



Tax News and Views Health Care Edition

[Ways and Means Republicans fill in the blanks on tax reform](#)

House Ways and Means Committee Republicans unveiled a tax reform legislative draft November 2 that, among other things, calls for ambitious cuts to tax rates for corporations, passthrough entities, and individuals; a more generous expensing regime; significant increases to the individual standard deduction and the child tax credit; repeal of the estate tax and the individual alternative minimum tax; and a shift to a territorial system for taxing foreign-source income of US multinationals.

The legislation – formally known as the Tax Cuts and Jobs Act (TCJA) – advances the objectives of the tax reform framework put forward in late September by the “Big Six” team of congressional Republican leaders and White House officials. But the framework addressed GOP tax policy goals largely in broad strokes, with few details on how various tax relief provisions would operate and how they would be paid for.

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The TCJA fills in those blanks: for example, it includes income thresholds for the proposed new individual rate brackets, “guardrails” for the proposed new passthrough regime, and deemed repatriation rules and base erosion protections to accompany the transition to a territorial tax regime; moreover, it lays out an array of proposed base-broadening provisions that would have a significant impact on corporations, passthrough entities, individual taxpayers, and tax-exempt organizations. But some of the emerging details have the potential to become lightning rods for opposition as the legislation advances. [Read more](#)

IRS Releases TE/GE Workplan for Fiscal Year 2018

The Internal Revenue Services (“IRS”) TE/GE (i.e. tax-exempt and government entities) Commissioners have released its [fiscal year 2018 workplan](#). The report noted that many of the creative changes and solutions are a result of the IRS’s dwindling workforce.

In 2018 the IRS will launch, as part of the Compliance, Planning & Classification (CP&C) unit, the Compliance Strategy Tool and an Internal Submission Portal to ‘crowd-source’ input into areas of non-compliance.

As part of the realignment, some elements of TE/GE have been combined. Indian Tribal Governments (ITG) and Tax Exempt Bonds (TEB) have been combined into one function (ITB/TEB) and Federal, State and Local Governments (FSLG) have been moved to Exempt Organizations and will not be Federal, State, Local/Employment Tax (FSL/ET).

Compliance Strategies

- Examine entities claiming to be supporting organizations and file the Form 990-N
- Examine entities who have converted from taxable to Internal Revenue Code Section 501(c)(3)
- Examine organizations showing potential indications for private benefit or private inurement
- Additionally, it will focus on continuing to improve the Forms 990, 990-EZ, and 990-PF

Caseworks

The IRS will continue to pursue the following areas:

- External and internal referrals for non-compliance
- Requests for refunds or credits of overpayments
- Examine entities receiving exemption under the Form 1023-EZ
- Examine exempt organization returns

Court Finds Minister Rental Allowance Exclusion Unconstitutional

The Western District of Wisconsin held Internal Revenue Code Section (“IRC Sec.”) [107\(2\) unconstitutional](#). IRC Sec. 107(2) generally allows ministers to exclude from income rental allowance paid as part of their compensation. The District Court found that IRC Sec. 107(2) violates the establishment clause because it doesn’t have a secular purpose or effect and appears to endorse religion.

IRC Sec. 107(2) excludes from the gross income of a ‘minister of the gospel’ a rental allowance paid as part of compensation. The phrase ‘minister of the gospel’ appears on its face to limit this exclusion to Christian ministers but the IRS has liberally applied this to other faiths. The suit was brought by Freedom from Religion Foundation who paid housing allowances that were found to be taxable because the employer was not a church. This was the second suit challenging the validity of this statute by this organization.

The District Court found that IRC Sec. 107(2) violates the establishment clause because it does not have a secular purpose or effect and a reasonable observer would view the statute as an endorsement of religion.

New Regulations Provide Public Approval Guidance for Tax-Exempt Bonds

The IRS has withdrawn proposed regulations from 1983 and 2008 and published new proposed regulations to update and streamline [IRC Sec. 147\(c\) public approval requirement](#) that applies to tax-exempt private activity bonds issued by state and local governments. Comments on these new proposed regulations are due December 27, 2017.

