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## Parent Corporation Must Account for Bond Issuance Premium

In private letter ruling 201707006 (<https://www.irs.gov/pub/irs-wd/201707006.pdf>), the IRS ruled that a parent corporation must account for any bond issuance premium, in accordance with Treasury Regulations Section 1.163-13, arising from the issuance of its bonds in exchange for certain tendered bonds of which its wholly owned subsidiary was the obligor and that the subsidiary is entitled to a deduction, pursuant to Treasury Regulations Section 1.163-7(c), for any repurchase premium realized upon the deemed satisfaction of certain tendered bonds in the taxable year in which the deemed satisfaction occurred.

## Liquidation Sale of Assets Will Not Be Prohibited REIT Transaction

In private letter ruling 201707010 (<https://www.irs.gov/pub/irs-wd/201707010.pdf>), the IRS ruled that the sale by a real estate investment trust (REIT) of its interest in multifamily properties pursuant to the plan of liquidation will not constitute a prohibited transaction within the meaning of Section 857(b)(6) (section references are to the Internal Revenue Code of 1986, as amended). In reaching this conclusion, the IRS relied on the REIT's representations that it acquired the properties with the intent to hold the properties for a long-term period and to derive its profits from rental income and capital appreciation. Further, the REIT represented it intended to sell the properties because it intended to undergo a complete liquidation of all of its assets and a corporate dissolution, and that prior to the liquidation, the REIT did not intend to make numerous, extensive, continuous or substantial sales of properties. The REIT also represented that it sold and intended to continue to sell all the properties through third-party brokers and would not use the proceeds of the sales to invest in additional real estate assets.

## IRS Clarifies Reporting Requirements for Withholding Agents

The IRS has released a fact sheet (FS-2017-3, <https://www.irs.gov/uac/newsroom/irs-clarifies-form-1042-s-requirements-for-withholding-agents-outlines-common-errors>) that describes the changes and clarifications to Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, and the accompanying instructions, in an effort to assist withholding agents to more accurately report income and withholding information relating to payments made to nonresident alien recipients. The fact sheet includes descriptions of the common errors made by withholding agents and the new field for a unique identifying number.

## NYSBA Members Submit Comments on Derivatives Tax Discussion Draft

The New York State Bar Association (NYSBA) submitted a report ([http://www.nysba.org/Sections/Tax/Tax\\_Section\\_Reports/Tax\\_Reports\\_2017/Tax\\_Section\\_Report\\_1365.html](http://www.nysba.org/Sections/Tax/Tax_Section_Reports/Tax_Reports_2017/Tax_Section_Report_1365.html)) on the discussion draft of the Modernization of Derivatives Tax Act of 2016. The NYSBA continues to believe that a mark-to-market regime for derivatives could be a substantial improvement over current law. The NYSBA suggests that the regime be limited to actively traded derivatives and derivatives with respect to actively traded property, and provide workable rules for straddles

in which a derivative hedges underlying property.

### Virginia Establishes Tax Amnesty Program

Virginia H.B. 2246 (<https://lis.virginia.gov/cgi-bin/legp604.exe?171+sum+HB2246>) was signed into law and establishes the Virginia Tax Amnesty Program to be administered by the Department of Taxation (Department) during the 2017-2018 fiscal year for not less than 60 nor more than 75 days, as determined by the Tax Commissioner. The program will be open to any taxpayer who is required, but has failed, to file a return or to pay any tax administered by the Department. All civil or criminal penalties assessed or assessable and one-half of the interest assessed or assessable resulting from nonpayment, underpayment, nonreporting or underreporting of tax liabilities will be waived upon payment of the taxes and interest.



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