

**Recognition of gain on deemed distribution of money.** A deemed distribution of money under section 752(b) of the Code resulting from a decrease in a partner's share of liabilities is treated as an advance or drawing of money under section 1.731-1(a)(1)(ii) of the regulations to the extent of the partner's distributive share of income for the partnership taxable year

**Rev. Rul. 94-4**

**ISSUE**

If a deemed distribution of money under §752(b) of the Internal Revenue Code occurs as a result of a decrease in a partner's share of the liabilities of a partnership, is the deemed distribution taken into account at the time of the distribution or at the end of the partnership taxable year?

**LAW**

Under §752(b), a decrease in a partner's share of partnership liabilities is considered a distribution of money to the partner by the partnership. The partner will recognize gain under §731(a)(1) if the distribution of money exceeds the adjusted basis of the partner's interest immediately before the distribution.

Section 1.731-1(a)(1)(ii) of the Income Tax Regulations provides that for purposes of §§731 and 705, advances or drawings of money or property against a partner's distributive share of income are treated as current distributions made on the last day of the partnership taxable year with respect to that partner.

Rev. Rul. 92-97, 1992-2 C.B. 124, treats a deemed distribution of money

to a partner resulting from a cancellation of debt as an advance or drawing under §1.731-1(a)(1)(ii) against that partner's distributive share of cancellation of indebtedness income.

**HOLDING**

A deemed distribution of money under §752(b) resulting from a decrease in a partner's share of the liabilities of a partnership is treated as an advance or drawing of money under §1.731-1(a)(1)(ii) to the extent of the partner's distributive share of income for the partnership taxable year. An amount treated as an advance or drawing of money is taken into account at the end of the partnership taxable year. A deemed distribution of money resulting from a cancellation of debt may qualify for advance or drawing treatment under this revenue ruling and under Rev. Rul. 92-97.

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**Subpart D—Provisions Common to Other Subparts**

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**Section 752.—Treatment of Certain Liabilities**

A deemed distribution of money under §752(b) resulting from a decrease in a partner's share of liabilities is treated as an advance or drawing of money under §1.731-1(a)(1)(ii) to the extent of the partner's distributive share of income for the partnership taxable year. See Rev. Rul. 94-4, page 195.

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**Subchapter L.—Insurance Companies**

**Part I—Life Insurance Companies**

**Subpart C.—Life Insurance Deductions**

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**Section 807.—Rules for Certain Reserves**

**Insurance companies; interest rate**

**tables.** Prevailing state assumed interest rates are provided for the determination of reserves under § 807 of the Code for contracts issued in 1993 and 1994. Rev. Rul. 92-19 supplemented in part.

**Rev. Rul. 94-11**

For purposes of § 807(d)(4) of the Internal Revenue Code, for taxable years beginning after December 31, 1992, this ruling supplements the schedules of prevailing state assumed interest rates set forth in Rev. Rul. 92-19, 1992-1 C.B. 227. This information is to be used by insurance companies in computing their reserves for (1) life insurance and supplementary total and permanent disability benefits, (2) individual annuities and pure endowments, and (3) group annuities and pure endowments. As § 807(d)(2)(B) requires that the interest rate used to compute these reserves be the greater of (1) the applicable federal interest rate, or (2) the prevailing state assumed interest rate, the table of applicable federal interest rates in Rev. Rul. 92-19 is also supplemented.

Following are supplements to schedules A, B, C, and D to Part III of Rev. Rul. 92-19, providing prevailing state assumed interest rates for insurance products with different features issued in 1993 and 1994, and a supplement to the table in Part IV of Rev. Rul. 92-19, providing the applicable federal interest rate under § 807(d)(4)(A) for 1994. This ruling does not supplement Parts I and II of Rev. Rul. 92-19.

This is the second supplement to the interest rates provided in Rev. Rul. 92-19. The first supplement was published in Rev. Rul. 93-58, 1993-2 C.B. 241 (interest rates for insurance products issued in 1992 and 1993).

## Part III. Prevailing State Assumed Interest Rates—Products Issued in Years After 1982.\*

## Schedule A

STATUTORY VALUATION INTEREST RATES  
BASED ON THE 1980 AMENDMENTS TO THE  
NAIC STANDARD VALUATION LAW

## A Life insurance valuation

Guarantee Duration (years)	Calendar Year of Issue 1994 <sup>5</sup>
10 or fewer	5 50
More than 10 but not more than 20	5 25
More than 20	5 00

Source Rates calculated from the monthly averages, ending June 30, 1993, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

<sup>5</sup>As the applicable federal interest rate for 1994 of 7.45 percent shown in Part IV of this ruling exceeds the prevailing state assumed interest rate for 1994, the interest rate to be used for this product for § 807 purposes, pursuant to § 807(d)(2)(B), is the applicable federal interest rate. See also footnote 3 to Schedule A, Part III, Rev. Rul. 92-19 at 1992-1 C.B. 231

