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What Is the Status of U.S. Tax Reform?

According to a Reuters article (https://www.reuters.com/article/us-usa-tax-idUSKBN1AQ2QL), "The White House plans to release a brief document in early- to mid-September outlining a framework for overhauling the U.S. tax code …" It appears that the framework document will not be accompanied by legislation. According to the article, "Corporate lobbyists and independent analysts say tax legislation, if it can move forward at all, is unlikely to be approved before early 2018." Speculation is that tax reform would include cutting and simplifying individual taxes, repealing the estate tax and the alternative minimum tax, possibly repealing the deduction for state and local taxes, cutting corporate taxes, applying a special tax rate for "pass-through" businesses, and applying a special low tax rate to corporate profits parked abroad, along with adoption of a "territorial" tax system so that companies are no longer taxed on foreign profits. The "border adjustment" tax proposal appears to have been dropped. See our prior coverage here (http://www.stradley.com/insights/publications/2017/03/tax-insights-march-22-2017) and here (http://www.stradley.com/insights/publications/2017/04/tax-insights-april-26-2017).

IRS Rules on Qualifying Income of Publicly Traded Partnership

The IRS issued Private Letter Ruling 201732006 (https://www.irs.gov/pub/irs-wd/201732006.pdf) finding that gross income derived by a limited partnership from its petroleum-water mix services and fresh water distribution services relating to natural gas exploration and production constitutes qualifying income under Section 7704(d)(1)(E). (Section references are to the Internal Revenue Code of 1986, as amended.) The ruling does not apply, however, to income derived from delivery and transfer of fluids, including recycled produced water, where the limited partnership did not also collect and clean, recycle, or otherwise dispose of produced water and drilling production waste after use within the same geographic area.

No Further Extension of Time for 1098-T Reporting

The IRS informed the National Association of College and University Business Officers (http://www.nacubo.org/Business_and_Policy_Areas/Tax/Tax_News/1098-T_Box_1_Will_Be_Required_for_Tax_Year_2018_Reporting.html) (NACUBO) that no more extensions are planned for colleges and universities to comply with a statutory change for filing Form 1098-T, Tuition Statement (reporting amounts billed for tuition and related expenses). NACUBO had requested that the IRS again delay implementation of the rules, which require that schools filing the 2018 form, used by students claiming the American opportunity tax credit, complete Box 1, "Payments received for qualified tuition and related expenses." The "amounts billed" option in Box 2 will no longer be available, although schools can still choose Box 2 for 2017. See our prior coverage here (http://www.stradley.com/insights/publications/2016/tax-insights-2016/tax-insights-may-4-2016).

AICPA and NYSBA Suggest Changes to Proposed Partnership Audit Regulations

The American Institute of Certified Public Accountants has suggested changes to the proposed partnership audit regulations (http://www.aicpa.org/Advocacy/Tax/DownloadableDocuments/AICPA-Comment-Letter-on-Centralized-Partnership-Audit-Regime.pdf) and has identified areas that need clarification, including the partner-level penalty defenses, the option to elect out for some partnerships, and the procedures for appointing and replacing a partnership representative. The New York State Bar Association's suggestions can be found here (http://www.stradley.com/~/media/Files/Publications/2017/08/Tax%20Insights%20-%208%2023%2017%20Article.pdf).