

FEBRUARY 2026

7702, Valuation Rate, and Applicable Federal Interest Rate Calculator

American Academy of Actuaries
Tax Committee of the Life Practice Council



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The Development of the Interest Rates Used in Calculating the Limits under the Definition of Life Insurance and Modified Endowment Contracts (IRC Sections 7702 and 7702A)

Developed by the Tax Committee of the Life Practice Council (LPC) of the American Academy of Actuaries

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A special thank you to Craig R. Springfield, Attorney at Law, for his review of this paper.

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February 2026

Any references to current laws, regulations, or practice guidelines are correct as of the date of publication.

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Intended Use

The Tax Committee of the American Academy of Actuaries (Academy) has developed these spreadsheets as general reference tools to assist actuaries who wish to explore the calculation of the Internal Revenue Code (IRC) Section 7702: Minimum Interest Rates (including the components used in determining such minimum rates based on the valuation interest rate and applicable federal interest rate).

These spreadsheets consist of

1. The IRC Section 7702 Rate Calculator, and
2. The Valuation Rate (Val Rate) and Applicable Federal Interest Rate (AFIR) Calculator.

These spreadsheets are designed to be used either together or independently. The user can input hypothetical rates into the 7702 Rate Calculator spreadsheet to determine the impact those hypothetical rates could have on the “applicable accumulation test minimum rate” (as defined in IRC Section 7702(b)(3)) and the “applicable guideline premium minimum rate” (as defined in IRC Section 7702(c)(3)(E)). The user can also input hypothetical rates into the Val Rate and AFIR Calculator spreadsheet to project when those rates may change. The user can take the output from the Val Rate and AFIR Calculator spreadsheet and use it as input for the 7702 Rate Calculator spreadsheet to determine the impact those hypothetical rates could have on (1) the “section 7702 valuation interest rate” (as defined in IRC Section 7702(f)(11)(B)) for an upcoming year, (2) when future “adjustment years” (as defined in IRC Section 7702(f)(11)(D)) will occur, and (3) the “section 7702 applicable Federal interest rate” (as defined in IRC Section 7702(f)(11)(C)).

The two spreadsheets [may be downloaded here.](#)

Notes and Disclaimers

These spreadsheets are not interpretations of actuarial standards of practice, nor are they meant to be a codification of generally accepted actuarial practice. Actuaries are not bound in any way to comply with these spreadsheets or to conform their work to practices implicitly described in them. These practice notes are not intended to be a substitute for the practitioner's thorough review of applicable federal and state laws, rules, and regulations to determine the legal requirements for products. In addition, these spreadsheets do not constitute tax advice, and any information (including any interpretations, assumptions, or implications with respect to the law's requirements) contained or reflected herein cannot be relied upon for any purpose, including for avoiding penalties.

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