Weekly IRS Roundup February 17 – 21, 2020

Presented below is our summary of significant Internal Revenue Service (IRS) guidance and relevant tax matters for the week of February 17 – 21, 2020.

February 18, 2020: The IRS issued a revenue ruling providing various prescribed rates for federal income tax purposes for March 2020, including various applicable federal rates (AFRs) for purposes of IRC section 1274(d) and adjusted AFRs for purposes of IRC section 1288(b) and section 382(f). The revenue ruling also contains the federal rate to determine the present value of annuities and other future interests for purposes of IRC section 7520.

February 19, 2020: The IRS issued a revenue procedure establishing a safe harbor under which the IRS will treat partnerships as properly allocating, in accordance with IRC section 704(b), the credit for carbon oxide sequestration under IRC section 45Q. In a related news release, the IRS stated that the safe harbor is similar to the safe harbors developed for partnerships receiving the wind energy production tax credit and the rehabilitation credit. The safe harbor will be effective for transactions entered into on or after March 9, 2020, and provides rules that allow for prior transactions to qualify for similar treatment.

February 19, 2020: The IRS published final regulations that correct TD 9885, the base erosion and anti-abuse regulations that were published on December 6, 2019.
The amendments restructure the sentence addressing “a principal purpose” of avoiding a base erosion payment; the amendments also correct Treas. Reg. § 1.6038A-2(g) to say that returns must be included “on or after” June 7, 2021.

February 19, 2020: The IRS issued a notice providing guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used under IRC section 417(e)(3), and the 24-month average segment rates under IRC section 430(h) (2). The notice also provides guidance as to the interest rate on 30-year Treasury securities under IRC section 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under IRC section 431(c)(6)(E)(ii)(I).

February 19, 2020: The IRS issued a news release reporting that the J5 tax chiefs —leaders from five international tax organizations, including the IRS’ Criminal Investigations unit—met in Sydney this past week to review the J5’s progress in their fight against transnational crime. The J5 was formed upon the OECD’s suggestion and has recently engaged in a globally coordinated “day of action” against an international financial institution suspected of facilitating money laundering and tax evasion.

February 19, 2020: The Treasury and the Financial Crimes Enforcement Network (FinCEN) released a final rule to reflect inflation adjustments to its civil monetary penalties. The updated penalty adjustment table is listed in 31 CFR Section 1010.821, and it includes civil monetary penalties for various types of violations, including penalties for violations of Bank Secrecy Act requirements.

February 20, 2020: The IRS released draft instructions to Form 8978, Partner’s Additional Reporting Year Tax, to reflect changes to the audit procedures of partnerships under the 2015 BBA. Under IRC section 6226, a partnership may elect to have each reviewed year partner take into account the partner’s share of the partnership’s adjustments, instead of the partnership paying the imputed underpayment determined under Section 6221.

February 21, 2020: The IRS issued a publication explaining that Pub. 525, which discusses canceled debt that is excluded from income, should be corrected to clarify that debt discharged from principal residence indebtedness shall not be included in gross income, as required under the Further Consolidated Appropriations Act of 2020. The IRS stated that Pub. 525 will be reposted to reflect this information, but that neither the 2019 nor the 2018 version will be reprinted.

February 21, 2020: The IRS released its weekly list of written determinations (e.g., Private Letter Rulings, Technical Advice Memorandums and Chief Counsel Advice).

Special thanks to Jenni Saperstein in our Chicago office for this week’s roundup.

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