

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 \$214.42 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, \$232.69 is exempt from this levy (\$214.42 plus \$18.27).
3. A taxpayer who is married, files jointly, is paid bi-weekly, and claims two exemptions (including one for the taxpayer) has \$432.69 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, \$490.38 is exempt from this levy (\$432.69 plus \$57.69).

Weighted Average Interest Rate Update

Notice 93-60

Notice 88-73 provides guidelines for determining the weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability for the purpose of the full funding limitation of section 412(c)(7) of the Internal Revenue Code as amended by the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987).

The following rates were determined for the plan years beginning in the month shown below.

Month	Year	Weighted Average	Permissible Range
December	1993	7.48	6.73 to 8.23

26 CFR 601.104: Collection functions.
(Also Part I, Sections 894, 1441, 3402; 1.894-1.)

Rev. Proc. 93-22A

SECTION 1. PURPOSE

This revenue procedure modifies section 4 of Rev. Proc. 93-22, 1993-1 C.B. 535, which provides the countries for which the treaty with the former Union of Soviet Socialist Republics remains in effect. The first sentence of section 4 is revised to read as follows:

The treaty with the former Union of Soviet Socialist Republics remains in effect for the following countries: Armenia, Azerbaijan, Byelarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

In addition, this revenue procedure modifies section 5 of Rev. Proc. 93-22, which incorrectly states that the new treaty with Finland provides an exemption for income earned by alien teachers and researchers but does not provide an exemption for income earned by alien students. The second sentence of Section 5 is revised to read as follows:

The new treaty does not provide for an exemption for income earned by alien teachers and researchers, and the exemption for income earned by alien students and trainees (under Article 20) applies only to payments that arise outside of the United States.

SEC. 2. EFFECT ON OTHER DOCUMENTS AND EFFECTIVE DATE

Rev. Proc. 93-22 is modified as if the new language had appeared in Rev. Proc. 93-22 when it was first published. Rev. Proc. 93-22 incorporates this modification in Cumulative Bulletin 1993-1.

26 CFR 601.201: Rulings and determination letters.
(Also Part I, Sections 61, 83, 721; 1.721-1.)

Rev. Proc. 93-27

SECTION 1. PURPOSE

This revenue procedure provides guidance on the treatment of the receipt of a partnership profits interest for services provided to or for the benefit of the partnership.

SEC. 2. DEFINITIONS

The following definitions apply for purposes of this revenue procedure.

.01 A capital interest is an interest that would give the holder a share of the proceeds if the partnership's assets were sold at fair market value and then the proceeds were distributed in a complete liquidation of the partnership. This determination generally is made at the time of receipt of the partnership interest.

.02 A profits interest is a partnership interest other than a capital interest.

SEC. 3. BACKGROUND

Under section 1.721-1(b)(1) of the Income Tax Regulations, the receipt of a partnership capital interest for services provided to or for the benefit of the partnership is taxable as compensation. On the other hand, the issue of whether the receipt of a partnership profits interest for services is taxable has been the subject of litigation. Most recently, in *Campbell v. Commissioner*, 943 F.2d 815 (8th Cir. 1991), the Eighth Circuit in dictum suggested that the taxpayer's receipt of a partnership profits interest received for services was not taxable, but decided the case on valuation. Other courts have determined that in certain circumstances the receipt of a partnership profits interest for services is a taxable event under section 83 of the Internal Revenue Code. See, e.g., *Campbell v. Commissioner*, T.C.M. 1990-236, rev'd, 943 F.2d 815 (8th Cir. 1991); *St. John v. United States*, No. 82-1134 (C.D. Ill. Nov. 16, 1983). The courts have also found that typically the profits interest received has speculative or no determinable value at the time of receipt. See *Campbell*, 943 F.2d at 823; *St. John*. In *Diamond v. Commissioner*, 56 T.C. 530 (1971), aff'd, 492 F.2d 286 (7th Cir. 1974), however, the court

assumed that the interest received by the taxpayer was a partnership profits interest and found the value of the interest was readily determinable. In that case, the interest was sold soon after receipt.

SEC. 4. APPLICATION

.01 Other than as provided below, if a person receives a profits interest for the provision of services to or for the benefit of a partnership in a partner capacity or in anticipation of being a partner, the Internal Revenue Service will not treat the receipt of such an interest as a taxable event for the partner or the partnership.

