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IRS Issues Final Regulations on Corporate Distributions of Property

The IRS has issued final regulations ([TD 9954](#)) to reflect changes made to Section 301 by the Technical and Miscellaneous Revenue Act of 1988. (Section references are to the Internal Revenue Code of 1986, as amended.) The changes provide that the amount of distribution of property made by a corporation to its shareholder is the amount of money received plus the fair market value (FMV) of property received and that the basis of property received in a Section 301(a) distribution is the FMV of such property. Proposed regulations issued in 2019 were adopted with only clerical changes.

IRS Issue Snapshot Discusses Limits on Deducting Contributions to Combination Plans

The IRS issued an [Issue Snapshot](#) discussing the limitations on contribution deductions when an employer has both a defined contribution plan and a defined benefit plan (combination plans).

New Jersey Issues Announcement Extending the New Jersey CBT Nexus Initiative

The New Jersey Division of Taxation has [announced](#) that the Combined Reporting Initiative period, originally scheduled to expire on Oct. 15, 2021, is now extended to Jan. 3, 2022. The Division has been in the process of identifying companies that have been included as part of a combined group filing (CBT-100U return) and indicated that they have nexus with New Jersey but have not filed as a separate entity for periods prior to 2019. The Division will waive penalties for qualified companies that pay back corporation business tax (CBT) for certain years that they had nexus with New Jersey but failed to file as a separate entity. Companies that have had nexus with New Jersey prior to filing as part of combined return will have the opportunity to voluntarily comply with their CBT filing requirements. These companies are not eligible for a standard Voluntary Disclosure Agreement; however, the Division will consider entering into a Closing Agreement with approved companies. Under the agreement, the look-back period will be limited to the periods ending after June 30, 2016, or the date nexus was established with New Jersey, whichever is later. The taxpayer must file all required returns and remit payment of the reported CBT within 45 days of the execution of the agreement. The returns will be subject to audits.

Virginia Issues Guidelines Regarding Classification of Workers

The Virginia Department of Taxation has issued [guidance](#) concerning worker classification and the ramifications of misclassifying an employee as an independent contractor. Virginia assumes that an individual receiving remuneration for services rendered is an employee of the party that pays the remuneration unless the individual or employer can prove that the individual is an independent contractor pursuant to IRS guidelines. The applicable IRS guidelines focus on the degree of control and independence and fall into three categories: behavioral control, financial control and the type of relationship between the parties. Employers are prohibited from taking

actions that would result in the misclassification of an individual as an independent contractor and are subject to civil penalties if found to be in violation of classification guidelines. Additionally, employers with more than one misclassification violation will be banned from certain government contracts for a period of one to three years, depending on the number of audits in which the Department finds instances of misclassification. The Department is required to report annually to the Governor and the General Assembly information regarding compliance with and enforcement of the worker classification requirements.



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