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Item for Thursday, July 30, 2020

IRS Issues Proposed Regulations on Small Business Taxpayer Exceptions: The IRS has issued proposed regulations that implement legislative changes to IRC Secs. 263A, 448, 460, and 471 that generally simplify the accounting method rules for certain businesses (other than tax shelters) with average annual gross receipts that do not exceed $25 million, adjusted for inflation. The proposed regulations also amend existing regulations under IRC Sec. 460 regarding the special accounting rules for long-term contracts to implement TCJA provisions that (1) repealed the corporate alternative minimum tax and (2) added the base erosion antiabuse tax under IRC Sec. 59A. The regulations are proposed to apply to tax years beginning on or after the date they are adopted as final. However, for tax years beginning after 12/31/17, and before the regulations are adopted as final, taxpayers may rely on the proposed regulations provided they follow all applicable rules for each Code provision they choose to apply. REG-132766-18 .

Items for Wednesday, July 29, 2020

IRS Issues Final and Proposed Regulations on Business Interest Expense Limit: The IRS has issued final regulations (TD 9905) on the business interest expense limit under IRC Sec. 163(j) . The regulations, which modify aspects of regulations proposed in 2018 (REG-106089-18), provide guidance on how to calculate the limit, what constitutes interest for purposes of the limit, which taxpayers and trades or businesses are subject to the limit, and how the limit applies in consolidated group, partnership, international, and other contexts. The IRS also has released additional proposed regulations (REG-107911-18) that address topics not covered in the final regulations, including more complex issues related to amendments made by the CARES Act. In addition to the regulations, the IRS has published some Frequently Asked Questions (FAQs) that provide a general overview of the Section 448(c)(2) aggregation rules, which are used to determine if a taxpayer's gross receipts are low enough to qualify for the Section 163(j) small business exemption. The FAQs are available at www.irs.gov/newsroom/faqs-regarding-the-aggregation-rules-under-section-448c2-that-apply-to-the-section-163j-small-business-exemption . News Release IR 2020-171 .

IRS Proposes Section 163(j) Safe Harbor for Qualified Residential Living Facilities: The IRS has released a Notice that contains a proposed Revenue Procedure addressing the treatment of qualified residential living facilities under IRC Sec. 163(j). Specifically, the proposed Revenue Procedure provides a safe harbor for a trade or business that manages or operates a qualified residential living facility to be treated as a real property trade or business solely for purposes of qualifying as an electing real property trade or business under IRC Sec. 163(j)(7)(B). A *qualified residential living facility* is one that (1) consists of multiple rental dwelling units within one or more buildings or structures that generally serve as primary residences on a permanent or semipermanent basis to individual customers or patients; (2) includes the provision of supplemental assistive, nursing, or other routine medical services; and (3) has an average period of customer or patient use of the individual rental dwelling units that is 90 days or more. The safe harbor is proposed to apply to tax years beginning after 12/31/17. Notice 2020-59 .

Item for Tuesday, July 28, 2020

IRS Issues Regulations on Recapture of COVID-19 Employment Tax Credits: The IRS has issued temporary regulations (TD 9904) on reconciling advance payments of refundable employment tax credits under the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act and recapturing the benefits of those credits when necessary. Specifically, the regulations provide that any credits claimed that exceed the amount to which an employer is entitled and that are actually credited or paid by the IRS are considered to be erroneous refunds of the credits. Such refunds are treated as underpayments of the taxes imposed under IRC Sec. 3111(a) or 3221(a) and authorize the IRS to assess any portion of the credits erroneously credited, paid, or refunded in excess of the amount allowed as if those amounts were tax liabilities subject to assessment and administrative collection procedures. The text of the temporary regulations also serves as the text of corresponding proposed regulations (REG-111879-20). News Release IR 2020-169.

Item for Monday, July 27, 2020

Security Summit Urges Tax Professionals to Review Key Security Steps: The Security Summit, a coalition of the IRS, state tax agencies, and the private sector tax industry, urges tax professionals to assess all of their critical security steps required to protect client data, whether they are working at the office or from a remote location. Security Summit partners recommend that tax professionals use the following basic "Security Six" protections to handle sensitive data: antivirus software, which performs both automatic and manual scans; firewalls; two-factor authentication; backup software and services; drive encryption; and an encrypted Virtual Private Network (VPN), which is considered critical for practitioners who work remotely. The Security Summit reminds tax professionals that their systems may be more vulnerable to cybercriminals during COVID-19, especially when working remotely. Therefore, practitioners should review their professional insurance policies to ensure their business is protected should a data theft occur. News Release IR 2020-167 .

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