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Tracking Tax News, You Need to Know

IRS Rules Deduction on Deferred Compensation To Be Allocated

The IRS ruled that a company cannot prevent deferred compensation that is granted before foreign-derived intangible income (FDII) took effect from lowering the benefit it derives from FDII. The ruling addresses the scope of benefits from FDII, a tax break enacted as part of the Tax Reform in 2017, which offered companies a lower tax rate on foreign income from intangible property held in the U.S. In the ruling, the IRS said that the deduction on the deferred compensation, which is the restricted stock units granted as part of the company's employee compensation before FDII was enacted and vested afterward, should be allocated based on the law when the compensation is recognized (in 2018) after FDII took effect. This will lower the portion of the company's income that qualifies for the FDII tax break.

SIFMA Raises Concerns About Partnership Tax-withholding Rules

The Securities Industry and Financial Markets Association (SIFMA) said in a comment letter that securities brokers do not have ready access to information on how non-US entities are classified for U.S. tax purposes, and therefore, it is hard for them to know for sure they are properly identifying all non-US publicly traded partnerships (PTP) subject to withholding. The IRS previously ruled in 2020 that Section 1446(f) requires a seller's broker to withhold 10% of gross proceeds in sales of PTP interests held by foreign investors. (Section references are to the Internal Revenue Code of 1986, as amended.) The rule would force brokers to be overly conservative in applying the withholding rules, SIFMA said in the comment letter. SIFMA is also concerned with a high administrative cost in applying the rules to delivery versus payment transactions, which requires that securities be delivered to the buyer only once a payment has been made.

JCT Publishes Document on Political and Lobbying Activities of Tax-exempt Organizations

The Joint Committee on Taxation has published a document on the federal tax treatment of political campaigns and lobbying activities of tax-exempt organizations. The document provides an overview of current rules governing the political campaigns and lobbying activities of tax-exempt organizations and a description of the disclosure rules applicable to such organizations. The document was prepared for use at a hearing of the taxation and IRS oversight subcommittee of the Senate Finance Committee on "Laws and Enforcement Governing the Political Activities of Tax-Exempt Entities."

Crypto Industry To Get Official Rules on Bitcoin Accounting

The Financial Accounting Standards Board (FASB) agreed to discuss how to recognize and measure digital assets, how to present them on company financial statements and whether it should be optional or mandatory. Currently, there is no FASB rule on how to account for digital assets. The crypto industry has asked FASB to consider measuring crypto assets at fair value to capture an asset's true value at a certain point in time.

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