

Tax Insights | June 1, 2023
**Tracking Tax News,
You Need to Know**



House Republicans To Retaliate for Discriminatory Foreign Taxes

House Republicans introduced [legislation](#) that would raise U.S. taxes on foreign entities when their home countries apply discriminatory taxes. The bill targets Pillar Two of the Organization for Economic Cooperation and Development's global tax deal, the undertaxed profits rule (UTPR). The UTPR acts as a backstop to Pillar Two by letting other countries collect tax when a company is paying below a 15% effective tax rate and its parent country isn't applying the minimum tax.

IRS Discusses When Regularly Traded Exception Applies to Partnership

The IRS chief counsel [determined](#) that the regularly traded exception in Section 897(c)(3) of the Internal Revenue Code applies at the partnership level when the partnership directly holds more than 5% of the stock in a U.S. real property holding corporation (USRPHC). Section 897(c)(3) provides that a corporation's stock that is regularly traded on an established securities market is a U.S. real property interest only when the shareholder holds more than 5% of the stock. According to the chief counsel, Section 897(c)(3) applies at the partnership level when a partnership holds stock directly in a USRPHC.

U.S. Chamber Calls for Restoring Depreciation, Amortization Addback

The U.S. Chamber of Commerce submitted a [letter](#) to support proposed legislation that would revert a limitation in the calculation of adjusted taxable income for business interest expense purposes. Under the Tax Cuts and Jobs Act for tax years beginning in 2018, Section 163(j) was expanded more broadly to apply to more businesses, with the maximum deduction for business interest limited to a cap of 30% of a taxpayer's adjusted taxable income. The CARES Act temporarily raised this cap to 50% for 2019 and 2020, but it fell back to 30% in 2021.



[Christopher C. Scarpa](#)
215.564.8106 | cscarpa@stradley.com



[Jin Park](#)
212.812.4140 | jpark@stradley.com