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Pilot Program Announced for Rulings Requested Under Section 355

The IRS released Revenue Procedure 2017-52; 2017-41 IRB 1 (<https://www.irs.gov/pub/irs-drop/rp-17-52.pdf>) to introduce a pilot program expanding the scope of letter rulings available from the IRS to include rulings on the tax consequences of a distribution of stock, or stock and securities, of a controlled corporation under Section 355. (Section references are to the Internal Revenue Code of 1986, as amended.) Although the IRS previously announced in Revenue Procedure 2013-32 that it will no longer rule on the tax consequences of various corporate transactions, including distributions intended to qualify under Section 355, the IRS reviewed its ruling program and determined that it should be expanded in a pilot program under the terms and conditions prescribed in the revenue procedure. The revenue procedure outlines steps that a taxpayer must follow to request a ruling that addresses the general federal income tax consequences of (i) a transaction intended to qualify under Sections 368(a)(1)(D) and 355, or (ii) a distribution that is intended to qualify under Sections 355(a) and 355(c) (a Transactional Ruling). The pilot program will apply to all ruling requests postmarked or, if not mailed, received by the IRS after Sept. 21, 2017 through March 21, 2019. A taxpayer may convert a pending ruling request postmarked or, if not mailed, received by the Service on or before Sept. 21 to a request for a Transactional Ruling under the revenue procedure by submitting the information and documentation required under the revenue procedure. However, all requests to convert pending ruling requests must be submitted on or before Nov. 20, and no extensions to submit a conversion request will be granted.

Closely Held REITs and RICs May Seek Stock Distribution Ruling

An IRS official stated at a recent conference that the IRS would consider a ruling request from a closely held REIT or RIC to treat some distributions of stock as dividends under Section 301. While these entities are seemingly excluded from the safe harbor rule in Revenue Procedure 2017-45 (see our prior coverage here (<http://www.stradley.com/insights/publications/2017/08/tax-insights-august-16-2017>)) that permits publicly offered REITs and RICs to request a stock distribution ruling, the IRS may still consider such a request from a closely held REIT or RIC, but stressed that true optionality regarding the form of the distribution (i.e., stock versus cash) must exist.

IRS Releases Proposed Regulations for Truncating SSNs on Forms W-2

To aid employers' efforts to protect employees from identity theft, the IRS released proposed regulations under Sections 6051 and 6052 (REG-105004-16 (<https://www.gpo.gov/fdsys/pkg/FR-2017-09-20/pdf/2017-19910.pdf>)) that would amend existing regulations to permit employers to voluntarily truncate employees' Social Security numbers (SSNs) on copies of Forms W-2, Wage and Tax Statement, that are furnished to employees, so that the truncated SSNs appear in the form of IRS truncated taxpayer

identification numbers. However, the proposed regulations would not permit the employer to truncate the SSNs in certain situations, e.g., on a Form W-2 filed with the Social Security Administration.

Kazakhstan-U.S. FATCA Agreement Available

The text is available of the agreement (<https://www.treasury.gov/resource-center/tax-policy/Documents/FATCA-Agreement-Kazakhstan-9-11-2017.pdf>) signed by Kazakhstan and the United States to improve international tax compliance and implement the information reporting and withholding tax provisions of FATCA.

IRS Releases Additional International Practice Units

The IRS released the following international practice units:

- High Value Services: Technical and Marketing Fees – Inbound (https://www.irs.gov/pub/int_practice_units/isi_t_06_05_02.pdf): analyzes transactions within a controlled group in which the U.S. subsidiaries provide services to other members of the group.



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- Competent Authority Revenue Procedure 2015-40 Guidance: US-Initiated Adjustments (https://www.irs.gov/pub/int_practice_units/iso_p_01_07_03_01.pdf): focuses on procedures for U.S.-initiated adjustments, i.e., adjustments made by the examiner concerning the taxable income reported by a U.S. company.

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