from other sources which was offset by the net losses from the farm activity. Whalley v. Comm'r, T.C. Memo. 1996-533.

INTEREST RATE. The IRS has announced that for the period January 1, 1997 through March 31, 1997, the interest rate paid on tax overpayments is 8 percent and for underpayments is 9 percent. The interest rate for underpayments by large corporations is 11 percent. The interest rate on corporate overpayments above $10,000 is 6.5 percent. Rev. Rul. 96-61, I.R.B. 1996-__.

IN VOLUNTARY CONVERSION. The taxpayers owned interests in a ranch held for investment because the property was leased to third parties. A neighboring city notified the taxpayers of its intent to purchase the property for use as a site to construct a sewage plant. The city entered into sale negotiations but informed the taxpayers that if a price could not be negotiated, condemnation proceedings would occur. The IRS ruled that the negotiated sale of the ranch to the city was an involuntary conversion which would make purchase of qualified replacement property eligible for a tax-free exchange. Ltr. Rul. 9649018, Sept. 3, 1996.

PARTNERSHIPS-ALM § 7.03[2].

PARTNER’S DISTRIBUTIVE SHARE. The IRS has issued proposed regulations relating to the allocation of depreciation recapture among partners in a partnership. The proposed regulations amend existing regulations to require that any gain characterized as depreciation recapture must be allocated to each partner in an amount equal to the lesser of the partner’s share of total gain from the sale of the property or the partner’s share of depreciation from the property. 61 Fed. Reg. 65371 (Dec. 12, 1996).

RETURNS. The IRS has issued a reminder that all tax returns will be required to have valid taxpayer identification numbers for taxpayers, spouses and dependents born before December 1, 1996. Temporary, “applied for” and other substitute designations will not be accepted. Form W-7, Application for IRS Individual Taxpayer Identification Number can be obtained from the IRS web site: http://www.irs.ustreas.gov or calling the IRS toll-free number 1-800-829-3676.

CCH has reported that final regulations concerning the check-the-box entity classification are imminent. The regulations were expected to have been delivered to the Federal Register by December 13, 1996, for publishing by the end of the year. The Federal Register may be searched and viewed online at:

http://www.access.gpo.gov/su_docs/aces/aces002.html

S CORPORATIONS-ALM § 7.02[3][c].

TRUSTS. The taxpayer created an annuity trust for the benefit of the taxpayer. If the taxpayer survived the term of the annuity trust, the trust S corporation stock passed to one trust and other property passed to a family trust, both of which terminated at the later of the annuity term or the death of the taxpayer. The taxpayer had the power to acquire property in these trusts in exchange for property of identical value. At the termination of these two trusts, the corpus passed to the surviving spouse with remainder interests to separate trusts for the taxpayer’s children. The IRS ruled that the trusts were grantor trusts during the life of the taxpayer and all income and deductions inured to the taxpayer. The IRS also ruled that the trust were QSSTs. Ltr. Rul. 9648045, Sept. 3, 1996.
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