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Tracking Tax News, You Need to Know

IRS Watchdog Finds One-Time Transition Tax Under TCJA Flawed

The Treasury Inspector General for Tax Administration found flaws in the way the IRS sought to collect a one-time tax from the 2017 tax reform, the Tax Cuts and Jobs Act (TCJA), in a report. Specifically, the IRS did not follow up with non-responsive taxpayers, failed to systematically identify non-compliant taxpayers and did not apply payments to the correct tax periods or miscoded them. The one-time transition tax, also known as the repatriation tax, was applied to certain untaxed foreign-sourced net income for assets held in foreign jurisdictions. The office made recommendations to the IRS as a result of its findings, including following up with non-responsive taxpayers and more closely tracking payments from businesses.

IRS Holds Forgiven but Ineligible Paycheck Protection Loan as Income

The IRS Chief Counsel's Office said that taxpayers who inaccurately represent that they are eligible for Paycheck Protection Program loan forgiveness and subsequently have their loan forgiven even though they do not meet the requirements cannot exclude their loan forgiveness from income in a memo. The Paycheck Protection Program was created as a pandemic-relief program where businesses could receive loans that could be fully forgiven if they were used to cover payroll expenses and certain other specified costs. The chief counsel's office said that the tax exclusion only applies to forgiveness for loans whose use satisfied the requirements concerning specified costs.

Some Advance Payments Found Not Acceptable Under Transfer Pricing Rules by IRS

The IRS said companies could not make advance payments of annual inclusions under the U.S. transfer pricing rules. The IRS Office of the Chief Counsel addressed a question about payments claimed to be made in respect and in advance of annual inclusions under Section 367(d)(2)(A)(ii)(I) in a memo. The rules do not permit taxpayers to choose to make the advance payments except in limited circumstances involving other property or money transferred by a transferee foreign corporation to a U.S. transferor in connection with an initial exchange of intangible property subject to Section 367(d), which deals with outbound transfers of intangible property.

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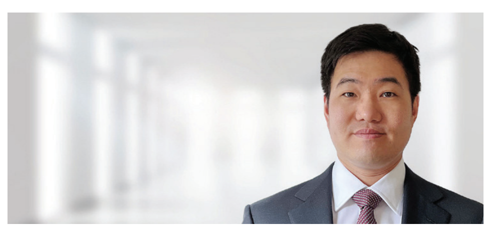

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