

Tax Insights | February 1, 2023
**Tracking Tax News,
You Need to Know**



Treasury and IRS Officials Comment on Stock Buyback Excise Tax

Treasury and IRS officials commented on the 1% stock buyback excise tax, clarifying the treatment of preferred stock transactions that preferred stock will be subject to the tax unless an exemption applies. According to the [guidance](#) released last December, a corporate stock repurchase and “economically similar” transactions, including acquisitive reorganizations, recapitalizing reorganizations under Section 368(a)(1)(E), transferor-corporation reorganizations under Section 368(a)(1)(F), split-offs and certain types of complete liquidations are subject to the excise tax. Also, the IRS and Treasury Department are revising the draft Form 720 and working on instructions for the excise tax on corporate stock repurchases. Companies need to report the excise taxes annually, after the end of the taxable year, on Form 720. (See prior [coverage](#).)

IRS Issues PLR on Corporate Group Split

The IRS issued [rulings](#) on the business split of a worldwide group where a controlled entity will contribute cash and issue debt securities to the U.S. parent. The parent will pay obligations and repurchase the shares of the controlled entities, distributing them to its shareholders. The IRS ruled that the contribution and distribution are a 368(a)(1)(D) reorganization, with both disturbing and controlled parties qualifying for no gain or loss recognition.

Pennsylvania Employer Withholding Information Guide Updated

The Pennsylvania Department of Revenue has updated the [Employer Withholding Information Guide](#), which is designed to help employers fulfill their withholding requirements. The guide provides information related to compensation, fringe benefits, business expenses, withholding calculations and others.



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



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