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IRS Removes Security-for-Debt Exchanges in Leveraged Spinoffs From No-Rule List

The IRS modified Revenue Procedure 2017-38, 2017-22 IRB (<https://www.irs.gov/pub/irs-drop/rp-17-38.pdf>), which sets forth the areas of the Internal Revenue Code in which it will not issue letter rulings or determination letters (no-rule areas). On and after May 9, the IRS will rule on whether Section 355 or Section 361 applies to a corporation's distribution of stock or securities of a controlled corporation in exchange for and in retirement of any putative debt of the distributing corporation if that debt is issued in anticipation of the distribution. (Section references are to the Internal Revenue Code of 1986, as amended (Code).) The issue had been under study awaiting resolution.

IRS Revokes Tax Exemption of Trade Association

The IRS issued Private Letter Ruling 201718040 (<https://www.irs.gov/pub/irs-wd/201718040.pdf>) revoking a Section 501(c)(6)'s tax-exempt status where the organization's activities were not directed to improvement of business conditions because its sole activity was to provide advertising services to its members, which consisted solely of franchisees of a particular brand operating in competition with other brands within the same industry.

IRS Rules on Self-Dealing Involving Job Training Program

The IRS issued Private Letter Ruling 201718002 (<https://www.irs.gov/pub/irs-wd/201718002.pdf>) stating that an exempt private foundation's program providing job training and education to at-risk and underserved youths in its community would not involve acts of self-dealing under Section 4941(d)(1) with respect to a company/disqualified person where there was no sale or exchange between the foundation and the company and any furnishing of goods or services by the company to the foundation was done without charge and used by the foundation exclusively for exempt purposes.

NYU Issues Guidance on Unincorporated Business Tax

The NYC Department of Finance has issued a Statement of Audit Procedure (New York City Statement of Audit Procedure No. 17-01-UBT (http://www1.nyc.gov/assets/finance/downloads/pdf/sap/sap_ubt_050517.pdf) (May 5, 2017)) that explains when adjustments to the basis of partnership assets pursuant to Section 734 (which provides the conditions for an adjustment to the basis of undistributed partnership property after a partnership distributes property to a partner) and Section 743 (which provides conditions for an adjustment to the basis of partnership property following the transfer of an interest in a partnership) will affect the calculation of unincorporated business taxable income in New York City. The department notes that distributions of partnership assets and transfers of partnership interests have different potential effects on unincorporated business taxable income because they trigger different federal income tax consequences under these Code sections.

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