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IRS Intends to Issue New Streamlined Regulations Regarding Certain Corporate Interests as Equity or Debt

The IRS has announced that it intends to issue proposed regulations (<https://www.federalregister.gov/documents/2019/11/04/2019-23819/the-treatment-of-certain-interests-in-corporations-as-stock-or-indebtedness>) regarding the treatment of certain interests in corporations as stock or indebtedness and requests comments from the public regarding the contemplated rules. In October 2016, the IRS issued final, proposed and temporary regulations under Section 385 that address the classification of certain related-party debt as debt or equity for federal income tax purposes. Temporary regulations §§ 1.385-3T and 1.385-4T (Distribution Regulations) treat as stock certain debt that is issued by a corporation to a controlling shareholder in a distribution or in another related-party transaction that achieves an economically similar result. The temporary regulations expired on Oct. 13, 2019.

The Distribution Regulations include a funding rule that treats as stock a debt instrument that is issued as part of a series of transactions that achieves a result similar to a distribution of a debt instrument. The Treasury Department and the IRS intend to issue proposed regulations that modify the current funding rule and would apply the funding rule to a debt instrument only if its issuance has a sufficient factual connection to a distribution to a member of the taxpayer's expanded group or an economically similar transaction (for example, when the funding transaction and distribution or economically similar transaction are pursuant to an integrated plan). Taxpayers may continue to rely on the 2016 regulations until further notice is given, provided that the taxpayer consistently applies the rules in their entirety.

IRS Removes Documentation Requirements From Section 385 Regulations

The IRS has removed the requirement in Section 385 Treasury Regulations (<https://www.federalregister.gov/documents/2019/11/04/2019-23817/removal-of-section-385-documentation-regulations>) that sets forth minimum documentation requirements for certain related-party interests in a corporation to be treated as indebtedness for federal income tax purposes. The removal was made pursuant to executive order 13789, issued in 2017, which instructed the Treasury Secretary to review recently issued regulations and alleviate the burden of regulations that impose a financial burden on taxpayers, add undue complexity or exceed the statutory authority of the IRS.

IRS Issues Notice to Chief Counsel Attorneys on Virtual Currency Issues

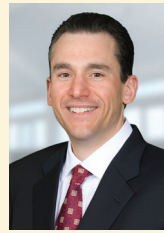
The IRS, in Chief Counsel Notice 2020-003 (<https://www.irs.gov/pub/irs-ccdm/cc-2020-003.pdf>), issued guidance to IRS Office of the Chief Counsel attorneys for working on and coordinating cases involving issues with virtual currency (e.g., digital assets, digital currency, crypto assets and cryptocurrency). The Chief Counsel Notice refers to Notice 2014-21, in which the IRS concluded that virtual currency is treated as property for federal income tax purposes. "Virtual currency" is a general term that means "a digital representation of value that functions as a medium of exchange, a unit of account or a store of value."

IRS Urges Tax Professionals to Renew PTINs

The IRS reminded tax professionals that current preparer tax identification numbers (PTINs) will expire at the end of 2019 and that all return preparers who intend to prepare returns in 2020 will need to renew their PTINs.

Illinois Issues Ruling Holding That Investment Advisory Services Can Be Sourced to the Office to Which the Services Are Billed

The Illinois Department of Revenue has issued a pair of private letter rulings (IT 19-0001-PLR (<https://www2.illinois.gov/rev/research/legalinformation/lett rulings/it/Documents/2019/IT19-0001-PLR.pdf>) and IT 19-0002-PLR (<https://www2.illinois.gov/rev/research/legalinformation/lett rulings/it/Documents/2019/IT19-0002-PLR.pdf>)) holding that a taxpayer who provides investment advisory services to an investment fund can source such services to the office of the fund to which the services are billed. Illinois law states that gross receipts from the performance of services provided to a corporation, partnership or trust may be attributed only to a state where that corporation, partnership or trust has a fixed place of business. However, if the state where the services are received is not readily determinable, i.e., there is no fixed place of business, then the services shall be deemed to be received at the location



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of the office of the customer from which the services were ordered in the regular course of the customer's trade or business or, if that cannot be determined, the office of the customer to which the services are billed. The letter request indicated that the ordering office could not be determined, so the investment advisory services shall be deemed to be received at the office of the customer to which the services are billed.