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Hatch announces retirement plans

In the wake of his role in successfully shepherding tax reform legislation through the Senate last month, Finance Committee Chairman Orrin Hatch, R-Utah, on January 2 announced that he will retire when his current term expires and not run for re-election this November. Hatch, who marked 40 years in the Senate this week, has been a member of the taxwriting committee since 1991 and the chairman since 2015.

"Every good fighter knows when it's time to hang up the gloves," said Hatch – an amateur boxer in his youth – in a video statement he posted on Twitter. "And for me, that time is soon approaching."

Hatch's retirement gives Sen. Charles Grassley, R-Iowa, the opportunity to reclaim the Finance Committee chairmanship if he chooses, assuming the GOP retains control of the Senate in the 2018 midterm elections; but Grassley currently serves as chair of the Judiciary Committee and is thought likely to remain in that role. Next in seniority among Finance Committee Republicans are Sen. Mike Crapo of Idaho, who would have to trade in his Banking Committee chairmanship, and Sen. Pat Roberts of Kansas, who chairs the Agriculture Committee.

In addition to claiming the distinction as the longest-serving Republican in Senate history, Hatch also holds the title of president *pro tempore* of the Senate – by virtue of being the current majority's longest-serving member – and so is third in the line of succession to the presidency.

In his retirement announcement, Hatch – a self-described “scrappy son of a simple carpenter” who grew up during the Great Depression – cited his work on religious freedom legislation, the creation of the Americans with Disabilities Act, and “the confirmation of every current member of the United States Supreme Court” among his proudest achievements, along with 2017’s comprehensive tax bill.

GOP’s majority narrows

The Senate also gained some new blood with the swearing in of two new members on January 3, including one whose arrival shrank the Republicans’ majority to just 51 seats.

Doug Jones, the former US attorney who won Alabama’s special election to succeed now-Attorney General Jeff Sessions, is the first Democrat the state’s voters have sent to the Senate in 25 years. His election flipped control of the Senate seat and gives the Republicans even less room to maneuver for the remainder of this congressional session.

Also sworn in along with Jones was Democrat Tina Smith, who was appointed by Minnesota’s governor to fill the seat recently vacated by Sen. Al Franken (also a Democrat) who resigned in the wake of several accusations of sexual misconduct. Smith previously served as Minnesota’s lieutenant governor.

Committee assignments for the new senators have not yet been announced.

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Tax Alert: IRS suspends section 1446(f) withholding on sales or dispositions of PTPs pending further guidance

The Treasury Department and the IRS on December 29, 2017, issued Notice 2018-08, which suspends, until such time as future guidance is issued, all withholding on the sale or disposition of publicly traded partnership (PTP) interests as defined under section 7704(b) otherwise imposed under newly enacted subsection 1446(f) in the tax reform legislation (P.L. 115-97) that President Trump signed into law late last year.
URL: http://newsletters.usdbriefs.com/2017/Tax/TNV/180105_2_suppA.pdf

Withholding on PTPs will be prospective from the date of the new guidance, which was issued in response to comments already made to Treasury and solicits additional specific and general comments. A revised timeline for implementing withholding on the disposition of PTP interests is also provided, but is subject to dates that must be provided in future guidance. The notice does not suspend substantive treatment of foreign partner gains or losses as effectively connected income under subsection 864(c)(8), also enacted in the new tax law, which is effective for sales or dispositions occurring on or after November 27, 2017. Finally, the notice announces that the IRS continues to observe its position in Rev. Rul. 91-32 for non-PTP dispositions that occurred prior to November 27, 2017.

Additional details are available in this alert from Deloitte Tax LLP.
URL: http://newsletters.usdbriefs.com/2017/Tax/TNV/180105_2_suppB.pdf

Separate guidance addresses deemed repatriation tax

In other developments, Treasury and the IRS have issued Notice 2018-07 addressing issues arising under the transition tax – also known as the deemed repatriation tax – that also was enacted under the new tax reform law.
URL: https://www.irs.gov/pub/irs-drop/n-18-07.pdf

The tax is imposed on previously untaxed foreign earnings and profits (E&P) of foreign subsidiaries of US companies by deeming that E&P to be repatriated. Foreign E&P held in the form of cash and cash equivalents is taxed at a 15.5 percent rate, and the remaining E&P is taxed at an 8 percent rate. The tax generally may be paid in installments over an eight-year period.

According to an IRS news release, Notice 2018-07, which was issued December 29, 2017, “describes regulations that the Treasury Department and the IRS intend to issue, including rules for determining the amount of cash and cash equivalents for purposes of applying the 15.5 percent rate and rules for determining the amount of foreign earnings subject to the transition tax. These rules will assist taxpayers by providing certain additional information needed for computing their transition tax.”

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