

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2017-36
September 5, 2017

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. 2017-17, page 222.

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections 382, 1274, 1288, and other sections of the Code, tables set forth the rates for September 2017.

Rev. Proc. 2017-48, page 229.

This revenue procedure provides the monthly national average premium for qualified health plans that have a bronze level of coverage and are offered through Exchanges for taxpayers to use in determining their maximum individual shared responsibility payment under § 5000A(c)(1)(B) of the Internal Revenue Code and § 1.5000A-4 of the Income Tax Regulations.

EMPLOYEE PLANS

Notice 2017-43, page 224.

This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates for August 2017 used under § 417(e)(3)(D), the 24-month average segment rates applicable for July 2017, and the 30-year Treasury rates. These rates reflect the application of § 430(h)(2)(C)(iv), which was added by the Moving Ahead for Progress in the 21st Century Act, Public Law 112-141 (MAP-21) and amended by section 2003 of the Highway and Transportation Funding Act of 2014 (HATFA).

Notice 2017-44, page 226.

The notice provides model amendments that a sponsor of a qualified defined benefit plan may use to amend its plan document to offer bifurcated benefit distribution options to participants in accordance with final regulations issued under § 417(e) of the Internal Revenue Code.

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

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

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

(Also Sections 42, 280G, 382, 467, 468, 482, 483, 1288, 7520.)

Rev. Rul. 2017-17

This revenue ruling provides various prescribed rates for federal income tax

purposes for September 2017 (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 per-

centages for determining the low-income housing credit described in section 42(b)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%. Finally, Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

REV. RUL. 2017-17 TABLE 1
Applicable Federal Rates (AFR) for September 2017
Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
		<i>Short-term</i>		
AFR	1.29%	1.29%	1.29%	1.29%
110% AFR	1.43%	1.42%	1.42%	1.42%
120% AFR	1.56%	1.55%	1.55%	1.55%
130% AFR	1.69%	1.68%	1.68%	1.67%
		<i>Mid-term</i>		
AFR	1.94%	1.93%	1.93%	1.92%
110% AFR	2.13%	2.12%	2.11%	2.11%
120% AFR	2.33%	2.32%	2.31%	2.31%
130% AFR	2.53%	2.51%	2.50%	2.50%
150% AFR	2.92%	2.90%	2.89%	2.88%
175% AFR	3.41%	3.38%	3.37%	3.36%
		<i>Long-term</i>		
AFR	2.60%	2.58%	2.57%	2.57%
110% AFR	2.86%	2.84%	2.83%	2.82%
120% AFR	3.12%	3.10%	3.09%	3.08%
130% AFR	3.38%	3.35%	3.34%	3.33%

REV. RUL. 2017-17 TABLE 2
Adjusted AFR for September 2017
Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	.96%	.96%	.96%	.96%
Mid-term adjusted AFR	1.45%	1.44%	1.44%	1.44%
Long-term adjusted AFR	1.93%	1.92%	1.92%	1.91%

REV. RUL. 2017-17 TABLE 3
Rates Under Section 382 for September 2017

Adjusted federal long-term rate for the current month	1.93%
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.)	1.93%

REV. RUL. 2017-17 TABLE 4
Appropriate Percentages Under Section 42(b)(1) for September 2017

Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.52%
Appropriate percentage for the 30% present value low-income housing credit	3.22%

REV. RUL. 2017-17 TABLE 5
Rate Under Section 7520 for September 2017

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	2.4%
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Section 42.—Low-Income Housing Credit

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

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

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

Section 483.—Interest on Certain Deferred Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

Section 280G.—Golden Parachute Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

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

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

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 September 2017. See Rev. Rul. 2017-17, page 222.

Section 482.—Allocation of Income and Deductions Among Taxpayers

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

Section 7520.—Valuation Tables

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2017. See Rev. Rul. 2017-17, page 222.

Part III. Administrative, Procedural, and Miscellaneous

Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2017-43

This notice provides guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used under § 417(e)(3), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I).

