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## IRS Issues CCA Highlighting Differences Between Payroll Agents and Payroll Service Providers

The IRS issued Chief Counsel Advice 201746023 (<https://www.irs.gov/pub/irs-wd/201746023.pdf>), which highlights the differences between a “Section 3504 agent” and a payroll service provider and explains how a Section 3504 agent can appoint a subagent. Section 3504 allows an employer to designate an agent to act on the employer’s behalf. The general procedures for requesting authorization to act as a Section 3504 agent are found in Revenue Procedure 70-6, 1970-1 CB 420. Generally, a request is made by filing Form 2678 (Employer/Payer Appointment of Agent), executed by the employer and the person the employer wishes to appoint as its Section 3504 agent. Some employers outsource their payroll- and employment-related tax duties to third-party payroll service providers (PSPs). Employers are still ultimately responsible for the payment of income tax withheld and both the employer and employee portions of Social Security and Medicare taxes. The IRS points out that, unlike with a Section 3504 agent, a PSP files employment tax returns using the employer identification number (EIN) of the employer and not its own EIN.

## IRS Revokes Exemption of Acute Care Hospital

The IRS revoked the tax-exempt status of an acute care hospital (<https://www.irs.gov/pub/irs-wd/201744019.pdf>), finding that it failed the operational test because it allowed an outside for-profit entity to have control over its hospital operations.

## IRS Addresses General Partner’s TMP Status

In emailed advice (<https://www.irs.gov/pub/irs-wd/201744018.pdf>), the IRS advised that an entity’s tax matters partner is whoever has authority to bind the entity under state law and that a general partner generally has authority to bind a partnership.

## IRS Releases Additional International Practice Units

The IRS released the following international practice units:

- Common ownership or control over another party for purposes of Section 482, from an inbound perspective ([https://www.irs.gov/pub/default\\_path\\_no\\_value/isi\\_c\\_06\\_02.pdf](https://www.irs.gov/pub/default_path_no_value/isi_c_06_02.pdf)).
- Common ownership or control over another party for purposes of Section 482, from an outbound perspective ([https://www.irs.gov/pub/default\\_path\\_no\\_value/iso\\_c\\_01\\_02.pdf](https://www.irs.gov/pub/default_path_no_value/iso_c_01_02.pdf)).
- Advance pricing agreements (APA) for tangible good transactions, focusing on an APA analysis for an inbound distributor ([https://www.irs.gov/pub/int\\_practice\\_units/isi\\_p\\_06\\_07\\_07.pdf](https://www.irs.gov/pub/int_practice_units/isi_p_06_07_07.pdf)).
- APAs for tangible good transactions, focusing on an APA analysis for an outbound distributor ([https://www.irs.gov/pub/int\\_practice\\_units/iso\\_p\\_01\\_05\\_04.pdf](https://www.irs.gov/pub/int_practice_units/iso_p_01_05_04.pdf)).

## IRS Releases Practice Unit on S Corporation Stock Basis Adjustments

The IRS released a practice unit ([https://www.irs.gov/pub/int\\_practice\\_units/sco\\_c\\_53\\_04\\_01\\_02\\_02.pdf](https://www.irs.gov/pub/int_practice_units/sco_c_53_04_01_02_02.pdf)) on stock basis adjustments, identifying items that increase and decrease an S corporation shareholder’s stock basis.

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