

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

*Our firm is a member of Meritas – a worldwide business alliance of more than 180 law offices in 86 countries, offering high-quality legal services through a closely integrated group of independent, full-service law firms.*

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 © 2018  
Stradley Ronon Stevens & Young, LLP  
All rights reserved.

## IRS Releases Guidance on Remedial Actions for Nonqualified Use of Exempt Bonds

The IRS released Revenue Procedure 2018-26, 2018-18 IRB (<https://www.irs.gov/pub/irs-drop/rp-18-26.pdf>), which provides certain remedial actions that issuers of state and local tax-exempt bonds and other tax-advantaged bonds may take to preserve the tax-advantaged status of these bonds when nonqualified uses of the bond proceeds occur. Nonqualified use means a failure to spend proceeds of tax-advantaged bonds within any required expenditure period specified in the applicable Internal Revenue Code section and any use of expended proceeds of tax-advantaged bonds for a purpose other than a qualified use (i.e., a use required or permitted by the applicable Internal Revenue Code section).

## Court Rules State Grants Included in Partnership Income

The District Court for the Western District of New York held, in *Uniquist Delaware LLC* ([https://www.stradley.com/~media/Files/Publications/2018/04/cr\\_uniquist\\_delaware\\_uniland\\_holdings\\_v\\_usa\\_032718%20pdf.pdf](https://www.stradley.com/~media/Files/Publications/2018/04/cr_uniquist_delaware_uniland_holdings_v_usa_032718%20pdf.pdf)) (DC NY 3/27/2018), that a partnership must include in income \$11 million of state grants received to help restore and develop a property it owned. The grants were gross income, not a discount or rebate on the purchase of the property.

## Court Rules on Standard for Demonstrating FBAR Violation

The District Court for the District of Connecticut held, in *U.S. v. Garrity* ([https://ctd.uscourts.gov/cgi-bin/show\\_public\\_doc?2015cv0243-116](https://ctd.uscourts.gov/cgi-bin/show_public_doc?2015cv0243-116)), (DC CT, 4/3/2018), that the IRS may prove that the taxpayer failed to timely file a Report of Foreign Bank and Financial Accounts (FBAR) by a preponderance of the evidence instead of by a higher, clear and convincing evidence standard. The court also determined that the IRS could show willfulness on the taxpayer's part by proof of reckless conduct and did not need to show an intentional violation of a known legal duty.

## IRS Releases Publication on Calculation of Deemed Repatriation Transition Tax

The IRS has released Publication 5292 (How to Calculate Section 965 Amounts and Elections Available to Taxpayers) (<https://www.irs.gov/pub/irs-pdf/p5292.pdf>). Section 965, which was amended by the Tax Cuts and Job Act of 2017, requires certain foreign corporations to increase their subpart F income for their last tax year that begins before Jan. 1 by the amount of their deferred foreign income. Publication 5292 provides a workbook and instructions to assist in calculating "section 965 amounts" and also includes worksheets for taxpayers who may be able to make certain elections with respect to Section 965. (Section references are to the Internal Revenue Code of 1986, as amended (the Code).)

## IRS Issues Updated Transition Tax FAQ

The IRS has updated its list of frequently asked questions on the Section 965 transition tax (<https://www.irs.gov/newsroom/questions-and-answers-about-reporting-related-to-section-965-on-2017-tax-returns>), adding questions and answers on reporting obligations in connection with the new provision, on who can make an election and on the IRS's application of a taxpayer's 2017 estimated tax payments to net tax liability under Section 965.

## IRS Releases Additional International Practice Units

The IRS released additional international practice units on:

- Deductions of a foreign corporation engaged in a U.S. trade or business ([https://www.irs.gov/pub/default\\_path\\_no\\_value/jti\\_c\\_06\\_01\\_02\\_01r.pdf](https://www.irs.gov/pub/default_path_no_value/jti_c_06_01_02_01r.pdf)).
- How reduced foreign taxes under tax treaties affect a U.S. taxpayer's ability to claim the foreign tax credit.
- The statute of limitations on the assessment of tax ([https://www.irs.gov/pub/default\\_path\\_no\\_value/oar\\_c\\_13\\_04r.pdf](https://www.irs.gov/pub/default_path_no_value/oar_c_13_04r.pdf)) (addressing some of the exceptions to the general three-year limitation).

## Pennsylvania Releases Unclaimed Property Annual Reporting Booklet

The Pennsylvania Treasury released the Pennsylvania Unclaimed Property Annual Reporting Booklet for 2017 (<https://www.patreasury.gov/pdf/unclaimed-property/Holder-Reporting-Book.pdf>). The booklet informs businesses of their reporting obligations and includes mailing instructions, instructions on preparing reports of abandoned and unclaimed property (including information on who must report, dormancy periods, early remittance, reporting methods, negative reporting and due diligence guidelines), instructions on delivering securities to the state treasurer, and specific instructions on reporting and delivering tangible personal property.



**Christopher C. Scarpa**



**Kristin M. McKenna**

*For more information, contact Christopher C. Scarpa at 215.564.8106 or [cscarpa@stradley.com](mailto:cscarpa@stradley.com) or Kristin M. McKenna at 215.564.8145 or [kmckenna@stradley.com](mailto:kmckenna@stradley.com).*

## Stradley Ronon's Tax Practice Group

Todd C. Vanett, Chair	215.564.8070	<a href="mailto:tvannett@stradley.com">tvannett@stradley.com</a>
Zachary P. Alexander	215.564.8043	<a href="mailto:zalexander@stradley.com">zalexander@stradley.com</a>
Jacquelyn Gordon	215.564.8176	<a href="mailto:jgordon@stradley.com">jgordon@stradley.com</a>
Kristin M. McKenna	215.564.8145	<a href="mailto:kmckenna@stradley.com">kmckenna@stradley.com</a>
William R. Sasso	215.564.8045	<a href="mailto:wsasso@stradley.com">wsasso@stradley.com</a>
Christopher C. Scarpa	215.564.8106	<a href="mailto:cscarpa@stradley.com">cscarpa@stradley.com</a>