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IRS Issues Guidance on Regulations for Burden Reduction

The IRS issued Notice 2017-38 (<https://www.irs.gov/pub/irs-drop/n-17-38.pdf>) in response to an executive order instructing Treasury to review all significant tax regulations issued after Dec. 31, 2015. The notice identifies eight regulations to which Treasury intends to propose reforms to mitigate the burdens of those regulations. The April 21 executive order required a 60-day interim report identifying regulations that impose an undue financial burden on U.S. taxpayers, add undue complexity to the federal tax laws or exceed the IRS's statutory authority. A final report recommending specific actions to mitigate the burden imposed by regulations identified in the interim report must be submitted by Sept. 18. Eight regulations that Treasury identified as meeting at least one of the first two criteria specified in the executive order are:

- Proposed Section 103 regulations on the definition of political subdivision (REG-129067-15) (section references are to the Internal Revenue Code of 1986, as amended).
- Temporary Section 337(d) regulations on certain transfers of property to RICs and REITs (T.D. 9770).
- Final Section 7602 regulations on the participation of a person described in Section 6103(n) in a summons interview (T.D. 9778).
- Proposed Section 2704 regulations on restrictions on liquidation of an interest for estate, gift and generation-skipping transfer taxes (REG-163113-02).
- Temporary Section 752 regulations on liabilities recognized as recourse partnership liabilities (T.D. 9788).
- Final and temporary regulations (T.D. 9790) under Section 385 on the treatment of certain interests in corporations as stock or indebtedness.
- Final Section 987 regulations (T.D. 9794) on income and currency gain or loss with respect to a Section 987 qualified business unit.
- Final Section 367 regulations (T.D. 9803) on the treatment of certain transfers of property to foreign corporations.

Comments are requested on whether the regulations described in the guidance should be rescinded or modified, and in the latter case, how the regulations should be modified to reduce burdens and complexity. Comments are due by Aug. 7.

IRS Issues Memo Regarding Early Application of New Partnership Audit Rules

The IRS's Large Business and International and Small Business/Self-Employed divisions have issued a memo to their auditors (<https://www.irs.gov/pub/foia/ig/spder/lbi-04-0617-003.pdf>) setting out various rules and procedures that apply when a partnership elects to be subject to the Bipartisan Budget Act's centralized partnership audit regime for tax periods between Nov. 2, 2015, and Jan. 1, 2018 (see our prior coverage here (<http://www.stradley.com/insights/publications/2017/06/tax-insights-june-14-2017>) and here (<http://www.stradley.com/insights/>)).

[publications/2017/01/tax-insights-january-25-2017](#))).

IRS Issues Guidance on Substitute Agent on Termination of Parent of Consolidated Group

In Legal Advice Issued by Field Attorneys (20172501F (<https://www.irs.gov/pub/irs-lafa/20172501f.pdf>)), the IRS identified the entities that could be designated as a substitute agent for tax years beginning before April 1, 2015, where the existence of the parent of a consolidated group terminates in a merger and an agent is necessary to execute a Form 872 (Consent to Extend the Time to Assess Tax) to extend the statute of limitations.

IRS Issues Final Versions of Country-by-Country Report, Schedule and Instructions

The IRS has issued final versions of Form 8975 (<https://www.irs.gov/pub/irs-pdf/f8975.pdf>), Country-by-Country Report, Schedule A (<https://www.irs.gov/pub/irs-pdf/f8975sa.pdf>) to that form, and the accompanying instructions. Country-by-country (CbC) reporting is generally required by ultimate parent entities of U.S. multinational enterprise groups for tax years beginning on or after June 30, 2016.

IRS Releases CbC Reporting Pages

The IRS announced (IR 2017-116 (<https://www.irs.gov/uac/newsroom/irs-launches-country-by-country-reporting-pages-on-irs-gov>)) the launch of CbC reporting pages on IRS.gov (<https://www.irs.gov/businesses/country-by-country-reporting-guidance>) providing background information on CbC reporting, FAQs and other resources, including a list of jurisdictions that have concluded Competent Authority Arrangements with the U.S.

Pennsylvania Releases Common Level Ratios

The Pennsylvania Department of Revenue has issued new common level ratio real estate valuation factors for purposes of calculating realty transfer tax. (Pa. Bull. Doc. No. 17-1101, Pa. Bull. No. 17-1098, Vol. 47, No. 26, 07/01/2017 (<http://www.pabulletin.com/secure/data/vol47/47-26/47-26.pdf>)). These ratios, which are the



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mathematical reciprocals of the actual common level ratios, generally apply to documents accepted for filing from July 1, 2017, through June 30, 2018.

Updated FATCA FAQs Clarify FFI Agreement Renewal Requirements

The IRS has revised its general frequently asked questions on the Foreign Account Tax Compliance Act (<https://www.irs.gov/businesses/corporations/frequently-asked-questions-faqs-fatca-compliance-legal>) to provide additional guidance on renewing foreign financial institution agreements.

SIFMA Issues Comments on QI Agreement and QDD Requirements

The Securities Industry and Financial Markets Association has commented on the qualified intermediary withholding agreement (<http://www.stradley.com/~media/Files/Publications/2017/07/SIFMA%20Submits%20Comments%20to%20the%20Treasury%20and%20IRS.pdf>) included in guidance that provides the requirements for qualified derivatives dealers, seeking changes to and clarification of those requirements and the requirements for qualified intermediaries.

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