.02 This revenue procedure does not apply:

(1) If the profits interest relates to a substantially certain and predictable stream of income from partnership assets, such as income from high-quality debt securities or a high-quality net lease;

(2) If within two years of receipt, the partner disposes of the profits interest; or

(3) If the profits interest is a limited partnership interest in a "publicly traded partnership" within the meaning of section 7704(b) of the Internal Revenue Code.

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability. (Also Part I, Section 301.9100-1.)

Rev. Proc. 93-28

SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 92-85, 1992-2 C.B. 490, to bring the revenue procedure into conformity with new section 301.9100-1(b) of the Procedure and Administration Regulations. In addition, this revenue procedure clarifies the rule in section 5 of Rev. Proc. 92-85 regarding whether a taxpayer has acted reasonably and in good faith in the case of a taxpayer that avoids an accuracy-related penalty by filing a qualified amended return. Finally, this revenue procedure deletes from the list of elections eligible for automatic relief under section 4.01 of Rev. Proc. 92-85 the transitional elections under sections 1.337(d)-1(a)(2)(ii) and 1.337(d)-1(b)(2)(ii) of the Income Tax Regulations and the election to exclude

foreign earned income under section 1.911-7(a).

SEC. 2. BACKGROUND

.01 Section 301.9100-1 of the regulations sets forth rules regarding extensions of time for making certain elections. Rev. Proc. 92-85 sets forth the standards the Internal Revenue Service will use to determine whether to grant relief under section 301.9100-1(a). The change to section 301.9100-1(b) removes the special transitional rule for elections required to be made prior to April 5, 1991, under subtitles B, C, D, and F, except for elections under section 4980A of the Internal Revenue Code. Accordingly, the effective date of Rev. Proc. 92-85 is amended to clarify that the standards announced in this revenue procedure now apply to all elections except those under section 4980A.

.02 Section 5.01(4)(a) of Rev. Proc. 92-85 provides that a taxpayer will not be considered to have acted reasonably and in good faith if a taxpayer seeks to alter a return position for which an accuracy-related penalty has been or could have been imposed. Section 5.01(4)(a) is amended to provide that if the taxpayer files a qualified amended return within the meaning of section 1.6664-2(c)(3) of the regulations, the qualified amended return will be taken into account in accordance with the regulations under sections 6662 and 6664 of the Code in determining whether the return position is one for which an accuracy-related penalty may be imposed.

.03 Transitional elections under sections 1.337(d)-1(a)(2)(ii) and 1.337(d)-1(b)(2)(ii) of the regulations are currently included in the list of elections in Appendix A of Rev. Proc. 92-85. Section 4 of Rev. Proc. 92-85 is effective for elections whose due dates (excluding extensions) fall on or after October 1, 1992. However, the original due date for the transitional elections under sections 1.337(d)-1(a)(2)(ii) and 1.337(d)-1(b)(2)(ii) occurs before October 1, 1992. Therefore, these transitional elections are deleted from Appendix A.

The election under section 1.911-7(a) of the regulations is likewise currently included in the list of elections in Appendix A of Rev. Proc. 92-85. New regulations under section 911 of the Code will revise the standards under which the Service may grant

relief to taxpayers who fail to make the section 911 election in a timely fashion. Accordingly, the election to exclude foreign earned income under section 1.911-7(a) is deleted from Appendix A.

SEC. 3. ACTION

.01 Section 10 of Rev. Proc. 92-85 is amended to read as follows:

Section 4 of this revenue procedure, concerning automatic extensions, is effective for elections whose due dates (excluding extensions) fall on or after October 1, 1992. Section 5 of this revenue procedure is effective for all tax years.

.02 Section 5.01(4)(a) of Rev. Proc. 92-85 is amended to read as follows:

the taxpayer seeks to alter a return position for which an accuracy-related penalty has been or could be imposed under section 6662 of the Code at the time the taxpayer requests relief under this revenue procedure (taking into account any qualified amended return filed within the meaning of section 1.6664-2(c)(3) of the regulations) and the new position requires or permits an election for which relief is requested; or

.03 Appendix A of Rev. Proc. 92-85 is amended to delete the transitional elections under sections 1.337(d)-1(a)(2)(ii) and 1.337(d)-1(b)(2)(ii) of the regulations and the election under section 1.911-7(a).

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

Rev. Proc. 93-29

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 1993 accident year. These factors will be used for computing discounted unpaid losses under section 846 of the Internal Revenue Code. See Rev. Proc. 92-47, 1992-1 C.B. 980, for background concerning the loss payment patterns and application of the discount factors.

SEC. 2. SCOPE

This revenue procedure applies to any taxpayer that is required to dis-