83.7739	1.8437	16.2261	13.3191	82.0839
2009	86.5350	2.7611	13.4650	11.1880	83.0895
2010	88.4367	1.9017	11.5633	9.8265	84.9796
2011	89.5926	1.1559	10.4074	9.1583	87.9982
2012	91.6441	2.0515	8.3559	7.5361	90.1891

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2003 accident year and that are outstanding at the end of the tax year shown.

2013	2.0515	6.3045	5.8285	92.4498
2014	2.0515	4.2530	4.0308	94.7754
2015	2.0515	2.2016	2.1384	97.1321
2016 and later years	2.0515	0.1501	0.1463	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 92.1260 percent to discount unpaid losses that are incurred in this line of business in 2003 and prior years and that are outstanding at the end of the 2013 tax year.

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossosfsky of

the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue

procedure, contact Ms. Hossosfsky at (202) 622–8435 (not a toll-free call).

Rev. Proc. 2004-10

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2003 accident year. These factors must be used to compute discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

SECTION 2. BACKGROUND

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including that which cannot be treated as an asset for state accounting purposes) be taken into account in computing the deduction for losses incurred. Under § 832(b)(5)(A), paid losses are to be reduced by salvage and reinsurance recovered during the taxable year. This amount is adjusted to reflect changes in discounted unpaid losses on nonlife insurance contracts and in unpaid losses on life insurance contracts. An adjustment is then made to reflect any changes in discounted estimated salvage recoverable and in reinsurance recoverable.

Pursuant to § 832(b), the amount of estimated salvage is determined on a discounted basis in accordance with procedures established by the Secretary.

SECTION 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

SECTION 4. APPLICATION

.01 The following tables present separately for each line of business the discount factors under § 832 for the 2003 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2003, which is 5.27 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. See Rev. Proc. 2003-18, 2003-6 I.R.B. 439, for background regarding the tables.

.02 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own historical experience under § 846.

.03 Section V of Notice 88-100, 1988-2 C.B. 439, provides a composite discount factor to be used in determining the discounted unpaid losses for accident years that are not separately reported on the NAIC Annual Statement. The tables separately provide discount factors for taxpayers who elect to use the composite method. Rev. Proc. 2002-74, 2002-2 C.B. 980, clarifies that for certain insurance companies subject to tax under § 831 the composite method for discounting unpaid losses set forth in Notice 88-100, section V, 1988-2 C.B. 439, is permitted but not required. This revenue procedure further provides alternative methods for computing discounted unpaid losses that are permitted for insurance companies not using the composite method, and sets forth a procedure for insurance companies to obtain automatic consent of the Commissioner to change to one of the methods described in Rev. Proc. 2002-74.

.04 Tables.

Accident and Health (Other Than Disability Income or Credit Disability Insurance)

Taxpayers that do not use the composite method of Notice 88-100 should use 97.4648 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2003 accident year as of the end of the 2003 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 97.4648 percent to discount all salvage recoverable in this line of business as of the end of the 2003 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2003	96.2554
2004	95.0251

Auto Physical Damage

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2005 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2005 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2003	89.8985
2004	89.5760
2005	89.3200
2006	89.8660
2007	90.4447
2008	89.8117
2009	91.1941
2010	92.3941
2011	92.7106
2012	95.0592

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Composite

Tax Year	Discount Factors (%)
2003	89.8098
2004	88.3565
2005	87.7654
2006	87.0910
2007	85.7719
2008	85.8519
2009	85.5584
2010	85.4976
2011	85.6301
2012	87.7378

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013	89.9120
2014	92.1502
2015	94.4404
2016	96.7198
2017 and later years	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 91.2442 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Fidelity/Surety

Tax Year	Discount Factors (%)
2003	92.5838
2004	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2005 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2005 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2003	94.2115
2004	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

Financial Guaranty/Mortgage Guaranty

2005 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2005 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

International (Composite)

Tax Year	Discount Factors (%)
2003	89.8098
2004	88.3565
2005	87.7654
2006	87.0910
2007	85.7719
2008	85.8519
2009	85.5584
2010	85.4976
2011	85.6301
2012	87.7378

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

International (Composite)

2013	89.9120
2014	92.1502
2015	94.4404
2016	96.7198
2017 and later years	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 91.2442 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Medical Malpractice — Claims-Made

