STRADLEY RONON

Tax Insights

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Tax Practice Group

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IRS Rules REIT's Share of Tax Revenues Are Qualifying Income

The IRS issued private letter ruling 201816002 (https://www.irs.gov/pub/irs-wd/201816002.pdf), in which it found that a REIT's right to receive funds from new city tax revenues related to a development project was a receivable under Section 856(c)(4), and qualifying income under Section 856(c)(2) and (3). (Section references are to the Internal Revenue Code of 1986, as amended.)

IRS Issues Fact Sheet Highlighting Depreciation and Expensing Under TCJA

The IRS issued a fact sheet (https://www.irs.gov/newsroom/new-rules-and-limitations-for-depreciation-and-expensing-under-the-tax-cuts-and-jobs-act) highlighting some of the new rules and limitations for depreciation and expensing under the Tax Cuts and Jobs Act (TCJA). The fact sheet covers a variety of topics, including rules that allow businesses to immediately expense more under the TCJA and the temporary 100 percent expensing for certain business assets (i.e., first-year bonus depreciation).

Virginia Establishes REIT Income Tax Subtraction

Virginia has passed a law (L. 2018, H365 (c. 821), effective July 1) that creates an individual and corporate income tax subtraction for income attributable to an investment in a "Virginia real estate investment trust" for investments made on or after Jan. 1, 2019, but before Dec. 31, 2024. The law defines a "Virginia real estate investment fund" as a real estate investment trust that has been certified by the Department of Taxation as a Virginia real estate investment trust where the trustee has registered the trust with the Department prior to Dec. 31, 2024, indicating that it intends to invest at least 90 percent of trust funds in Virginia and at least 40 percent of trust funds in real estate in localities that are distressed or double distressed.

Pennsylvania Issues Guidance on Repatriation Transition Tax

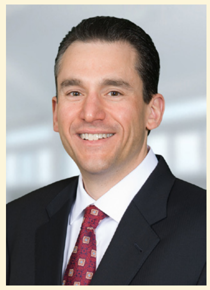
The Pennsylvania Department of Revenue has issued an information notice (http://www.revenue.pa.gov/GeneralTaxInformation/TaxLawPoliciesBulletinsNotices/Documents/Informational%20Notice%20-%20Corporation%20Taxes%20and%20Personal%20Income%20Tax%202018-1%20--%20Tax%20Cuts%20and%20Jobs%20Act%20of%202017.docx.pdf) providing guidance on how the repatriation transition tax (Section 965) enacted under the TCJA affects Pennsylvania corporate net income tax and Pennsylvania personal income tax. The TCJA requires certain U.S. taxpayers to recognize mandatory deemed repatriation income under Section 965.

NYC Department of Finance Issues Guidance on Treatment of Section 965 Income

The NYC Department of Finance has issued a finance memorandum (http://www1.nyc.gov/assets/finance/downloads/pdf/fm/2018/fm-18-4.pdf) offering guidance on tax considerations and late payment penalty relief for New York City taxpayers affected by Section 965 and subject to the General Corporation Tax, the Banking Corporation Tax and the Unincorporated Business Tax.

Maryland Enacts Single Sales Factor Apportionment

Maryland has adopted legislation enacting single sales factor apportionment for calculating Maryland corporate income tax. (L. 2018, H1794 (c. 342) and L. 2018, S1090 (c. 341), effective July 1 and applicable to all taxable years beginning after Dec. 31, 2017.) Beginning with tax year 2018, the single sales formula used to apportion income to Maryland will be phased in over a five-year period. By tax year 2022, all multistate corporations subject to income tax, with the exception of certain worldwide headquartered companies, will use a 100 percent sales factor.



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