YIELD CURVE AND SEGMENT RATES

Generally, except for certain plans under sections 104 and 105 of the Pension Protection Act of 2006 and CSEC plans under § 414(y), § 430 of the Code specifies the minimum funding requirements

that apply to single-employer plans pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates ("segment rates"), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins.¹ However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007-81, 2007-44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Consistent with the methodology specified in Notice 2007-81, the monthly corporate bond yield curve derived from July 2017

data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of July 2017 are, respectively, 1.97, 3.66, and 4.37.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates. For plan years beginning before 2021, the applicable minimum percentage is 90% and the applicable maximum percentage is 110%. The 25-year average segment rates for plan years beginning in 2015, 2016, and 2017 were published in Notice 2014-50, 2014-40 I.R.B. 590, Notice 2015-61, 2015-39 I.R.B. 408, and Notice 2016-54, 2016-40 I.R.B. 429, respectively.

24-MONTH AVERAGE CORPORATE BOND SEGMENT RATES

The three 24-month average corporate bond segment rates applicable for August 2017 without adjustment for the 25-year average segment rate limits are as follows:

Applicable Month	First Segment	Second Segment	Third Segment
August 2017	1.73	3.78	4.69

Based on § 430(h)(2)(C)(iv), the 24-month averages applicable for August

2017 adjusted to be within the applicable minimum and maximum percentages of

the corresponding 25-year average segment rates, are as follows:

For Plan Years Beginning In		Adjusted 24-Month Average Segment Rates			
		Applicable Month	First Segment	Second Segment	Third Segment
2016	August	2017	4.43	5.91	6.65
2017	August	2017	4.16	5.72	6.48

30-YEAR TREASURY SECURITIES INTEREST RATES

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum

amount for the full-funding limitation described in § 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of inter-

est on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for July 2017 is 2.88 percent. The Service deter-

¹Pursuant to § 433(h)(3)(A), the 3rd segment rate determined under § 430(h)(2)(C) is used to determine the current liability of a CSEC plan (which is used to calculate the minimum amount of the full funding limitation under § 433(c)(7)(C)).

mined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in May 2047. For

plan years beginning in the month shown below, the weighted average of the rates of interest on 30-year Treasury securities

and the permissible range of rates used to calculate current liability are as follows:

For Plan Years Beginning in		30-Year Treasury Weighted Average	Permissible Range		
<i>Month</i>	<i>Year</i>		90%	to	105%
Month	Year				
August	2017	2.89	2.60		3.03

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates

computed without regard to a 24-month average. Notice 2007–81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value seg-

ment rates determined for July 2017 are as follows:

First Segment	Second Segment	Third Segment
1.97	3.66	4.37

DRAFTING INFORMATION

The principal author of this notice is Tom Morgan of the Office of the Associ-

ate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the IRS participated in the development of this guidance. For further

information regarding this notice, contact Mr. Morgan at 202-317-6700 or Tony Montanaro at 202-317-8698 (not toll-free calls).

