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## IRS Issues Proposed Regulations Reducing Income for Certain Corporate CFC Shareholders

The IRS has issued proposed regulations (<https://www.irs.gov/pub/irs-drop/reg-114540-18.pdf>) under Section 956 that reduce the income included thereunder for certain corporate U.S. shareholders. (Section references are to the Internal Revenue Code of 1986, as amended.) A U.S. shareholder of a controlled foreign corporation (CFC) must include in gross income for the current tax year the shareholder's pro rata share of certain items attributable to the CFC, which includes the amount determined under Section 956. The amount determined under Section 956 with respect to a U.S. shareholder for the tax year is based on the shareholder's pro rata share of the lesser of (i) the excess, if any of, the average amount of "U.S. property" held by the CFC during the tax year over the amount of earnings and profits with respect to such shareholder or (ii) the applicable earnings of the CFC. The section has historically been applied broadly to corporate U.S. shareholders and caused dividends from, and investments in, U.S. property by CFCs to be included in the income of domestic corporate shareholders. Under the participation exemption system enacted by the Tax Cuts and Jobs Act (TCJA), repatriated earnings of a CFC that are treated as a dividend to a corporate U.S. shareholder are eligible for the dividends received deduction under Section 245A. However, inclusion of income under Section 956 is not eligible for the dividends received deduction under Section 245A. Therefore, to avoid such inconsistencies, the proposed regulations generally provide that the amount determined under Section 956 is reduced to the extent that a U.S. corporate shareholder of a CFC would be allowed a dividends received deduction under Section 245A if the U.S. shareholder had received a distribution from the CFC in an amount equal to the amount otherwise determined under section 956. Section 956 will still apply to individual shareholders of CFCs.

## IRS Announces FATCA and Other Audit Compliance Campaigns

The Large Business and International Division of the IRS announced (<https://www.irs.gov/businesses/irs-announces-the-identification-and-selection-of-five-large-business-and-international-compliance-campaigns-1>) the approval of five additional compliance campaigns that are areas of focus for the division, which audits businesses with assets of more than \$10 million. The five new compliance campaigns are focused on:

1. Taxpayers who have claimed the foreign tax credit, but do not meet the requirements;
2. Taxpayers who engaged offshore service providers that facilitated tax avoidance or evasion;
3. Taxpayers who do not meet all of their compliance responsibilities under the Foreign Account Tax Compliance Act (FATCA);
4. Foreign taxpayers that are required to file form 1120-F, Income Tax Return of a Foreign Corporation, but fail to do so timely and accurately; and
5. Reducing the burdens associated with accurately claiming the Work Opportunity Tax Credit.

## IRS Releases Guidance on Tax Reform for Individuals and Businesses

The IRS, in a news release (<https://www.irs.gov/newsroom/get-ready-for-taxes-learn-how-the-new-tax-law-affects-tax-returns-next-year>), has notified taxpayers about new Publication 5307 (<https://www.irs.gov/pub/irs-pdf/p5307.pdf>), Tax Reform Basics for Individuals and

Families, which provides guidance to individuals about the tax reform measures from the TCJA. Additionally, the IRS has posted a chart (<https://www.irs.gov/newsroom/tax-cuts-and-jobs-act-a-comparison-for-businesses>) showing the side-by-side comparison of prior law and certain changes caused by the TCJA that affect businesses, such as changes to deductions, depreciation, expensing, tax credits and other tax items.

### New Jersey Issues Guidance on Taxation of Marketplace Facilitators

The New Jersey Division of Taxation has issued Technical Bulletin 83 (<https://www.state.nj.us/treasury/taxation/pdf/pubs/sales/tb83.pdf>), which provides guidance on the required sales tax registration, collection and remittance responsibilities of marketplace facilitators. A marketplace facilitator is a person who facilitates a retail sale of tangible personal property, specified digital products or taxable services through any physical or electronic marketplace owned, operated or controlled by such person.

### Pennsylvania Extends Filing Due Dates for Corporations Impacted by Hurricane Michael

The Pennsylvania Department of Revenue has announced (<https://www.revenue.pa.gov/GeneralTaxInformation/Tax%20>

[Types%20and%20Information/Corporation%20Taxes/Pages/Hurricane-Michael-Extension.aspx](#)) that it will extend certain filing deadlines for corporate taxpayers, PA S-corporations and PA partnerships directly impacted by Hurricane Michael. The PA DOR generally will follow the IRS's rules outlined in IR-2018-199 (<https://www.irs.gov/newsroom/irs-extends-oct-15-and-other-upcoming-deadlines-provides-expanded-tax-relief-for-victims-of-hurricane-michael>).



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