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IRS Issues Final Regulations on Sourcing Income From Sales of U.S.-Produced Inventory

The IRS issued [final regulations \(TD 9921\)](#) on sourcing income from sales of U.S.-produced inventory sold outside U.S. and vice versa. The final regulations also contain new rules for determining the source of income from sales of personal property (including inventory) by nonresidents that are attributable to an office or other fixed place of business that the nonresident maintains in the U.S. Finally, the final regulations modify certain rules for determining whether foreign source income is effectively connected with the conduct of a trade or business within the U.S. The regulations reflect changes made to Section 863 by the 2017 Tax Cuts and Jobs Act (TCJA). The final regulations adopt proposed regulations issued in December 2019 with modifications.

IRS Issues Final Regulations Regarding Qualified Transportation Fringe Benefits

The IRS issued [final regulations \(TD 9939\)](#) intended to address the elimination of the deduction under Section 274 for commuting benefits provided by employers to employees. (Section references are to the Internal Revenue Code of 1986, as amended.) The deduction was eliminated for tax years after 2017 by the TCJA. Proposed regulations issued in June 2020 were adopted with modifications. [Notice 2018-99, 2018-52 IRB 1067](#), which provided interim guidance for taxpayers to determine the amount of parking expenses that are nondeductible as qualified transportation fringes, is obsolete.

IRS's TE/GE and LB&I Divisions Extend Relaxed Document Request Guidelines

The IRS's Tax-Exempt and Government Entities (TE/GE) and Large Business & International (LB&I) Divisions each issued a memorandum (which can be found [here](#) and [here](#), respectively) extending its relaxed information document request (IDR) timelines for taxpayers who can't comply with IDRs because of the COVID-19 pandemic. The memo also says guidance regarding resumption of TE/GE exam activities will be effective until June 30.

IRS Publishes Study on High-Income Tax Returns for 2017

The IRS published its [annual study](#) providing detailed data on individual income tax returns for high-income taxpayers for the 2017 tax year. The study also looks at high-income, nontaxable returns and the reason for nontaxability.

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