

MEMO# 30164

August 24, 2016

IRS and Treasury Release 2016-2017 Priority Guidance Plan - Tax Items

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TO: ACCOUNTING/TREASURERS MEMBERS No. 22-16
INTERNATIONAL MEMBERS No. 17-16
TAX MEMBERS No. 15-16
TRANSFER AGENT ADVISORY COMMITTEE No. 39-16 RE: IRS AND TREASURY RELEASE
2016-2017 PRIORITY GUIDANCE PLAN - TAX ITEMS

The Treasury Department and the Internal Revenue Service (“IRS”) have released the [2016-2017 Priority Guidance Plan](#), listing their priorities for tax regulations and other administrative guidance through June 2017. Several projects of interest to funds and fund shareholders, which have been requested by the Institute, [\[1\]](#) are included in the plan: [\[2\]](#)

- Final regulations under §§ 305(c) and 1441 regarding the amount and timing of, and the withholding obligations on, deemed distributions from conversion ratio adjustments on convertible debt and stock.
- Regulations under § 446 relating to the timing and character of payments, including contingent payments, made pursuant to notional principal contracts (NPCs) and prepaid forward contracts.
- Regulations relating to accruals of interest (including discount) on distressed debt.
- Guidance under §§ 1295, 1297, and 1298 on passive foreign investment companies.
- Guidance under Chapter 3 (§§1441-1446) and Chapter 4 (§§1471-1474), including regulations on verification requirements for sponsoring entities for Chapter 4 purposes; revenue procedures provided updated agreements for foreign financial institutions, qualified intermediaries (including qualified derivatives dealers), and withholding foreign partnerships and withholding foreign trusts; and regulations on refunds and credits.
- Regulations under § 7701 coordinating the entity classification election with elections under Subchapter M.

The 2016-2017 Priority Guidance Plan includes several other items of interest to funds, fund shareholders, and management companies:

- Final regulations under § 337(d) regarding certain transfers of C corporation property to real estate investment trusts and regulated investment companies.
- Final regulations under § 385 regarding treatment of certain interests in corporations as stock.
- Regulations relating to the applicable high yield discount obligation rules in § 163(e)(5) and (i).
- Regulations under § 246 relating to diminished risk of loss.
- Guidance under § 446 relating to accounting for hedging transactions.
- Guidance under § 851 relating to investments in stock and securities.
- Regulations under § 1001 on the modification of nondebt financial instruments.
- Regulations under § 1001 on the modification of debt instruments, including issues relating to disregarded entities.
- Final regulations on the application of § 1256 to certain derivative contracts.
- Regulations under § 7872.
- Regulations under § 1012 regarding basis rules for stock and debt.
- Final regulations under § 1411 regarding issues related to the net investment income tax.
- Final regulations under § 7701 regarding series LLCs and cell companies.
- Final regulations under § 871(m) on dividend equivalent payments.
- Guidance under § 894 and treaties, including regarding the application of various treaty provisions to hybrid entities and instruments.
- Guidance on § 988 transactions.
- Guidance under § 446 regarding the effect of new financial accounting standards on tax accounting.
- Guidance on corrected information returns.
- Guidance regarding partnership audit and adjustment procedures under TEFRA and the Bipartisan Budget Act of 2015.
- Guidance on safe harbors for de minimis errors on information returns and payee statements under § 202 of the Protecting Americans from Tax Hikes Act of 2015.

Karen Lau Gibian
Associate General Counsel

[Attachment](#)

endnotes

[\[1\]](#) The Institute's recommendations for the 2016-2017 Guidance Priority Plan are attached.

[2] For a discussion of the retirement savings items, see Institute Memorandum ([30161](#)) dated August 23, 2016.

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