Table I Monthly Yield Curve for July 2017 Derived from July 2017 Data									
<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>
0.5	1.41	20.5	4.18	40.5	4.40	60.5	4.47	80.5	4.51
1.0	1.56	21.0	4.19	41.0	4.40	61.0	4.48	81.0	4.52
1.5	1.70	21.5	4.19	41.5	4.40	61.5	4.48	81.5	4.52
2.0	1.83	22.0	4.20	42.0	4.40	62.0	4.48	82.0	4.52
2.5	1.94	22.5	4.21	42.5	4.41	62.5	4.48	82.5	4.52
3.0	2.05	23.0	4.22	43.0	4.41	63.0	4.48	83.0	4.52
3.5	2.15	23.5	4.23	43.5	4.41	63.5	4.48	83.5	4.52
4.0	2.26	24.0	4.24	44.0	4.41	64.0	4.48	84.0	4.52
4.5	2.36	24.5	4.24	44.5	4.42	64.5	4.48	84.5	4.52
5.0	2.47	25.0	4.25	45.0	4.42	65.0	4.49	85.0	4.52
5.5	2.58	25.5	4.26	45.5	4.42	65.5	4.49	85.5	4.52
6.0	2.70	26.0	4.26	46.0	4.42	66.0	4.49	86.0	4.52
6.5	2.81	26.5	4.27	46.5	4.43	66.5	4.49	86.5	4.52
7.0	2.92	27.0	4.28	47.0	4.43	67.0	4.49	87.0	4.52
7.5	3.03	27.5	4.28	47.5	4.43	67.5	4.49	87.5	4.52
8.0	3.13	28.0	4.29	48.0	4.43	68.0	4.49	88.0	4.52
8.5	3.23	28.5	4.29	48.5	4.44	68.5	4.49	88.5	4.53
9.0	3.32	29.0	4.30	49.0	4.44	69.0	4.49	89.0	4.53
9.5	3.41	29.5	4.31	49.5	4.44	69.5	4.50	89.5	4.53

Table I
Monthly Yield Curve for July 2017
Derived from July 2017 Data

<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>	<i>Maturity</i>	<i>Yield</i>
10.0	3.49	30.0	4.31	50.0	4.44	70.0	4.50	90.0	4.53
10.5	3.56	30.5	4.32	50.5	4.44	70.5	4.50	90.5	4.53
11.0	3.63	31.0	4.32	51.0	4.44	71.0	4.50	91.0	4.53
11.5	3.69	31.5	4.33	51.5	4.45	71.5	4.50	91.5	4.53
12.0	3.75	32.0	4.33	52.0	4.45	72.0	4.50	92.0	4.53
12.5	3.80	32.5	4.34	52.5	4.45	72.5	4.50	92.5	4.53
13.0	3.85	33.0	4.34	53.0	4.45	73.0	4.50	93.0	4.53
13.5	3.89	33.5	4.35	53.5	4.45	73.5	4.50	93.5	4.53
14.0	3.93	34.0	4.35	54.0	4.46	74.0	4.50	94.0	4.53
14.5	3.96	34.5	4.35	54.5	4.46	74.5	4.50	94.5	4.53
15.0	3.99	35.0	4.36	55.0	4.46	75.0	4.51	95.0	4.53
15.5	4.02	35.5	4.36	55.5	4.46	75.5	4.51	95.5	4.53
16.0	4.04	36.0	4.37	56.0	4.46	76.0	4.51	96.0	4.53
16.5	4.06	36.5	4.37	56.5	4.46	76.5	4.51	96.5	4.53
17.0	4.08	37.0	4.37	57.0	4.46	77.0	4.51	97.0	4.54
17.5	4.10	37.5	4.38	57.5	4.47	77.5	4.51	97.5	4.54
18.0	4.11	38.0	4.38	58.0	4.47	78.0	4.51	98.0	4.54
18.5	4.13	38.5	4.38	58.5	4.47	78.5	4.51	98.5	4.54
19.0	4.14	39.0	4.39	59.0	4.47	79.0	4.51	99.0	4.54
19.5	4.15	39.5	4.39	59.5	4.47	79.5	4.51	99.5	4.54
20.0	4.16	40.0	4.39	60.0	4.47	80.0	4.51	100.0	4.54

Model Amendments to Add Bifurcated Distribution Options to Defined Benefit Plans

Notice 2017-44

I. Purpose

This notice provides model amendments that a sponsor of a qualified defined benefit plan may use to amend its plan document to offer bifurcated benefit distribution options to participants in accordance with final regulations issued under § 417(e) of the Internal Revenue Code (see T.D. 9783, 2016-39 I.R.B. 396, published in the Federal Register on September 9, 2016 (81 FR 62359)). Stakeholders have indicated that providing model amendments would be helpful in light of the changes to the determination letter program that are set forth in Rev. Proc. 2016-37, 2016-29 I.R.B. 136.

