

Tax Insights

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IRS Defers Applicability Date for Foreign Currency Regulations

The U.S. Department of the Treasury (Treasury) and the IRS, in Notice 2021-59, have announced that they intend to amend the regulations under Section 987 to defer the applicability date one year. (Section references are to the Internal Revenue Code of 1986, as amended.) Regulations under Section 987 were first published in 2016, both final regulations, and temporary/proposed regulations. In 2019, several of the temporary regulations published in 2016 were adopted as final and the remaining temporary regulations expired. The 2016 proposed regulations that were not finalized in 2019 are still outstanding. Prior notices deferred the applicability dates of the 2016 final regulations, certain related temporary regulations, and the 2019 final regulations. (See our prior coverage here.) In this Notice, the following regulations should be amended to apply to taxable years beginning after Dec. 7, 2022: Treas. Reg. Sections 1.861-9T, 1.985-5, 1.987-11, 1.988-1, 1.988-4 and 1.989(a)-1 of the 2016 final regulations and 1.987-2 and 1.987-4 of the related 2019 final regulations. The Notice provides that Treasury and the IRS do not intend to amend the applicability date of Treas. Reg. Section 1.987-12.

The Notice further provides that a taxpayer may choose to apply the 2016 final regulations, the related temporary regulations (until they were revoked on May 13, 2019, or expired on Dec. 6, 2019, as applicable), and the related 2019 final regulations (beginning on May 13, 2019) to taxable years beginning after Dec. 7, 2016, and before the amended applicability date provided, they are applied consistently by the taxpayer. However, a taxpayer and its related parties are not required to apply Treas. Reg. Section 1.987-7T of the related temporary regulations to any part of a taxable year ending on or after May 13, 2019.

IRS Issues Guidance on Multiemployer Defined Benefit Pension Plan Changes from the ARP

The IRS, in Notice 2021-57, provides guidance for sponsors of multiemployer defined benefit pension plans regarding the new elections and relief provided in the American Rescue Plan Act of 2021 (ARP) under Sections 431 and 432. The ARP changes permit plan sponsors to (i) elect to delay designating a plan as being endangered, critical, or critical and declining or to delay updating the plan's funding improvement plan or rehabilitation plan; (ii) elect to extend the plan's funding improvement period or the rehabilitation period and (iii) spread certain investment losses and other experience losses related to COVID-19 over a period of up to 30 years in determining charges to the funding standard account. The Notice discusses the mechanics of making the elections under (i) or (ii) above, including the applicable notice requirements, and the special rules that apply with regards to (iii) above.

IRS Releases Practice Unit on Uniform Capitalization Rules

The IRS has released a <u>practice unit</u> on Section 263A and the uniform capitalization rules. The practice unit discusses a reseller's uniform capitalization cost computations and the applicable tax law and audit steps. The practice unit focuses solely on the simplified production method. The practice unit does not discuss the Section 263A Treasury Regulations that were effective Nov. 20, 2018.

IRS Tax Exempt & Government Entities Release FY 2022 Program Letter

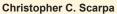
The IRS Tax Exempt & Government Entities Division has released its <u>fiscal year 2022</u> <u>program letter</u> which lists the division's priorities for the new fiscal year. The priorities

include (i) strengthen compliance activities, (ii) ensure awareness and collective understanding, (iii) improve operational efficiencies, (iv) leverage technology and data analytics, (v) maintain a taxpayer-focused organization and (vi) develop the workforce. These priorities align with the IRS's Strategic Goals.

Philadelphia DOR Announces Hurricane Ida Relief

The City of Philadelphia Department of Revenue has announced that it is extending the due date for certain returns due after Aug. 31, 2021 to Jan. 3, 2022 for taxpayers that were affected by Hurricane Ida. The extension applies to taxpayers who received an extension from the Commonwealth of Pennsylvania or the IRS for returns due after Aug. 31, 2021. The extension granted by the Philadelphia Department of Revenue applies to returns for Business Income and Receipts Tax, Net Profits Tax and School Income Tax for the 2020 tax year. The announcement also addresses guidance on lowinterest disaster loans from the Small Business Administration and the Merchants Fund disaster relief grants.







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