

Tax Insights | February 24, 2022  
**Tracking Tax News You  
Need to Know**



### IRS Releases FAQs on Schedules K-2 and K-3

The IRS has [announced](#) additional details on transition relief for certain domestic partnerships and S corporations preparing new schedules K-2 and K-3. New schedules K-2 and K-3 improve reporting by standardizing international tax information to partners and flow-through investors and ease flow-through return preparation compliance by clarifying obligations and standardizing the format for reporting. The transition relief was released as part of [frequently asked questions \(FAQs\) on new Schedules K-2 and K-3](#), which expands upon the original penalty relief provided for in [Notice 2021-39](#).

### IRS Updates Voluntary Disclosure Form

The IRS has [announced](#) that it has updated Form 14457, Voluntary Disclosure Practice Preclearance Request and Application. The Form now includes a section on reporting virtual currency.

### TIGTA Releases Audit Report on QOZ Fund and Investor Noncompliance

The Treasury Inspector General for Tax Administration (TIGTA) has released an audit report titled "[Additional Actions Are Needed to Address Qualified Opportunity Zone Fund and Investor Noncompliance](#)." Qualified opportunity zone (QOZ) funds, added as part of the 2017 Tax Cuts and Jobs Acts, allow investors to defer certain gains when invested in the funds. The report outlines eight recommendations for the IRS to improve compliance with the program, of which the IRS agreed with six. Some of the recommendations include developing processes to decertify funds that intentionally do not comply with the requirements and to identify and address inaccurate and incomplete investor reporting. Until June 30, 2021, Philadelphia temporarily waived the legal nexus threshold, which considers the presence of employees working temporarily from home within Philadelphia as establishing sufficient nexus for out-of-Philadelphia businesses. This waiver applied solely as a result of the COVID-19 pandemic. The Department noted that an entity is considered to have nexus for BIRT purposes when it has one or more employees conducting business activities on its behalf in Philadelphia. Therefore, an entity located outside of Philadelphia that has established a "remote workforce" in Philadelphia after June 30, 2021, will have nexus in 2021 based on the activities of the remote worker. The determination of what constitutes a "remote workforce" in Philadelphia is based on facts and circumstances such as official company policies regarding remote work arrangements and the nature and regularity of business activity in Philadelphia. With respect to nexus for the NPT, the determination of whether an entity is doing business in Philadelphia for NPT is a factual analysis to be made on a case-by-case basis.



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



[Jacquelyn Gordon](#)  
215.564.8176 | [jgordon@stradley.com](mailto:jgordon@stradley.com)