

Tax Insights | December 21, 2022

Tracking Tax News, You Need to Know



IRS Issues Guidance for Accounting of R&D Expenditure

The IRS issued [Rev. Proc. 2023-8](#), accounting guidance for research and development expenditure. In the guidance, the IRS detailed how companies should implement the new accounting method under Section 174, which changed as a result of a provision in the 2017 tax reform that requires companies to amortize their R&D costs over five years in 2022. According to the guidance, the change in Section 174 is automatic, and taxpayers would have to file paperwork by the end of 2022 to indicate an accounting method change if it were non-automatic.

IRS Finalizes Changes to Partnership Sale Withholding Agreement

The IRS has finalized its changes to the agreement under which brokers withhold taxes on foreign investors' sales of partnership interests. In [Rev. Proc. 2022-43](#), the IRS applied the changes to qualified intermediaries (QIs) that withhold taxes under Section 1446(a) and (f) on foreign investors' transfers of interests in publicly traded partnerships (PTPs) or their reception of distributions made by a PTP. QIs are also allowed to assume withholding on a payment-by-payment basis and may act as a disclosing QI by providing specific payee documentation to its withholding agent for payments of PTP distributions or amounts realized from the sale of a PTP interest.

IRS Considers Concerns over Passive Investment Rules

The IRS is actively working to finalize its regulations on passive foreign investment companies and partnership elections, an IRS official said at a conference. The [proposed rules](#) deal with domestic partnerships' income from PFICs, which are foreign companies that derive their income from passive sources like dividends and royalties. The proposed rules generally move toward attributing a partnership's assets and income to its individual partners.



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



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

www.stradley.com | Pennsylvania | Washington, DC | New York | New Jersey | Illinois | Delaware

This communication is provided as a general informational service to clients and friends of Stradley Ronon Stevens & Young, LLP. It should not be construed as, and does not constitute, legal advice on any specific matter, nor does this message create an attorney-client relationship. The enclosed materials may have been abridged from other sources. They are provided for educational and informational purposes for the use of clients and others who may be interested in the subject matter. This material may be considered attorney advertising in some states. Please note that the prior results discussed in the material do not guarantee similar outcomes.