Although a plan sponsor may use the model language in this notice to provide a bifurcated distribution option to participants in accordance with the final regulations, a plan that provides for a bifurcated distribution option is not required to include this specific model language. The sponsor of a plan that currently provides for bifurcated distributions under plan terms that comply with the provisions of § 1.417(e)-1(d)(7), relating to either implicit or explicit bifurcation, does not need to amend those plan terms. In addition, use of the model language by an employer that has adopted a pre-approved plan will not cause the plan to fail to be identical to the pre-approved plan.

II. Background

Section 417 provides rules regarding survivor annuity forms of distribution that must be offered under qualified defined benefit plans. Section 417(e)(3) and § 1.417(e)-1(d)(2) and (3) specify the applicable mortality table and the applicable

interest rate to be used to determine the minimum present value of a benefit distributed in the form of a lump sum. These minimum present value requirements apply for purposes of § 411(a)(11) and § 417(e)(1), which permit the distribution of a benefit under a plan to a participant in a lump sum without the consent of the participant or the participant's spouse if the present value of the benefit does not exceed \$5,000. The minimum present value requirements also apply when determining the dollar amount of a lump sum or other accelerated form of distribution elected by a participant.

Under § 1.417(e)-1(d)(6), an exception from the minimum present value requirements of § 417(e)(3) applies to a distribution paid in the form of an annuity that does not decrease during the life of the participant (other than specified permitted decreases). If an optional form of benefit is eligible for this exception, the requirement to use the § 417(e)(3) actuarial assumptions to determine the amount of the

benefit payable in the optional form does not apply, and the actuarial assumptions that are used for this purpose must instead satisfy the requirements of § 411(a) that they not result in an impermissible forfeiture of the accrued benefit. See § 1.411(a)–4T(a).

To facilitate the payment of benefits partly in the form of an annuity and partly as a single sum (or other accelerated form), the Department of the Treasury and the Internal Revenue Service (IRS) amended the regulations under § 417(e) to permit plans to simplify the calculation of the amount of certain optional forms of benefit. The change was made to encourage sponsors of plans that include single sum distribution options to offer participants the additional option to bifurcate their benefits in order to receive a portion in an annuity form (providing financial protection against unexpected longevity) and the remainder in an accelerated form (providing increased liquidity during retirement).

Section 1.417(e)–1(d)(7) provides rules under which the participant’s accrued benefit may be “bifurcated” (into two or more parts), so that the minimum present value requirements of § 417(e)(3) apply only to the portion of the participant’s accrued benefit that is paid in the accelerated form. Section 1.417(e)–1(d)(7) applies to distributions with annuity starting dates in plan years beginning on or after January 1, 2017, or, if the taxpayer elects, to earlier periods.

Section 1.417(e)–1(d)(7)(ii)(A) and (B) provides two acceptable bifurcation methods that a plan sponsor may choose to include in plan terms. Under the explicit bifurcation method, a plan permits a participant to elect to divide his or her accrued benefit into two or more portions, and the minimum present value rules of § 417(e)(3) are applied separately to each portion of the accrued benefit as if it were the participant’s entire benefit. Under the implicit bifurcation method, a plan permits a participant to elect the payment of a single-sum amount if the remaining portion of the participant’s accrued benefit is no less than the total accrued benefit reduced by the actuarial equivalent of the single sum (determined using the actuarial assumptions that apply under § 417(e)(3)). Section 1.417(e)–1(d)(7)(iii) sets forth rules of operation for these bifurcation

methods, including rules describing certain circumstances under which the implicit bifurcation method is not available.

The appendix to this notice provides model language that may be used for each of these methods, as applicable to the plan. The model language provides for the payment of the minimum amounts required to be paid in order to comply with the rules of § 1.417(e)–1(d)(7). A plan may provide for amounts that exceed the minimum amounts required to be paid pursuant to § 1.417(e)–1(d)(7), but the treatment specified under section III.A of this notice does not apply to a plan amendment that differs from the model language in order to provide greater amounts.