\*The terms used in the schedules in this ruling and in Part III of Rev. Rul. 92-19 are those used in the Standard Valuation Law, and are defined in Rev. Rul. 92-19

## Part III, Schedule B

STATUTORY VALUATION INTEREST RATES  
BASED ON THE 1980 AMENDMENTS TO THE  
NAIC STANDARD VALUATION LAW

B Single premium immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options

Calendar Year of Issue	Valuation Interest Rate
1993	7.00*

Source Rates calculated from the monthly averages, ending June 30, 1993, of Moody's Corporate Bond Yield Average—Monthly Average Corporates. The terms used in this schedule are those used in the Standard Valuation Law as defined in Rev. Rul. 92-19

\*The applicable federal interest rates for 1988 and later years must be used in computing reserves under § 807 if they exceed the prevailing state assumed interest rates specified in this schedule. See applicable federal interest rates set forth in Part IV of Rev. Rul. 92-19 as supplemented

## Part III, Schedule C11—1993

STATUTORY VALUATION INTEREST RATES  
 BASED ON NAIC STANDARD VALUATION LAW  
 FOR 1993 CALENDAR YEAR BUSINESS  
 GOVERNED BY THE 1980 AMENDMENTS

C Valuation interest rates for other annuities and guaranteed interest contracts that are valued on an issue year basis

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	7.00*	6.00*	5.50*
		More than 5, but not more than 10	6.75*	6.00*	5.50*
		More than 10, but not more than 20	6.25*	5.50*	5.25*
		More than 20	5.25*	4.75*	4.75*
Yes	No	5 or fewer	7.25*	6.25*	5.75*
		More than 5, but not more than 10	7.00*	6.25*	5.75*
		More than 10, but not more than 20	6.50*	5.75*	5.50*
		More than 20	5.50*	5.00*	5.00*
No	Yes or No	5 or fewer	7.00*		
		More than 5, but not more than 10	6.75*	NOT APPLICABLE	
		More than 10, but not more than 20	6.25*		
		More than 20	5.25*		

Source Rates calculated from the monthly averages, ending June 30, 1993, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

\* As the applicable federal interest rate for 1993 of 8.10 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 8.10 percent

## Part III, Schedule D11—1993

STATUTORY VALUATION INTEREST RATES  
BASED ON NAIC STANDARD VALUATION LAW  
FOR 1993 CALENDAR YEAR BUSINESS  
GOVERNED BY THE 1980 AMENDMENTS

D Valuation interest rates for other annuities and guaranteed interest contracts that are contracts with cash settlement options and that are valued on a change in fund basis

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type			
			A	B	C	
Yes	Yes	5 or fewer	7 75*	7 25*	5 75*	
		More than 5, but not more than 10	7 50*	7 25*	5 75*	
		More than 10, but not more than 20	7 00*	6 75*	5 50*	
		More than 20	6 00*	6 00*	5 00*	
		No	5 or fewer	8 25	7 50*	6 00*
			More than 5, but not more than 10	7 75*	7 50*	6 00*
	More than 10, but not more than 20		7 25*	7 00*	5 75*	
	More than 20		6 25*	6 25*	5 25*	

Source Rates calculated from the monthly averages, ending June 30, 1993, of Moody's Corporate Bond Yield Average—Monthly Average Corporates

\*As the applicable federal interest rate for 1993 of 8 10 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 8 10 percent

## Part IV. Applicable Federal Interest Rates.

TABLE OF  
APPLICABLE FEDERAL INTEREST RATES  
FOR PURPOSES OF § 807

Year	Interest Rate
1994	7.45

Source Rev. Rul. 93-82, 1993-2 C B 267.

## EFFECT ON OTHER REVENUE RULINGS

Rev. Rul 92-19 is supplemented by the addition to Part III of that ruling of prevailing state assumed interest rates under § 807 for certain insurance products issued in 1993 and 1994 and is further supplemented by an addition to the table in Part IV of Rev. Rul 92-19 listing applicable federal interest rates Parts I and II of Rev Rul 92-19 are not affected by this ruling

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1994 See Rev Rul 94-1, page 207

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 1994 See Rev Rul 94-9, page 209

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 1994 See Rev Rul 94-15, page 210

The adjusted applicable federal short-term, mid-term and long-term rates are set forth for the month of April 1994 See Rev Rul 94-22, page 212

The adjusted applicable federal short-term, mid term, and long-term rates are set forth for the month of May 1994 See Rev Rul 94-29, page 213

The adjusted applicable federal short-term, mid-term and long-term rates are set forth for the month of June 1994 See Rev Rul 94-36, page 215