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## IRS Rules PTP's Failure to Meet Gross Income Requirements Is Inadvertent

In Private Letter Ruling 201819001 (<https://www.irs.gov/pub/irs-wd/201819001.pdf>), the IRS concluded that if a publicly traded partnership failed to meet the gross income requirements of Section 7704(c)(2) solely because of the Section 965 subpart F income inclusion (a change made by the Tax Cuts and Jobs Act), then such failure was inadvertent within the meaning of Section 7704(e). Therefore, pursuant to Section 7704(e), the publicly traded partnership will be treated as continuing to meet such gross income requirements, provided it otherwise does not fail the requirements of Section 7704(c)(2). Section references are to the Internal Revenue Code of 1986, as amended.

## IRS Releases Concept Unit on R&D Costs and Practice Units on Computing QREs and Disposition of Nonfunctional Currency

The IRS released a concept unit ([https://www.irs.gov/pub/irs-utl/gbc\\_c\\_272\\_07\\_01\\_01.pdf](https://www.irs.gov/pub/irs-utl/gbc_c_272_07_01_01.pdf)) that provides examiners an overview of Accounting Standards Codification (ASC) 730 Research and Development and how it relates to Sections 41 and 174. The IRS released a practice unit ([https://www.irs.gov/pub/irs-utl/gbc\\_p\\_272\\_07\\_01\\_02.pdf](https://www.irs.gov/pub/irs-utl/gbc_p_272_07_01_02.pdf)) explaining the directive issued by Large Business & International Division (LB&I) to provide an efficient manner for determining qualified research expenditures (QRE) and the five steps an LB&I taxpayer takes to adjust (for tax) the amount reported as the ASC 730 R&D costs on the certified audited financial statement in determining its QREs. The IRS also released an international practice unit ([https://www.irs.gov/pub/irs-utl/fcu\\_t\\_018\\_02\\_01\\_08.pdf](https://www.irs.gov/pub/irs-utl/fcu_t_018_02_01_08.pdf)) explaining how an examiner can determine whether a Section 988 disposition gain or loss reported on a taxpayer's U.S. federal income tax return is correctly computed.

## Treasury Publishes List of Countries Requiring Cooperation With Boycott

Treasury has published a current list (<https://www.federalregister.gov/documents/2018/05/16/2018-10373/list-of-countries-requiring-cooperation-with-an-international-boycott>) of countries that may require participation in or cooperation with an international boycott for purposes of Section 999(b)(3).

## Massachusetts Provides Penalty Relief for Corporations Affected by the Transition Tax on Deferred Foreign Earnings

The Massachusetts Department of Revenue has issued a technical information release (<https://www.mass.gov/technical-information-release/tir-18-4-estimated-tax-penalty-relief-for-corporations-affected-by>) stating that in the interest of efficient tax administration and in order to ease compliance for taxpayers, the Department of Revenue intends to waive any estimated tax penalties imposed under Massachusetts corporation excise liability to the extent an underpayment of estimated tax is attributable to Section 965.

## New York Tax Department Releases Discussion Draft of Unincorporated Business Tax

In follow-up to the Preliminary Report on the Federal Tax Cuts and Jobs Act that it released in January 2018, the New York State Department of Taxation and Finance released a discussion draft of legislation ([https://tax.ny.gov/pdf/stats/stat\\_pit/pit/unincorporated-business-tax-discussion-draft-summary.pdf](https://tax.ny.gov/pdf/stats/stat_pit/pit/unincorporated-business-tax-discussion-draft-summary.pdf)) that puts forward a statewide unincorporated business tax that

could preserve federal income tax deductibility for individuals on certain nonwage income while maintaining revenue levels for the state. The draft would apply a new business tax to partnerships doing business in New York, while it would create a corresponding tax credit for individual and corporate partners of those partnerships.



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