

Stradley Ronon Stevens & Young, LLP
2005 Market Street
Suite 2600
Philadelphia, PA 19103-7018
215.564.8000 Telephone
215.564.8120 Facsimile
www.stradley.com

With other offices in:
Washington, D.C.
New York
New Jersey
Illinois
Delaware



www.meritas.org

Stradley Ronon is a member of Meritas, the premier global alliance of independent law firms. Meritas firms offer a full range of legal services to meet every client need.

Information contained in this publication should not be construed as legal advice or opinion or as a substitute for the advice of counsel. 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.

Copyright © 2021
Stradley Ronon Stevens & Young, LLP
All rights reserved.

IRS Announces Form 1042-S Data Integrity Tool

The IRS issued [IR 2021-223](#) announcing the availability of its Form 1042-S Data Integrity Tool. The tool performs a quality review before data is submitted to the IRS. The IRS will consider a withholding agent's use of the tool when making enforcement and penalty determinations.

The IRS's Form 1042-S Data Integrity Tool is designed to accept Form 1042-S data in common file formats. Individual Form 1042-S data also may be manually entered into a substitute Form 1042-S provided by the tool. After uploading or entering the Form 1042-S data, a user will receive a report indicating errors and potential errors. After receiving a data error report, the withholding agent is responsible for making changes to the data before submitting Forms 1042-S to the IRS. The tool can be used as many times as necessary on new or revised data.

Use of the tool is voluntary, but the IRS will take into account a withholding agent's use of the tool when making enforcement and penalty determinations. According to the IRS, it does not have access to any user data run through the tool.

IRS Revenue Procedures Address Taxability of PPP Loan Forgiveness

The IRS has issued three revenue procedures addressing the tax effects when a Paycheck Protection Program (PPP) loan is forgiven.

[Revenue Procedure 2021-48](#) provides that taxpayers may treat amounts that are excluded from gross income (tax-exempt income) in connection with the forgiveness of PPP loans as received or accrued:

1. as eligible expenses are paid or incurred,
2. when an application for PPP loan forgiveness is filed, or
3. when PPP loan forgiveness is granted.

To the extent tax-exempt income resulting from the forgiveness of a PPP loan is treated as gross receipts under a particular federal tax provision, the revenue procedure applies for purposes of determining the timing and, to the extent relevant, reporting of such gross receipts.

[Revenue Procedure 2021-49](#) provides guidance for partnerships and consolidated groups regarding amounts excluded from gross income and deductions relating to the PPP and certain other COVID-19 relief programs. More specifically, the Revenue Procedure provides guidance for partners and their partnerships regarding allocations under Section 704(b) and the corresponding adjustments to be made with respect to the partners' bases in their partnership interests under Section 705. (Section references are to the Internal Revenue Code of 1986, as amended.)

Revenue Procedure 2021-49 also provides guidance under Section 1502 and Treasury Regulation Section 1.1502-32 regarding the corresponding basis adjustments for stock

of subsidiary members of consolidated groups as a result of tax-exempt income arising from certain forgiven PPP loans, grant proceeds, or subsidized payment of certain principal, interest and fees.

[Revenue Procedure 2021-50](#) allows eligible partnerships subject to the centralized audit rules under the Bipartisan Budget Act (BBA partnerships) to file amended Forms 1065, U.S. Return of Partnership Income, and furnish amended Schedules K-1, Partner's Share of Income, Deductions, Credits, etc., on or before Dec. 31, to adopt the guidance set forth in Revenue Procedures 2021-48 and 2021-49 if certain requirements are met.



Christopher C. Scarpa



Jacquelyn Gordon

For more information, contact Christopher C. Scarpa at 215.564.8106 or cscarpa@stradley.com or Jacquelyn Gordon at 215.564.8176 or jgordon@stradley.com.