

Stradley Ronon Stevens & Young, LLP
2005 Market Street
Suite 2600
Philadelphia, PA 19103-7018
215.564.8000 Telephone
215.564.8120 Facsimile
www.stradley.com

With other offices in:
Washington, D.C.
New York
New Jersey
Illinois
Delaware



www.meritas.org

Our firm is a member of Meritas – a worldwide business alliance of more than 180 law offices in 86 countries, offering high-quality legal services through a closely integrated group of independent, full-service law firms.

Information contained in this publication should not be construed as legal advice or opinion or as a substitute for the advice of counsel. The enclosed materials may have been abridged from other sources. They are provided for educational and informational purposes for the use of clients and others who may be interested in the subject matter.

Copyright © 2017
Stradley Ronon Stevens & Young, LLP
All rights reserved.

IRS Finds Partnership's Allocation of Losses Limited to Capital Accounts

The IRS issued Chief Counsel Advice 201741018 (<https://www.irs.gov/pub/irs-wd/201741018.pdf>), in which it found that a joint venture's method of allocating its partnership losses to the partners lacked economic effect under Treasury Regulation Section 1.704-1(b)(2)(ii) and that the losses had to be reallocated in accordance with the partners' interests in the partnership. The IRS found that the equity partners to which the losses were allocated did not bear the economic burden for the loss allocations because they had no obligation to restore any shortfall in the event the joint venture liquidated. Therefore, the allocation of losses to them was limited to the amount of their positive capital account balances.

Applications for 2017 QI/WP/WT Agreements Due Soon

In its recent edition of "Qualified Intermediaries News (<https://content.govdelivery.com/accounts/USIRS/bulletins/1bdf8f1>)," the IRS reminds applicants that applications for qualified intermediary (including qualified derivatives dealer), withholding foreign partnership and withholding foreign trust status must be submitted through the Qualified Intermediary Application Account Management System no later than Nov. 17 if a party wishes to have an agreement in effect in 2017.

IRS Issues Rulings on REIT Qualifying Income

The IRS issued Private Letter Rulings 201742008 (<https://www.irs.gov/pub/irs-wd/201742008.pdf>), 201742009 (<https://www.irs.gov/pub/irs-wd/201742009.pdf>), 201742010 (<https://www.irs.gov/pub/irs-wd/201742010.pdf>), 201742011 (<https://www.irs.gov/pub/irs-wd/201742011.pdf>), 201742012 (<https://www.irs.gov/pub/irs-wd/201742012.pdf>) and 201742013 (<https://www.irs.gov/pub/irs-wd/201742013.pdf>), ruling that income from the base solar incentive amount that a real estate investment trust receives from a city utility's solar incentive program is considered qualifying income for purposes of Sections 856(c)(2) and (c)(3). (Section references are to the Internal Revenue Code of 1986, as amended.)

IRS Withdraws Proposed Regulations Defining Political Subdivision

The IRS has withdrawn proposed regulations on the definition of political subdivision (<https://www.federalregister.gov/documents/2017/10/20/2017-22777/definition-of-political-subdivision>) for purposes of tax-exempt bonds. (See our prior coverage here (<http://www.stradley.com/insights/publications/2017/10/tax-insights-october-11-2017>)).

IRS Announces Pension Plan Limitations for 2018

The IRS issued Notice 2017-64; 2017-45 IRB 1 (<https://www.irs.gov/pub/irs-drop/n-17-64.pdf>) announcing the cost-of-living adjustments that affect dollar limitations for pension plans and other retirement-related items for the 2018 tax year. For example, the notice states that the contribution limit in 2018 for employees who participate in Section 401(k) plans, Section 403(b) plans, most Section 457 plans and the federal government's thrift savings plan is increased from \$18,000 to \$18,500. The catch-up contribution limit for employees age 50 and older remains unchanged at \$6,000, and the limit on annual contributions to an IRA remains unchanged at \$5,500.

IRS and Treasury Release 2017-2018 Priority Guidance Plan

The IRS and Treasury have released the text of the 2017-2018 priority guidance plan (<https://www.irs.gov/pub/irs-notice/20172018priorityguidanceplan.pdf>).

www.irs.gov/pub/irs-utl/2017-2018_pgp_initial.pdf), which provides guidance projects identified as priorities for the July 2017-June 2018 plan year, taking into account the burden-reducing policies and reforms described in executive orders 13789 and 13777. Among the items on the plan is guidance regarding application of the cure provisions under Section 851(i) for regulated investment companies and Sections 856(c)(7) and (g)(5) for real estate investment trusts.

ABA Tax Section Offers Additional Comments on Proposed Partnership Audit Regulations

The American Bar Association Section of Taxation has submitted comments on capital accounts and basis (<https://www.americanbar.org/content/dam/aba/administrative/taxation/policy/102017comments.authcheckdam.pdf>) as they relate to the newly proposed regulations implementing the revised partnership audit procedures.

IRPAC Recommends Changes for Information Reporting

The Information Reporting Program Advisory Committee, a federal advisory committee that provides an organized public forum for discussion of information-reporting issues, has

issued its annual report for 2017 (<https://www.irs.gov/tax-professionals/2017-irpac-public-report>) on new and continuing information-reporting issues. The report includes suggestions on how to improve processes, such as those for penalties and abatement requests. It also recommends enhancements to various reporting procedures and the truncation of Social Security numbers on Form W-2.



Christopher C. Scarpa



Kristin M. McKenna

For more information, contact Christopher C. Scarpa at 215.564.8106 or cscarpa@stradley.com or Kristin M. McKenna at 215.564.8145 or kmckenna@stradley.com.

Stradley Ronon's Tax Practice Group

Todd C. Vanett, Chair.....	215.564.8070	tvannett@stradley.com
Zachary P. Alexander	215.564.8043	zalexander@stradley.com
Jacquelyn Gordon	215.564.8176	jgordon@stradley.com
Kristin M. McKenna	215.564.8145	kmckenna@stradley.com
William R. Sasso	215.564.8045	wsasso@stradley.com
Christopher C. Scarpa	215.564.8106	cscarpa@stradley.com
Roger Wise.....	202.419.8436	rwise@stradley.com