

MEMO# 31414

September 27, 2018

IRS Announces that Amended Section 451(b) Does Not Apply to Market Discount

[31414]

September 27, 2018 TO: ICI Members

Tax Committee SUBJECTS: Tax RE: IRS Announces that Amended Section 451(b) Does Not Apply to Market Discount

The Treasury Department and the Internal Revenue Service (IRS) have issued [Notice 2018-80](#) regarding the applicability of amended section 451(b) to market discount. The Notice states that the Treasury Department and the IRS intend to issue proposed regulations providing that accrued market discount is not includible in income under section 451(b). The guidance described in the notice will be applicable as of January 1, 2018.

Section 451(b) was amended in the tax legislation enacted at the end of 2017.^[1] As enacted, it was unclear whether the provision applied to market discount and original issue discount outside the context of certain fees. The Institute thus asked the government to clarify the scope of amended section 451(b).^[2]

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endnotes

^[1] See Institute Memorandum No. 30991, dated December 21, 2017, which can be found at: https://www.ici.org/my_ici/memorandum/memo30991.

^[2] See Institute Memorandum No. 31195, dated May 4, 2018, which can be found at: https://www.ici.org/my_ici/memorandum/memo31195.

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