Section 411(d)(6) prohibits a plan amendment that decreases a participant’s accrued benefit. With respect to benefits attributable to service before an amendment, a plan amendment that effectively eliminates or reduces an early retirement benefit or retirement-type subsidy or that eliminates an optional form of benefit will be treated as reducing accrued benefits under § 411(d)(6). However, the last sentence of § 411(d)(6)(B) states that the Secretary may, by regulations, provide that § 411(d)(6)(B) does not apply to a plan amendment that eliminates an optional form of benefit (other than a plan amendment that has the effect of eliminating or reducing an early retirement benefit or a retirement-type subsidy). Section 1.417(e)–1(d)(7)(iv) exercises this authority with respect to certain amendments adopted to implement a bifurcated distribution option pursuant to § 1.417(e)–1(d)(7). Pursuant to this authority, § 1.417(e)–1(d)(7)(iv) provides that § 411(d)(6) is not violated as a result of an amendment to a plan to implement a bifurcated distribution option if certain conditions are satisfied. This relief applies with respect to a plan amendment adopted on or before December 31, 2017, if, for plan years beginning before January 1, 2017, the § 417(e)(3) applicable interest rate and applicable mortality table were used to calculate the amount of a distribution that was made to settle a portion of the accrued benefit under the plan, and, pursuant to § 1.417(e)–1(d)(7), the requirements of § 417(e)(3) and § 1.417(e)–1(d) are not required to be applied to the distribution.

III. Model Amendments

A. Treatment of adoption of model amendments

The model amendments set forth in the Appendix may be used to implement either of the two methods set forth in § 1.417(e)–1(d)(7) for computing the amount to be paid to a participant who elects to receive his or her accrued benefit in an optional form of payment consisting partially of an annuity and partially of a more accelerated form of payment. Note that the Implicit Bifurcation Amendment may not be used with respect to distributions for which § 1.417(e)–1(d)(7)(iii)(C) prohibits the use of implicit bifurcation.

Pursuant to this notice:

1. Adoption of a plan amendment incorporating the language in either of the model amendments in accordance with this notice will not cause a plan to violate the requirements of § 417(e) and § 1.417(e)–1(d)(7);
2. Such a plan amendment that is adopted on or before December 31, 2017, is eligible for the limited relief from the application of the anti-cutback provisions of § 411(d)(6) provided under § 1.417(e)–1(d)(7)(iv); and
3. In the case of a pre-approved plan, if one of these model amendments is adopted by an adopting employer rather than by the sponsor/practitioner/provider, the adoption of the amendment will not cause the plan to fail to be identical to the pre-approved plan (see section 8.03(2) of Rev. Proc. 2017–41, 2017–29 I.R.B. 92, 108–109, or section 19.03(4)(c) of Rev. Proc. 2015–36, 2015–27 I.R.B. 20, 39, as applicable).

B. Applicable conditions

The treatment described in section III.A of this notice applies only if the following conditions are satisfied:

1. The terms of the model amendment are not modified, except as otherwise permitted in section III.C of this notice;
2. The plan is operated in accordance with the amendment from and after the effective date of the amendment; and

3. In accordance with § 1.417(e)–1(d)(7)(iii)(D), if a plan has an early retirement benefit, a retirement-type subsidy, an optional form of benefit, or an ancillary benefit that applies only to a portion of a participant’s accrued benefit, and the plan provides for a distribution of some (but not all) of the participant’s accrued benefit, the plan specifies the portion of the participant’s total accrued benefit that is paid by that partial distribution.

C. Permitted modifications to the model amendments

A plan sponsor may modify the language of a model amendment without affecting the treatment described in section III.A to conform the language of the model amendment to the plan’s terminology or organization or to satisfy the condition set forth in section III.B.3 of this notice, provided that the modifications do not alter the meaning of any of the provisions of the model amendment. In addition, in the case of a pre-approved plan, some portions of the model amendment may be included in the basic plan docu-

ment, and others may be included in the adoption agreement, as appropriate.

