

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.

## Senate Passes Tax Cuts and Jobs Act

On Dec. 2, the Senate passed its version of the Tax Cuts and Jobs Act (<https://www.congress.gov/115/bills/hr1/BILLS-115hr1eas.pdf>) (Act), which, among other changes, includes a substitute amendment that retains the alternative minimum tax, increases the rates applicable to the deemed repatriation of offshore accumulated earnings and increases the deduction for pass-throughs. (See our prior coverage of the chair's mark of the Act here (<http://www.stradley.com/insights/publications/2017/11/tax-insights-november-15-2017>) and the manager's amendment here (<http://www.stradley.com/insights/publications/2017/11/tax-insights-november-22-2017>).) Specifically, the Act includes the following provisions/changes:

- The individual AMT exemption amounts and phaseout thresholds would be increased over current law, while the current-law corporate AMT would remain.
- The rates on the deemed repatriation of offshore accumulated earnings would be 14.5 percent for earnings held as cash and 7.5 percent for other earnings (rather than the initial proposed rates of 10 percent and 5 percent).
- The deduction on domestic qualified business income for pass-through businesses would be 23 percent (rather than the initial proposed rate of 17.4 percent).
- 100 percent expensing for qualified property would be phased out (rather than having it expire after 2022).
- State and local property taxes would be deductible up to \$10,000 (rather than complete elimination of the state and local tax deduction).
- Medical expenses in 2017 and 2018 would be deductible if the expenses exceed 7.5 percent of adjusted gross income (rather than complete repeal).
- The provision to eliminate catch-up contributions to retirement accounts for church, charity, school and public employees was removed.

On Dec. 4, the House voted to form a conference committee to work out differences between the two versions of the bill. See our prior coverage of the House bill as introduced (<https://stradley.admin.onenorth.com/sitecore/shell/Controls/Rich%20Text%20Editor//insights/publications/2017/11/tax-insights-november-8-2017>) and as amended (<https://stradley.admin.onenorth.com/sitecore/shell/Controls/Rich%20Text%20Editor//insights/publications/2017/11/tax-insights-november-15-2017>).

## Proposed Partnership Audit Regulations Address International Issues

The IRS released proposed regulations (REG-119337-17; 82 F.R. 56765-56779 (<https://www.gpo.gov/fdsys/pkg/FR-2017-11-30/pdf/2017-25740.pdf>)) implementing section 1101 of the Bipartisan Budget Act of 2015, which repeals the current rules governing partnership audits and replaces them with a new centralized partnership audit regime that, in general, assesses and collects tax at the partnership level. The proposed regulations address how certain international rules operate in the context of the centralized partnership audit regime, including

with respect to the withholding of tax on foreign persons, the withholding of tax to enforce reporting on certain foreign accounts and the treatment of creditable foreign tax expenditures of a partnership.

**Relief Extended for Partnership Returns to Elections and Other Acts**

The IRS released Notice 2017-71; 2017-51 IRB 1 (<https://www.irs.gov/pub/irs-drop/n-17-71.pdf>), providing that any act performed for the 2016 taxable year of a partnership, a real estate mortgage investment conduit, or an entity that may properly file a Form 1065 — such as a bank (with respect to the return of a common trust fund) or a religious or apostolic association or corporation — and in fact filed a Form 1065 will be treated as timely for all purposes under the Internal Revenue Code, except with respect to interest under Section 6601 (section references are to the Internal Revenue Code of 1986, as amended), provided the act would have been timely if the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 had not changed the due date for partnership returns. However, the entity will be liable for any interest due under Section 6601 from

the date prescribed for payment until the date the payment was actually made. Notice 2017-47, 2017-38 I.R.B. 232, is amplified, clarified and superseded. See our prior coverage of Notice 2017-47 here (<http://www.stradley.com/insights/publications/2017/09/tax-insights-september-13-2017>).



**Christopher C. Scarpa**



**Kristin M. McKenna**

*For more information, contact Christopher C. Scarpa at 215.564.8106 or [cscarpa@stradley.com](mailto:cscarpa@stradley.com) or Kristin M. McKenna at 215.564.8145 or [kmckenna@stradley.com](mailto:kmckenna@stradley.com).*

**Stradley Ronon’s Tax Practice Group**

Todd C. Vanett, Chair.....	215.564.8070	.....	tvanett@stradley.com
Zachary P. Alexander .....	215.564.8043	.....	zalexander@stradley.com
Jacquelyn Gordon .....	215.564.8176	.....	kgordon@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