Tax Year	Discount Factors (%)
2003	84.3980
2004	78.8909
2005	84.4191
2006	81.6093
2007	82.7520
2008	76.1578
2009	87.8015
2010	91.2457
2011	95.3664
2012	97.4648

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Medical Malpractice — Occurrence

Tax Year	Discount Factors (%)
2003	79.6421
2004	80.9952
2005	85.2445
2006	87.0038
2007	72.1989
2008	83.9897
2009	90.0478
2010	93.6582
2011	95.7277
2012	97.4648

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2003	95.6896
2004	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

Miscellaneous Casualty

2005 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2005 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Multiple Peril Lines (Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Discount Factors (%)
2003	90.9145
2004	88.9102
2005	89.7851
2006	89.4452
2007	88.9585
2008	90.4184
2009	90.4744
2010	90.6908
2011	92.5143
2012	94.8490

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013	97.2277
2014 and later years	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 97.2293 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2003	95.9179
2004	95.0251

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2005 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2005 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Other Liability — Claims-Made

Tax Year	Discount Factors (%)
2003	89.2780
2004	78.5075
2005	62.4035
2006	86.1485
2007	81.9557
2008	81.0354
2009	88.2681
2010	92.3506
2011	88.6256
2012	90.8220

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

Other Liability — Claims-Made

2013	93.0754
2014	95.3564
2015 and later years	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 93.8216 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Other Liability — Occurrence

Tax Year	Discount Factors (%)
2003	83.2582
2004	84.8797
2005	86.1298
2006	82.2849
2007	86.2602
2008	89.0916
2009	89.5094
2010	91.8747
2011	93.3837
2012	95.6270

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
2003	93.1921
2004	92.9705
2005	92.6585
2006	91.7286
2007	91.4818
2008	90.3084
2009	90.2405
2010	90.3023
2011	91.6647
2012	93.9196

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013	96.1460
2014 and later years	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 96.3834 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Products Liability — Claims-Made

Tax Year	Discount Factors (%)
2003	84.9166
2004	84.9800
2005	86.8647
2006	0.7583
2007	77.5029
2008	84.7211
2009	89.8996
2010	94.6740
2011	18.9104
2012	95.1273

Products Liability — Claims-Made

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 and later years 97.4648

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Products Liability — Occurrence

Tax Year	Discount Factors (%)
2003	78.5645
2004	81.5171
2005	82.2229
2006	85.2182
2007	82.2629
2008	86.2042
2009	89.6780
2010	90.5149
2011	84.3756
2012	86.4415

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 88.5733
 2014 90.7701
 2015 93.0258
 2016 95.3146
 2017 and later years 97.4648

Products Liability — Occurrence

Taxpayers that use the composite method of Notice 88–100 should use 91.4228 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Reinsurance A (Nonproportional Assumed Property)

Tax Year	Discount Factors (%)
2003	84.1377
2004	80.8145
2005	85.4580
2006	89.6948
2007	90.4119
2008	92.3911
2009	94.4085
2010	95.8429
2011	96.5134
2012	97.4648

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 and later years 97.4648

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Reinsurance B (Nonproportional Assumed Liability)

Tax Year	Discount Factors (%)
2003	83.6204
2004	81.0240
2005	84.6899
2006	82.2606
2007	74.4127
2008	78.4098
2009	77.6451
2010	80.1689
2011	74.4036
2012	82.8920

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 85.2223
 2014 87.7390
 2015 90.5105
 2016 93.6633
 2017 and later years 97.4648

Taxpayers that use the composite method of Notice 88–100 should use 88.3351 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Reinsurance C (Nonproportional Assumed Financial Lines)

Tax Year	Discount Factors (%)
2003	83.2609
2004	84.0880
2005	88.0193
2006	85.0937
2007	88.7104
2008	80.8979
2009	84.4733
2010	92.2206
2011	93.7574
2012	95.9818

Reinsurance C (Nonproportional Assumed Financial Lines)

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)

Tax Year	Discount Factors (%)
2003	93.0692
2004	95.0251

Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2005 and later years	97.4648
----------------------	---------

Taxpayers that use the composite method of Notice 88–100 should use 97.4648 percent to discount salvage recoverable as of the end of the 2005 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2003	84.2536
2004	85.6999
2005	86.2016
2006	86.1127
2007	85.3503
2008	86.2797
2009	86.0424
2010	86.2260

Workers' Compensation

2011	87.1469
2012	89.2936

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2003 accident year.