D. Permitted plan designs using the model amendments

Plan sponsors may limit the extent to which bifurcation is available with respect to a participant’s accrued benefit, specify the number of forms of distribution among which an accrued benefit may be bifurcated, or limit the combinations of forms that are available for this purpose. The following illustrates some of the ways in which plan terms may limit the bifurcation of a participant’s accrued benefit:

- A participant who elects to bifurcate his or her accrued benefit may divide the benefit between no more than two distribution forms.
- Bifurcation may be available only for specified percentage divisions of the accrued benefit that are set forth in the plan. For example, a plan could provide that the only permitted bifurcations are a 50/50 or a 75/25 division.
- Bifurcation may be available only between the portion of an accrued benefit earned before a specified date and the

portion of an accrued benefit earned on and after that date.

- A participant may elect to bifurcate his or her accrued benefit only into a lump sum distribution and an annuity (and the amount permitted to be paid as a lump sum may be capped at a specified dollar amount or a specified percentage of the participant’s accrued benefit).

The second and third paragraphs of the model amendment for the explicit bifurcation method, and the third paragraph of the model amendment for the implicit bifurcation method, set out optional provisions that may be included in a plan amendment to implement these limitations.

Drafting Information

The principal authors of this notice are Diane S. Bloom and Linda S. F. Marshall of the Office of Associate Chief Counsel (Tax Exempt and Government Entities). Ms. Bloom and Ms. Marshall can be reached at (202) 317-6700 (not a toll-free number).

Appendix

Model Amendments for a Defined Benefit Plan that Satisfy § 417(e)(3) of the Internal Revenue Code with Respect to Bifurcated Distribution Options.

Instructions: These model amendments set forth language that may be added to a plan in order for the plan to offer bifurcated optional forms of benefit determined under one of the two bifurcation methods described in § 1.417(e)–1(d)(7): (1) the explicit bifurcation method or (2) the implicit bifurcation method. Consistent with the requirements of § 1.417(e)–1(d)(7)(iii)(C), the model Implicit Bifurcation Method amendment may not be used in any case described in that paragraph.

Explicit Bifurcation Method

Effective for annuity starting dates on or after _____ [insert date], if a participant so elects, the participant’s accrued benefit will be divided and distributed as described below:

A participant may elect to divide his or her accrued benefit to the following extent: _____
[describe the permissible divisions of the accrued benefit].

A participant may elect a combination of distribution options for the divided portions of his or her accrued benefit to the following extent: _____
[describe available distribution options and designate any limit on the distribution options that may be combined for an accrued benefit that is bifurcated].

If a participant elects to divide his or her accrued benefit, the amount of the distribution payable with respect to each specified portion of the accrued benefit is determined in accordance with the method for calculating the amount of a distribution payable in the optional form elected for that portion as if that portion were the participant’s entire accrued benefit.

Implicit Bifurcation Method

Effective for annuity starting dates on or after _____ [insert date], if a participant so elects, the participant will receive a portion of his or her accrued benefit in the form of a single-sum payment as described below. For any participant who so elects, the remainder of the participant's accrued benefit not payable in the form of a single-sum payment, expressed in the form of _____ [insert plan's normal form of benefit] commencing when the participant attains normal retirement age (or at the current date, if later) will be equal to the excess of:

- (1) The participant's total accrued benefit expressed in that form; over
- (2) The annuity payable in that form that is actuarially equivalent to the single-sum payment, determined using the applicable interest rate under section 1.417(e)-1(d)(2) and the applicable mortality table under section 1.417(e)-1(d)(3).

A participant may elect to receive as a single-sum payment the following amount: _____
[describe (as a dollar figure or as a formula) the amount that may be distributed as a single-sum payment].

A participant who elects to receive a single-sum payment pursuant to this [section] may elect to receive the remainder of his or her accrued benefit in any of the following forms of payment: _____
[describe available distribution options and any limit on the distribution options under which the remainder of the participant's benefit may be paid].

