UPDATES & OTHER TIDBITS

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PASSPORT DENIAL ROLL OUT

The I.R.S. announced it will slowly launch a passport denial program with the U.S. State Department beginning in January 2018. The roll out follows final rules, issued by the State Department in early September 2016, concerning passport denial and revocation requirements for individuals with seriously delinquent tax debts, as defined by the Fixing America's Surface Transportation ("F.A.S.T.") Act enacted in December 2015. As described in 26 U.S.C. 7345, a "seriously delinquent tax debt" is generally an assessment of $50,000 or more (including an interest and penalties) for which a lien or levy has been filed.

The launch will affect a randomly selected number of cases on which the I.R.S. will share data with the State Department and set up payment arrangements with taxpayers. The launch will be similar to the private tax debt collection program also created by the F.A.S.T. Act.

I.R.S. MAY END FAVORABLE RULINGS ON SOME TRANSACTIONS

On October 13, 2017, the I.R.S. announced it is rethinking its position on certain issues. The agency will rule more stringently on certain transactions, substantially scrutinizing the facts and circumstances and fully considering the legal issues and effect of a ruling on the tax administration, while others will no longer receive favorable treatment. Previous rulings will be unaffected.

Code §165(g)(3)(B) Worthless Stock Loss

The I.R.S. will no long rule on whether the character of gross receipts received by a consolidated group member in an intercompany transaction may be redetermined by reference to the character of the source funds possessed by the counter party to the intercompany transaction.

Code §355 Delayed Distributions

The I.R.S. will continue to rule on whether a delayed distribution to the distributing company's shareholders or creditors is tax free. However, these rulings will involve increased scrutiny and will not be based solely on the length of the delay.

Code §355 "Drop-Spin-Liquidate"

The I.R.S. will increase its scrutiny and analysis of "drop-spin-liquidate" transactions (*i.e.*, where corporations distribute assets to shareholders while liquidating into, or being acquired by, a parent company).

Code §§332 and 355 Reorganizations

The I.R.S. will increase its scrutiny and analysis of tax-free reorganizations that don't qualify under Code §§332 or 355 but result in a tax-free transfer of subsidiary assets to its corporate shareholder. These included cases where a corporate subsidiary converts into a non-corporate entity (*e.g.*, a limited liability company) that is treated as a disregarded entity owned by its parent, and as part of the same plan, the disregarded entity distributes a portion of its assets to the parent and then either elects to be taxed as a corporation or converts back into a corporation (either in the same state as the state of incorporation of the original subsidiary or a different state).