

Stradley Ronon Stevens & Young, LLP
2005 Market Street
Suite 2600
Philadelphia, PA 19103-7018
215.564.8000 Telephone
215.564.8120 Facsimile
www.stradley.com

With other offices in:
Washington, D.C.
New York
New Jersey
Illinois
Delaware



www.meritas.org

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IRS Rules on Reporting Requirements for Forward Contract Expiration

The IRS issued Private Letter Ruling 202004009 (<https://www.irs.gov/pub/irs-wd/202004009.pdf>) in which it ruled on whether a dealer must report transactions on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, in three different scenarios involving the expiration of forward contracts. The entity described in the ruling is a dealer that provides a service for its customers with respect to certain property. The entity enters into a forward contract, under which the customer pays the entity for the right to acquire the property in the future and the entity sets aside and stores the property for future delivery to the customer. Three scenarios may occur with regard to the forward contracts (a) at the contract's expiration, the customer takes delivery of the property that the entity set aside for the customer; (b) prior to the contract's expiration, pursuant to the contract, the entity substitutes the property that was set aside for the customer with different property that the entity sets aside for the customer, and at the contract's expiration, the customer takes delivery of the second property that the entity set aside for the customer; or (c) at the contract's expiration, the customer receives U.S. dollars equal to the value of the property. The ruling explains that under scenarios (a) and (b), at the time of the contract's expiration, there is no disposition by the customer for cash, and, therefore, there is no sale within the meaning of Section 6045 and Treasury Regulations Section 1.6045-1(c)(2). (Section references are to the Internal Revenue Code of 1986, as amended.) Therefore, the entity is not required to report the transactions described in these two scenarios on Forms 1099-B. In scenario (c), at the time of the contract's expiration, there is a disposition of the forward contract for cash, which is considered a sale under Treasury Regulations Section 1.6045-1(a)(9). The entity effects the customer's sale within the meaning of Treasury Regulations Section 1.6045-1(a)(10). Therefore, the entity is required to report the sales that occur under scenario (c) on Forms 1099-B.

IRS Clarifies Application of Section 1016 to Life Insurance Basis

The IRS released Revenue Ruling 2020-5, 2020-9 IRB (<https://www.irs.gov/pub/irs-drop/rr-20-05.pdf>) in which it clarified how the amendments made to Section 1016 by the 2017 Tax Cuts and Jobs Act (TCJA) apply to determine an insured's basis in a life insurance contract and the amount of income recognized by an insured/seller when a life insurance policy is sold.

IRS Issues Proposed Regulations to Conform to TCJA Income Tax Withholding Changes

IRS has issued proposed reliance regulations (REG-132741-17) (<https://www.federalregister.gov/documents/2020/02/13/2020-02849/income-tax-withholding-from-wages>) that update the income tax wage withholding regulations under Sections 3401 and 3402 to conform to the changes made by the TCJA and other legislation enacted since the regulations were last revised.

IRS Posts Information on Deferring Section 1231 Property Gains for QOF Investments

The IRS posted information on its website (<https://www.irs.gov/forms-pubs/how-to-report-eligible-gains-from-qualified-opportunity-zone-business-property-on-form-8949>) regarding how taxpayers should report the deferring of eligible gains from Section 1231 property when they are invested in a qualified opportunity fund (QOF), as well as how to report the inclusion of those gains when the QOF investment is sold or exchanged.

IRS Posts Information on Exempt Organizations Claiming Transportation Fringe Refund

The IRS posted instructions on its website (<https://www.irs.gov/forms-pubs/how-to-claim-a-refund-or-credit-of-unrelated-business-income-tax-ubit-or-adjust-form-990-t-for-qualified->

[transportation-fringe-amounts](#)) for how exempt organizations can claim a refund or credit of the unrelated business income tax they paid with respect to qualified transportation fringe benefits. The provision of the Internal Revenue Code that imposed tax on such benefits was retroactively repealed by legislation enacted in December 2019 (see our prior coverage here (<https://www.stradley.com/insights/publications/2020/02/tax-insights-february-5-2020>) and here (<https://www.stradley.com/insights/publications/2020/01/tax-insights-january-29-2020>)).

IRS Issues Final 2019 Instructions to 1120-S, and 1120-S, Schedule K-1

The IRS has issued final instructions to Form 1120-S (U.S. Income Tax Return for an S Corporation) (<https://www.irs.gov/pub/irs-pdf/i1120s.pdf>) and Schedule K-1 (Form 1120-S) (Shareholder's Share of Income, Deductions, Credits, etc.) (<https://www.irs.gov/pub/irs-pdf/i1120ssk.pdf>) for use for tax years beginning in 2019.



Christopher C. Scarpa



Jacquelyn Gordon

For more information, contact Christopher C. Scarpa at 215.564.8106 or cscarpa@stradley.com or Jacquelyn Gordon at 215.564.8176 or jgordon@stradley.com.