IRC Sec. 147(c) generally requires that both the governmental unit that issues the bonds and the one with jurisdiction over the location of the financed project approve an issue of private activity bonds. The proposed regulations generally carry forward the rules on issuer and host approval from the temporary regulations with limited revisions to address statutory changes. The new proposed regulations expand the permitted methods under the temporary regulations for giving reasonable public notice and holding public hearings to provide greater flexibility and to address advances to technological capabilities. Additionally, the public approval information was found to be unduly burdensome and thus has been refined to reduce the burden.

Statutory changes extended the public approval requirements to mortgage revenue bonds, qualified student loan bonds, and qualified IRC Sec. 501(c)(3) bonds. The temporary regulations were issued before these statutory changes and did not address these bonds. The proposed regulations have provided special rules for public approval of these bonds.

Finally deviations between the proposed project and the actual project for which the bond was issued to finance could affect the validity of the public approval. The temporary regulations provided that insubstantial deviations would not invalidate public approval and the proposed regulations provide additional guidance on differences that constitute insubstantial deviations and allow for remedial actions to cure the deviations.

Exempt Organization Input Requested on Partnership Regulations

The IRS is seeking comments from tax-exempt organizations on how proposed partnership audit regulations could affect them, specifically in regards to private benefit and private inurement.

The [proposed partnership audit regulations](#) would replace the current rules and create a centralized partnership audit regime that would assess and collect tax at the partnership level. There is concern within the IRS ,as noted in the IRS Bulletin, that private benefit could arise for a tax-exempt partner in a partnership with a taxable partner when imputed underpayments are modified.

Did you know?

[Audit Guidance](#)

- IRS in its October 12th edition of EO Updates linked thirty audit techniques used by EO examiners.
- IRS released [seventeen criteria](#) used to identify tax-exempt applications for further review between August of 2004 and June of 2014.

[IRS Per Diem Rate Increase](#)

- The IRS has increased the simplified per diem rates for post-September 30, 2017 business travel.

[IRS Comments Due December 18th](#)

- The IRS has sought comments on various forms, regulations and guidance that are due December 18, 2017.

Deloitte Dbriefs

Deloitte Dbriefs are live webcasts that give you valuable insights on important developments affecting your business. Register for the following webcasts or view archived recordings by clicking on the respective hyperlinked button below.

Multistate Tax

The digital hospital of the future

November 15 | 1 p.m. ET | 18:00 GMT

Rapid advances in technology combined with changing demographics, economics, and patient demands will refine and define the role of hospitals over the next decade. How can hospital executives plan for a digital future? Participants will learn the results of a recent Deloitte global crowdsourcing simulation that produced specific use cases for hospitals looking to the future.

[Register](#) 

Transfer Pricing

Transfer pricing update: Focus on Eastern Europe

November 16 | 2 p.m. ET | 19:00 GMT

In the wake of the OECD BEPS initiative, transfer pricing tax legislation and regulations are evolving across Eastern Europe. What should multinational companies operating there know? Participants will gain a new perspective on BEPS-related changes in transfer pricing tax legislation, regulations, and enforcement activities across Eastern Europe and beyond.

[Register](#) 

Tax Accounting & Provisions

Tax accounting and provisions: Year-end updates and other hot topics

November 28 | 2 p.m. ET | 19:00 GMT

As year-end 2017 approaches, companies are likely to be required to accomplish a lot in a short period of time. What tax accounting and financial reporting matters may be important for your company as the new year gets closer? Participants will gain valuable insights on the latest tax accounting developments and their impact on financial reporting for taxes.

[Register](#) 

Tax Reform

US tax reform: What businesses and individual taxpayers should know

November 29 | 2 p.m. ET | 19:00 GMT

Congressional efforts to enact tax reform include potential changes to the tax code that are quite broad. What recent tax legislative and regulatory developments could significantly impact your company's business models? Participants will learn about what could be the first meaningful tax reform in three decades while exploring emerging requirements that could impact businesses and practical steps to be taken in response.

[Register](#) 

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