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IRS Temporarily Modifies Exempt Bond Reissuance and Retirement Rules

The IRS issued [Notice 2020-25](#) in which it temporarily expanded the circumstances and time periods during which a tax-exempt bond that is purchased by its state or local governmental issuer is treated as continuing in effect without resulting in a reissuance or retirement of the tax-exempt bond solely for purposes of Sections 103 and 141 through 150 (the requirements for the interest on those bonds to be exempt from Federal income tax). (Section references are to the Internal Revenue Code of 1986, as amended.) The Notice is effective May 4; however, issuers may apply the Notice retroactively to purchases on or after Jan 1.

Private Activity Bond Public Approval Requirement Can Be Met Via Teleconference

The IRS issued [Revenue Procedure 2020-21](#) in which it provides, in light of the COVID-19 pandemic, that the requirement for public approval of the issuance of tax-exempt qualified private activity bonds may be met, temporarily, via a teleconference. The temporary allowance applies from May 4 until Dec. 31. Under ordinary circumstances, applicable regulations require residents of all of participating governmental units to have reasonable opportunity to be heard before exempt qualified private activity bonds can be issued.

IRS Issues Relief for U.S. Persons That Did Business in Foreign Countries

The IRS issued [Revenue Procedure 2020-30](#) in which it provides relief to U.S. persons that temporarily did business in foreign countries due to “COVID-19 Emergency Travel Disruptions.” When determining whether a foreign branch separate unit or a qualified business unit has an obligation to file Form 8858 (Information Return of U.S. Persons With Respect to Foreign Disregarded Entities and Foreign Branches), the IRS will not consider “temporary activities” in foreign countries that would not have been conducted there but for COVID-19 travel restrictions. Accordingly, temporary activities will not give rise to a U.S. person’s obligation to file (1) Form 8858, including an obligation to file a Form 8858 by attaching the Form 8858 to a Form 5471 (Information Return of U.S. Persons With Respect to Certain Foreign Corporations), with respect to a controlled foreign corporation, or (2) Form 8865 (Information Return of U.S. Persons With Respect To Certain Foreign Partnerships) with respect to a controlled foreign partnership.

IRS Clarifies Employee Retention Credit Available If PPP Loan Repaid

The IRS, on its website, has clarified that Paycheck Protection Program (PPP) loan recipients that pay back the loan by May 7 (potentially May 14) can be eligible for the employee retention credit. (See, [“COVID-19-Related Employee Retention Credits: Interaction with Other Credit and Relief Provisions \(FAQs 79-84\)” \(revised May 5\)](#)).

IRS Proposes Guidance Updating Group Exemption Letter Procedures

The IRS issued Notice [2020-36](#), which contains a proposed revenue procedure that would update how tax-exempt status may be obtained on a group basis for subordinate organizations affiliated with and under the general supervision or control of a central organization (group exemption letter). The proposed revenue procedure would also provide updated procedures a central organization must follow to maintain a group exemption letter.

IRS Issues Draft Form 941 and Instructions With COVID-19 Changes

The IRS has issued a [draft version of 2020 Form 941 \(Employer's Quarterly Federal Tax Return\)](#) and its [instructions](#). It will be used beginning with the second quarter return (April 1 to June 30). The form has been updated to reflect COVID-19-related credits and other tax changes.

IRS Issues FAQs on COVID-19 Retirement Plan Distribution and Loan Rule Changes

The IRS released a series of [frequently asked questions \(FAQs\)](#) on its website regarding changes made by the Coronavirus Aid, Relief, and Economic Security (CARES) Act to retirement plan distribution and loan rules.

Pennsylvania Issues Guidance Waiving Signature on Paper Returns

The Department of Revenue has [announced](#) that it is temporarily waiving the requirement for corporate officers to physically sign and date certain corporate tax returns with a wet signature. Instead, the person who prepares the return should write in "COVID-19" on the signature line in place of the corporate officer's signature. This will serve as a temporary means of authenticating the filing of the return if the corporate officer is unable to sign and date the return due to the COVID-19 pandemic. The waiver applies to tax returns that cannot be submitted electronically, such as returns for gross premiums tax and mutual thrift institutions tax, and will remain in effect for the duration of the emergency disaster declaration signed by Gov. Tom Wolf on March 6, in response to the COVID-19 pandemic.

Pennsylvania Provides Additional Extension for Corporate Returns

The Pennsylvania Department of Revenue has [announced](#) an extension of the due date for corporations with tax returns due in May through Aug. 14 until Feb. 16, 2021. That means corporate filers granted an extension of the extended due date will have until Feb. 16, 2021, to file their returns. Note that the additional six-month extension only applies to filing the tax return, the extension does not extend the time period for payment of the corporate net income tax due.



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Philadelphia Issues Guidance Stating That It Will Not Tax Stimulus Payments

The Philadelphia Department of Revenue issued [guidance](#) stating that the economic impact payments received by individual taxpayers under the CARES Act are not subject to Philadelphia wage and earnings tax or Philadelphia school income tax. The payments are not salaries, wages, commissions, and other compensation paid by an employer to any person who is employed by or renders services to him; or net profits of any business, profession, or enterprise carried on by any person as owner, either individually or in association with some other person or persons, so are not subject to Philadelphia wage and earnings tax. The payments also are not "net income," so are not subject to Philadelphia school income tax.

Philadelphia Updates Wage Withholding Guidance

The Philadelphia Department of Revenue [updated guidance](#) on when a Philadelphia-based employer is required to withhold wage tax from non-resident employees is to clarify that an employer may choose but is not required, to continue withholding the Philadelphia wage tax from 100% of a non-resident employee's compensation even if the employer requires the non-resident employee to perform duties outside the city. Non-resident employees who had wage tax withheld during the time they were required to perform their duties outside the city in 2020 may file for a refund after the end of the 2020 tax year by submitting a wage tax refund petition and providing a copy of their Form W-2.

Philadelphia Issues Guidance on COVID-19-Related U&O Tax Refunds

The Philadelphia Department of Revenue issued [guidance](#) on how to file for refunds of Philadelphia use and occupancy (U&O) tax that may be required due to the COVID-19 pandemic. Taxpayers who prepaid the U&O tax

on an annual basis or otherwise filed and paid early may have a reduced tax liability as a result of Commonwealth and city orders to close non-essential businesses due to the COVID-19 emergency. Taxpayers seeking a refund should amend their annual or monthly return based on the period of ordered closure and use “Line 3 – Non-taxable Exempt Amount” of the form to indicate the portion of their property that was not occupied during the period of the closure order. The taxpayer can then use the instructions given in the guidance to calculate their amended tax liability and the amount of refund due.

Please do not hesitate to reach out to your Stradley Ronon contact, or to any member of Stradley’s Coronavirus Task Force, with any questions and concerns you may have during this period.