

Tax Insights | March 23, 2022
**Tracking Tax News,
You Need to Know**



Tax Court Rules U.S. Shareholder Must Use Same Method as CFC to Apportion Interest Expense

The U.S. Tax Court held, in [AptarGroup Inc.](#), that the U.S. shareholder of a controlled foreign corporation (CFC) had to use the same method to characterize the stock of the CFC that the corporation used to apportion its own interest expense. AptarGroup, a U.S. shareholder, owned stock in a CFC that apportioned interest expense under the modified gross income method set forth in Treasury Regulation Section 1.861-9T(j). AptarGroup claimed a foreign tax credit under Section 904 with respect to the tax imposed on its income from the CFC. To determine the amount of the foreign tax credit, AptarGroup characterized its stock in the CFC using the asset method set forth in Treasury Regulation Section 1.861-9T(g). The IRS issued a notice of deficiency to AptarGroup denying the foreign tax credit. The U.S. Tax Court was asked to decide whether AptarGroup must use the modified gross income method to characterize the stock of its CFC for purposes of computing the foreign tax credit, as that was the method the CFC used to apportion interest expense. The court held that AptarGroup's position is inconsistent with the proper application of Treasury Regulation Section 1.861-9T(f)(3)(iv), which requires the U.S. shareholder of a CFC to characterize the stock of the CFC using the same method the CFC used to apportion its interest expense.

IRS Extends Use of Teleconference Hearings for Private Activity Bonds Indefinitely

The IRS issued [Revenue Procedure 2022-20](#), in which it extended, indefinitely, the period during which the public approval requirement for tax-exempt qualified private activity bonds may be met through a teleconference hearing. Section 147(f) makes tax-exempt qualified private activity bonds subject to a public approval requirement. (Section references are to the Internal Revenue Code of 1986, as amended.) Generally, there must be a public hearing or a voter referendum. The IRS permitted, because of COVID-19, teleconference hearings to satisfy the public hearing requirement. The rule was subsequently extended until Sept. 30, 2021; however, Revenue Procedure 2022-20 extends the use of teleconference hearings to public hearings held on or after March 18.

continued on next page



[Christopher C. Scarpa](#)

Partner

215.564.8106

cscarpa@stradley.com

IRS Temporarily Suspends Prototype IRA Opinion Letter Program

The IRS issued [Announcement 2022-6](#), stating that, effective March 14, and until further notice, it will not accept applications for opinion letters on prototype IRAs (traditional, Roth and SIMPLE IRAs), SEPs (including salary reduction SEPs (SARSEPs)) and SIMPLE IRA plans. The suspension will allow the IRS to update the prototype IRA opinion letter program, issue revised model forms and Listings of Required Modifications and issue related published guidance to reflect recently enacted legislation. Adopters of prototype IRAs, SEPs and SIMPLE IRA plans may continue to rely on previously received favorable opinion letters, and sponsors of these plans are permitted to amend their documents to reflect recent legislation without affecting that reliance.

JCT Releases Bluebook for 116th Congress

The Joint Committee on Taxation published the [General Explanation of Tax Legislation Enacted in the 116th Congress](#) and dubbed the Bluebook, which is available only online.