2013	91.4992
2014	93.7481
2015	95.9726
2016 and later years	97.4648

Taxpayers that use the composite method of Notice 88–100 should use 92.2314 percent to discount salvage recoverable as of the end of the 2013 taxable year with respect to losses incurred in this line of business in 2003 and prior years.

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Hossofsky at (202) 622–8435 (not a toll-free call).

Part IV. Items of General Interest

Announcement 2004-3

Correction to Publication 1220, *Specifications for Filing Forms 1098, 1099, 5498 and W-2G Electronically or Magnetically*

Changes issued in December 2003 by Chief Counsel will impact the filing of

Form 1099-R. These changes affect the Payee "B" Record, Distribution Code, positions 545 — 546. The descriptions for Code J, Q, and T, shown in the Publication 1220, have changed. If you have issued a Form 1099-R or (applicable substitute) for 2003 for a Roth IRA distribution, you may

have to issue a corrected return based on the changes in the chart below.

Distribution Codes	Explanations	*Used with code (if applicable)
J — Early distribution from a Roth IRA.	Use Code J for a distribution from a Roth IRA when Code Q and Code T do not apply.	5, 8, or P
Q — Qualified distribution from a Roth IRA	Use Code Q for a distribution from a Roth IRA if you know that the participant meets the 5-year holding period and: <ul style="list-style-type: none"> • The participant has reached age 59½, or • The participant died, or • The participant is disabled. Note: <i>If any other codes, such as 5, 8, or P apply, use Code J.</i>	None
T — Roth IRA distribution, exception applies.	Use Code T for a distribution from a Roth IRA if you do not know if the 5-year holding period has been met but: <ul style="list-style-type: none"> • The participant has reached age 59½, or • The participant died, or • The participant is disabled. Note: <i>If any other codes, such as 5, 8, or P apply, use Code J.</i>	None

Also, for Codes 5, 8, and P, delete any reference to Codes T and/or Q shown in

the Form 1099-R Distribution Code Chart 2003.

The above changes will appear in the 2004 revision of Publication 1220.

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 substance

of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.

ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.

PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

Bulletins 2004–1 through 2004–2

Announcements:

2004-1, 2004-1 I.R.B. 254

2004-3, 2004-2 I.R.B. 294

Notices:

2004-1, 2004-2 I.R.B. 268

2004-2, 2004-2 I.R.B. 269

2004-4, 2004-2 I.R.B. 273

Revenue Procedures:

2004-1, 2004-1 I.R.B. 1

2004-2, 2004-1 I.R.B. 83

2004-3, 2004-1 I.R.B. 114

2004-4, 2004-1 I.R.B. 125

2004-5, 2004-1 I.R.B. 167

2004-6, 2004-1 I.R.B. 197

2004-7, 2004-1 I.R.B. 237

2004-8, 2004-1 I.R.B. 240

2004-9, 2004-2 I.R.B. 275

2004-10, 2004-2 I.R.B. 288

Revenue Rulings:

2004-2, 2004-2 I.R.B. 265

Treasury Decisions:

9099, 2004-2 I.R.B. 255

¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2003–27 through 2003–52 is in Internal Revenue Bulletin 2003–52, dated December 29, 2003.

Findings List of Current Actions on Previously Published Items¹

Bulletins 2004–1 through 2004–2

Revenue Procedures:

2003-1

Superseded by

Rev. Proc. 2004-1, 2004-1 I.R.B. *1*

2003-2

Superseded by

Rev. Proc. 2004-2, 2004-1 I.R.B. *83*

2003-3

As amplified by Rev. Proc. 2003-14, and as
modified by Rev. Proc. 2003-48 superseded by

Rev. Proc. 2004-3, 2004-1 I.R.B. *114*

2003-4

Superseded by

Rev. Proc. 2004-4, 2004-1 I.R.B. *125*

2003-5

Superseded by

Rev. Proc. 2004-5, 2004-1 I.R.B. *167*

2003-6

Superseded by

Rev. Proc. 2004-6, 2004-1 I.R.B. *197*

2003-7

Superseded by

Rev. Proc. 2004-7, 2004-1 I.R.B. *237*

2003-8

Superseded by

Rev. Proc. 2004-8, 2004-1 I.R.B. *240*

¹ A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2003–27 through 2003–52 is in Internal Revenue Bulletin 2003–52, dated December 29, 2003.