

Tax Insights | July 14, 2022 Tracking Tax News, You Need to Know



AICPA Asks IRS To Allow Partnerships To Handle Partners' Compliance

The American Institute of CPAs said in a <u>comment letter</u> that the IRS should continue to allow partnerships to handle compliance obligations for their individual partners on passive foreign investment vehicles instead of requiring the holders to take the responsibility. The industry group said forcing individual holders of domestic partnerships to handle the filings would expose many taxpayers to a complex regime of rules that they are not familiar with. The AICPA commented on the IRS's proposed rules that would overhaul the rules on passive foreign investment companies (PFICs) that are foreign companies with passive income from the U.S. Under the IRS proposed rules, partners would be deemed to own a partnership's assets and would have to report their shares of its foreign income as part of their own. (See prior coverage.)

Whirlpool Seeks Supreme Court's Review of Foreign Income Dispute

Appliance manufacturer Whirlpool filed a <u>cert petition</u> to ask the U.S. Supreme Court to review its dispute with the IRS over the \$45 million income its subsidiary made in Luxembourg. Whirlpool argues that the appeals court inappropriately sided with the IRS in holding that the company owed taxes on the foreign income. Whirlpool has challenged the IRS's application of regulations under Section 954(d), under which the IRS determined that income from Whirlpool's Luxembourg branch qualified as taxable foreign base company sales income. (Section references are to the Internal Revenue Code of 1986, as amended.) Whirlpool's position is that the income is from manufacturing, not sales, and should not be subject to tax in the U.S. due to an arrangement with a Mexican subcontractor.

NFTs Subject To Sales, Gross Receipts Tax in Washington State

Washington State Department of Revenue has issued <u>guidance</u> to include nonfungible tokens (NFTs) into its tax code, specifying online marketplaces to collect and remit taxes to the state. According to the guidance statement, Washington State's 6.5% sales and use tax will be applied to transactions involving NFTs. Also, gross income from retail sales of NFTs will be subject to the State's Business & Occupation tax, a 0.471% tax on the gross receipts of the business.



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