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Valuation Safe Harbors Provided for Continuity of Interest Purposes

The IRS released Rev. Proc. 2018-12; 2018-6 IRB 1 (<https://www.irs.gov/pub/irs-drop/rp-18-12.pdf>), which provides methods that taxpayers may use to value certain stock received by a target corporation's shareholders in a potential reorganization for purposes of determining whether the continuity of interest requirement under Treasury Regulations Section 1.368-1(e) is satisfied. In the circumstances described in the revenue procedure (safe harbor), the IRS will not challenge a taxpayer's use of one of these methods to determine the value of such stock, in lieu of using the stock's actual trading price on a particular day. The available methods include (1) average of the daily volume-weighted average prices, (2) average of the average high-low daily prices and (3) average of the daily closing prices. In transactions to which the safe harbor does not apply, taxpayers may submit requests for rulings and determination letters to the IRS. The revenue procedure is effective with respect to transactions with an effective date on or after Jan. 23, 2018.

Congress Passes Stopgap Spending Bill

On Jan. 22, Congress passed H.R. 195, Federal Register Printing Savings Act of 2017 (<https://www.congress.gov/bill/115th-congress/house-bill/195/text>), to fund the federal government until Feb. 8. The bill extends the moratorium on the 2.3 percent medical device tax under the Affordable Care Act until 2020 and delays the implementation of the "Cadillac tax" on high-cost employer-sponsored health insurance plans from 2020 to 2022. It also imposes a one-year suspension of the annual fee on health insurers in 2019.



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