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IRS Revises Receipt of Dividends or Interest from a Related CFC Practice Unit

The IRS has revised its Practice Unit “[Receipt of Dividends or Interest from a Related CFC](#).” The Practice Unit was revised to include the extension of the Section 954(c)(6) look-through rule for controlled foreign corporations (CFCs) with tax years beginning before Jan. 1, 2026. This extension was part of the Consolidated Appropriations Act of 2021. This Practice Unit supersedes Jan. 5, 2016, and Jan 28, 2020, Practice Units with the same title. (Section references are to the Internal Revenue Code of 1986, as amended.) The look-through rule under Section 954(c)(6) allows U.S. shareholders of CFCs to “reinvest” active foreign earnings of one CFC in a related CFC without current taxation, as long as the underlying income of the payor CFC would not otherwise have been subject to current U.S. taxation (i.e., as subpart F income or income effectively connected with a U.S. trade or business).

IRS Announces No Need to Amend 2020 Returns to Exclude Unemployment Compensation

The IRS [announced](#) (consistent with prior statements, see our coverage [here](#)) that it will take steps to automatically refund money this spring and summer to people who filed their tax returns reporting unemployment compensation before the recent changes made by the American Rescue Plan. The legislation allows taxpayers to exclude 2020 unemployment compensation of up to \$10,200 for single taxpayers (and \$20,400 for married filing jointly) from taxes for those who earned less than \$150,000 in modified adjusted gross.

IRS Announces Additional Tax Deadline Extensions

The IRS [announced](#) that [Notice 2021-21](#) extends the deadline from April 15, 2021, to May 17, 2021, to file claims for refund, make 2020 IRA contributions, 2020 HSA contributions and other certain tax items. Notice 2021-21 also postpones the due date for Form 5498 series returns related to these accounts to June 30, 2021.

Philadelphia DOR Releases Guidance on the Treatment of CARES Act Relief Payments

The City of Philadelphia Department of Revenue (Philadelphia DOR) released [guidance](#) stating that it will conform to the federal tax treatment of Provider Relief Fund Payments under the Coronavirus, Aid, Relief and Economic Security Act (CARES Act) and COVID-related grants from state and local governments. Both such payments are taxable income for the Philadelphia Business Income and Receipts Tax (BIRT), both Method I and II filers, and Net Profits Tax purposes. Provider Relief Fund Payments are also considered “Receipts” for the BIRT Gross Receipts Tax. Grants to businesses are generally included in “Receipts” for the BIRT Gross Receipts Tax if the recipient is expected to provide services. If there is no service component associated with a grant from a state and local government, such payment will be excluded from a taxpayer’s Receipts for the Gross Receipts Tax. The guidance also covers implications for Philadelphia Wage Tax.

Philadelphia DOR Releases Advisory Notice on Employee Business Expenses

The Philadelphia DOR issued an [Advisory Notice](#) stating that the City of Philadelphia generally will not conform with changes to the deductibility of employee business expenses under the 2017 Tax Cuts and Jobs Act, which eliminated most miscellaneous itemized deductions for individuals, including deductions for employee business expenses. In calculating the amount of employee compensation subject to the Philadelphia Income Tax

(City Wage Tax), Philadelphia allows a deduction for expenses directly connected with and incurred in the actual performance of an employee's services. Philadelphia will not conform with the federal changes and will continue to allow a deduction for expenses directly connected with employment that are ordinary, necessary, and reasonable.

NJ Division of Taxation Announces Filing Extension for Certain Forms

The New Jersey Division of Taxation has [announced](#), on its website, that the following forms and payments associated therewith can be filed by May 17, 2021, without penalty or interest: (1) PTE Election; (2) PTE-100 (tax return); (3) PTE-200-T (extension of time to file PTE-100) and (4) PTE Revocation of Election. The PTE-200-T is a six-month extension from March 15; therefore, the extended due date remains Sept. 15.



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