

MEMO# 21473

August 14, 2007

IRS and Treasury Release 2007-2008 Priority Guidance Plan

[21473]

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TO: 529 PLAN MEMBERS No. 11-07
ACCOUNTING/TREASURERS MEMBERS No. 26-07
INTERNATIONAL MEMBERS No. 22-07
PENSION MEMBERS No. 48-07
TAX MEMBERS No. 34-07
TRANSFER AGENT ADVISORY COMMITTEE No. 47-07
VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 12-07 RE: IRS AND
TREASURY RELEASE 2007-2008 PRIORITY GUIDANCE PLAN

The Internal Revenue Service (the “IRS”) and the Treasury Department have released their 2007-2008 Priority Guidance Plan [\[1\]](#) listing their priorities for tax regulations and other administrative guidance through June 30, 2008. We are pleased to report that the following projects requested by the Institute [\[2\]](#) have been included on the plan:

Items of Interest to Funds and Fund Shareholders

- Guidance for regulated investment companies (“RICs”) concerning the application of section 1(h) to capital gain dividends.
- Guidance addressing the correction of minor errors by RICs and REITs.
- Final regulations simplifying the reporting to shareholders of RICs with respect to the flow-through of the foreign tax credit.
- Guidance regarding passive foreign investment corporations (PFICs) under section 1297.
- Guidance addressing the accrual of interest on nonperforming loans.
- Final regulations on notional principal contracts.

Education Savings Issues

- Regulations under section 529 regarding qualified tuition programs.

Retirement Savings Items

- Update of model notice under section 402(f) relating to eligible rollover distributions.
- Proposed regulations under section 411(a)(11) to provide a description of the consequences of failing to defer, as directed by the Pension Protection Act of 2006.
- Guidance on automatic enrollment under sections 414(w), 401(k)(13) and 401(m)(12), as added by the Pension Protection Act of 2006.

The 2007-2008 Priority Guidance Plan also includes numerous other projects that relate to funds, fund shareholders, and retirement savings. These projects include:

Items of Interest to Funds and Fund Shareholders

- Guidance regarding the recovery of basis in redemptions of corporate stock under section 301.
- Regulations regarding continuity of interest.
- Guidance under section 1286(f) regarding treatment of stripped interests in bond and preferred stock funds.
- Regulations under section 860G(b) regarding withholding obligations of partnerships allocating income from REMIC residual interests to foreign persons.
- Proposed regulations under section 664(c) to reflect the 2006 Tax Relief Act amendment concerning the effect of UBIT on charitable remainder trusts.
- Final regulations to expand the list of holders whose beneficial interests in an investment company, partnership, or trust do not prevent a segregated asset account from looking through to the assets of the investment company, partnership, or trust to satisfy the requirements of section 817(h).
- Guidance on documentation, securities lending, and other withholding issues under section 1441.
- Regulations under section 901 on foreign tax credit issues.
- Regulations and other guidance under section 482 on cost sharing and on the treatment of cross-border services.
- Guidance under treaties, including the zero percent reduced withholding rate on certain dividends.
- Announcements of Mutual Agreements under income tax conventions (MAPs).
- Guidance on cross-border information reporting and filing issues.
- Modification of Rev. Proc. 2003-84 regarding monthly closing elections for partnership investments in tax-exempt bonds to impose certain additional conditions on the equity investment structure of eligible partnerships.
- Final regulations under section 707 regarding disguised sales.
- Guidance on the treatment of wrap fees.
- Final regulations regarding mandatory Corporate E-File.
- Regulations and guidance under section 6011, 6111 and 6112 regarding reportable transactions.

- Guidance implementing amendments to the return preparer penalties.
- Revisions to Circular 230 regarding practice before the IRS.

Retirement Savings Items

- Update of Employee Plans Compliance Resolution System (EPCRS).
- Guidance on diversification requirements under section 401(a)(35), as added by the Pension Protection Act of 2006.[3]
- Model plan provisions under section 403(b) for public school employees.[4]
- Announcement on the reporting of distributions of section 404(k) dividends.
- Final regulations on converting an IRA annuity to a Roth IRA annuity. Temporary regulations were published on August 22, 2005.
- Guidance on Form 5500 reporting as a result of the Pension Protection Act of 2006.

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endnotes

[1] The 2007-2008 Priority Guidance Plan can be found on the Treasury Department's website at [http://www.treas.gov/press/releases/reports/0708_gpl_\(2\).pdf](http://www.treas.gov/press/releases/reports/0708_gpl_(2).pdf).

[2] See Institute [Memorandum](#) (21203) to 529 Plan Members No. 4-07, Accounting/Treasurers Members No. 15-07, International Members No. 15-07, Pension Members No. 29-07, Tax Members No. 22-07, and Transfer Agent Advisory Committee No. 29-07, dated June 1, 2007.

[3] The Institute submitted a comment letter to the IRS regarding employer stock diversification rights. See [Memorandum](#) to Pension Members No. 20-07 (20963), dated March 19, 2007.

[4] The Institute recommended that the IRS publish model 403(b) plan language in a comment letter on the proposed regulations under section 403(b). See [Memorandum](#) to Pension Members No. 1-05 (18544), dated February 15, 2005.