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## IRS Issues Final Regulations on Self-employment Tax of Partners in Partnership

IRS has issued final regulations (<https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-14121.pdf>) that provide that partners in a partnership that owns a disregarded entity are not employees of the disregarded entity for employment tax purposes and are, instead, subject to self-employment tax. On May 4, 2016, temporary regulations (T.D. 9766) clarifying the employment tax treatment of partners in a partnership that owns a disregarded entity were published in the Federal Register (81 FR 26693, as corrected July 5, 2016, at 81 FR 43488). Prior to the publication of the temporary regulations, the regulations did not explicitly address situations in which the owner of a disregarded entity is a partnership, and the Treasury Department and the IRS had been informed that some taxpayers were reading the regulations to permit the treatment of the individual partners in a partnership that owned a disregarded entity (either directly or through tiered partnerships) as employees of the disregarded entity. The Treasury Department and the IRS issued the temporary regulations to clarify that the rule that a disregarded entity is treated as a corporation for employment tax purposes does not apply to the self-employment tax treatment of any individuals who are partners in a partnership that owns a disregarded entity. The temporary regulations, like the final regulations they replaced, continued to explicitly provide that the owner of a disregarded entity who is treated as a sole proprietor for income tax purposes is subject to self-employment taxes.

## IRS Issues Proposed Regulations on Computing Excise Tax on Colleges and Universities

The IRS has issued proposed reliance regulations (<https://www.federalregister.gov/documents/2019/07/03/2019-13935/guidance-on-the-determination-of-the-section-4968-excise-tax-applicable-to-certain-private-colleges>) for determining the 1.4% excise tax on the net investment income of certain private colleges and universities, and related organizations, under Section 4968. (Section references are to the Internal Revenue Code of 1986, as amended.) Section 4968 imposes on each applicable educational institution an excise tax equal to 1.4% of the institution's net investment income, and of net investment income of certain related organizations, for the tax year. An applicable educational institution is an eligible educational institution (as defined in Section 25A(f)(2)) which during the preceding tax year had at least 500 tuition-paying students, more than 50% of whom were located in the U.S.; is not a state college or university; and had assets (other than those assets used directly in carrying out the institution's exempt purpose) the aggregate fair market value of which was at least \$500,000 per student of the institution.

## IRS FATCA FAQs Explain QI/WP/WT Certification and Periodic Review Requirements

The IRS has revised its general frequently asked questions (FAQs) (<https://www.irs.gov/businesses/corporations/frequently-asked-questions-faqs-fatca-compliance-legal>) on the Foreign Account Tax Compliance Act (FATCA) on Qualified Intermediaries, Withholding Foreign Partnerships, and Withholding Foreign Trusts. The revisions focus on certification and periodic review requirements.

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## Pennsylvania Bill Allows Vendors to Advertise They Will Absorb Sales Tax

Pennsylvania has enacted a tax bill ([https://www.legis.state.pa.us/cfdocs/billInfo/bill\\_history.cfm?year=2019&sind=0&body=H&type=B&bn=262](https://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?year=2019&sind=0&body=H&type=B&bn=262)) that updates and expands the marketplace seller provisions of Act 43 of 2018, allows vendors to advertise that they will absorb the sales tax and adds various sales tax exemptions. The Act also makes various changes to the personal income tax provisions, lowers the minimum investment for purposes of the manufacturing innovation and reinvestment deduction, modifies calculation of the 6% tax on malt and brewed beverages, exempts transfers to children age 21 and younger from inheritance tax, and provides a surplus lines tax exemption for charter schools.

## Philadelphia Issues Outdoor Advertising Excise Tax Regulations

The Philadelphia Department of Revenue has promulgated regulations 101 through 501 (<http://regulations.phila-records.com/pdfs/Dept%20of%20Revenue%20Excise%20Tax%20on%20Outdoor%20Advertising%20Transactions%207-22-19.pdf>), to aid in the imposition and administration of the excise



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tax on outdoor advertising transactions. The regulations provide information on tax rates, and imposition of the tax; returns and payment (including when electronic payment is required); maintenance of records; and penalties and enforcement. The regulations were effective June 18. ■