If a participant elects to receive a portion of his or her accrued benefit in the form of a single-sum payment, then the amount of the distribution payable with respect to the remainder of the benefit is determined in accordance with the method for calculating the amount of a distribution payable in the optional form elected for that remainder as if that remainder were the participant's entire accrued benefit.

Rev. Proc. 2017-48

SECTION 1. PURPOSE

This revenue procedure provides the monthly national average premium for qualified health plans that have a bronze level of coverage and are offered through Exchanges for taxpayers to use in determining their maximum individual shared responsibility payment under § 5000A(c)(1)(B) of the Internal Revenue Code and § 1.5000A-4 of the Income Tax Regulations.

SECTION 2. BACKGROUND

.01 Section 5000A provides that if a taxpayer, or an individual for whom the taxpayer is liable, is without minimum essential coverage for one or more months in a taxable year, then the taxpayer is liable for the individual shared responsibility payment when filing his or her federal income tax return, unless an exemption applies. See § 5000A(a), (b)(1). In general, under § 5000A a taxpayer is liable for any individual who is a dependent, as defined in § 152, of the taxpayer. See §§ 5000A(b)(3)(A) and 1.5000A-1(c). Married individuals who file a joint return for a taxable year are jointly liable for any individual shared responsibility payment for a month included in the taxable year. See §§ 5000A(b)(3)(B) and 1.5000A-1(c)(3).

.02 For each taxable year, the individual shared responsibility payment is the lesser of (1) the sum of the monthly pen-

alty amounts, or (2) the sum of the monthly national average bronze plan premiums for the shared responsibility family. See § 1.5000A-4(a). The monthly national average bronze plan premium means, for a month for which a shared responsibility payment is imposed, 1/12 of the annual national average premium for qualified health plans that (1) have a bronze level of coverage, (2) would provide coverage for the taxpayer's shared responsibility family members, and (3) are offered through Exchanges for plan years beginning in a calendar year with or within which the taxable year ends. See §§ 5000A(c)(1)(B) and 1.5000A-4(c). Shared responsibility family means, for a month in a taxable year, all nonexempt individuals for whom the taxpayer and the taxpayer's spouse, if the taxpayer is married and files a joint return with the spouse, are liable for the shared responsibility payment under § 5000A for that taxable year. See § 1.5000A-1(d)(17).

.03 Revenue Procedure 2014-46, 2014-12 C.B. 367, describes the methodology used to determine the monthly national average bronze plan premium and provides the premium amount for 2014. Revenue Procedure 2015-15, 2015-5 I.R.B. 564, provides the premium amount for 2015. Revenue Procedure 2016-43, 2016-36 I.R.B. 316, provides the premium amount for 2016.

SECTION 3. MONTHLY NATIONAL AVERAGE BRONZE PLAN PREMIUM

.01 *Monthly National Average Bronze Plan Premium.* For purposes of § 5000A(c)(1)(B) and § 1.5000A-4, the monthly national average premium for qualified health plans that have a bronze level of coverage and are offered through Exchanges is \$272 per individual.

.02 *Maximum Monthly National Average Bronze Plan Premium.* For purposes of § 5000A(c)(1)(B) and § 1.5000A-4, the maximum monthly national average premium for qualified health plans that have a bronze level of coverage and are offered through Exchanges is \$1,360 for a shared responsibility family with five or more members.

SECTION 4. EFFECTIVE DATE

This revenue procedure is effective for taxable years ending after December 31, 2016.

SECTION 5. EFFECT ON OTHER DOCUMENTS

Revenue Procedure 2016-43 is superseded.

SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is James Beatty of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Mr. Beatty at (202) 317-7006 (not a toll-free number).

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the sub-

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

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

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

Abbreviations

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

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

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

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

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¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2017–01 through 2017–26 is in Internal Revenue Bulletin 2017–26, dated June 27, 2017.

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¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2017–01 through 2017–26 is in Internal Revenue Bulletin 2017–26, dated June 27, 2017.

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The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at *www.irs.gov/irb/*.

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