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## IRS Issues Proposed Regulations on Classification of Cloud and Digital Content Transactions

The IRS released proposed regulations (REG-130700-14) (<https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-17425.pdf>) under Section 861, regarding the classification of cloud and digital content transactions. Section 861 defines items of gross income that are treated as income from sources within the U.S. (Section references are to the Internal Revenue Code of 1986, as amended (the Code).) The proposed regulations clarify the treatment, under certain provisions of the Code, of income from transactions involving on-demand network access to computing and other similar resources. They provide rules for classifying a cloud transaction either as a provision of services or as a lease of property. They also extend the classification rules in existing Treasury Regulation Section 1.861-18 to transfers of digital content other than computer programs and clarify the source of income for certain transactions governed by existing Treasury Regulation Section 1.861-18.

## Eligible Taxpayers Get Automatic 2018 Estimated Tax Penalty Relief

The IRS released Information Release 2019-144 (<https://www.irs.gov/newsroom/irs-automatically-waives-estimated-tax-penalty-for-eligible-2018-tax-filers>), which provides that the relief it announced earlier this year, with respect to the individual taxpayer estimated tax penalty for 2018, will be automatically applied to taxpayers who filed their 2018 returns but did not claim the relief.

## IRS Posts 2020 Form W-4 Draft

The IRS posted a second draft of 2020 Form W-4, Employee's Withholding Certificate (<https://www.irs.gov/pub/irs-dft/fw4--dft.pdf>) and announced that the new form does not change the computation of withholding contained in the first draft and that there will be no substantive changes when the final version of the form is published. The IRS also provided information regarding Publication 15-T (<https://www.irs.gov/pub/irs-dft/p15t--dft.pdf>) (Federal Income Tax Withholding Methods).

## Massachusetts Issues Guidance on Deemed Repatriated Income and GILTI

The Massachusetts Department of Revenue has issued guidance (<https://www.mass.gov/technical-information-release/tir-19-11-legislation-impacting-the-massachusetts-tax-treatment-of>) explaining the impact of two enacted budget bills on the Massachusetts tax treatment of "deemed repatriated income" and other international provisions in the 2017 Tax Cuts and Jobs Act. The guidance also provides additional clarification regarding the reporting of the Section 78 gross-up associated with the income from such provisions.

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