



Tax News and Views Health Care Edition

Tax Reform Webinar

Please join us on Thursday, January 25, 2018 for our Deloitte Tax webinar, the Impacts of Tax Reform on Tax-Exempt Organizations. The webinar will address how this new legislation will affect US tax-exempt organizations. We will address not only specific provisions, such as the excise tax on executive compensation or the various unrelated business income tax provisions, but also changes to employee benefits taxation and changes to the taxation of deferred compensation. In addition, we will address how the changes to corporate, pass-through, and international activity taxation may affect a tax-exempt organization.

Please [click here to register](#) for the webinar.

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Tax Reform Webinar

Tax Reform

**IRS Releases Revenue
Procedures**

Did you know?

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Tax Reform

On December 22, 2017, President Trump signed into law H.R. 1, officially known as *An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018* (the Act). The Act is a significant tax reform package that lowers tax rates on corporations, pass-through entities, individuals, and estates and moves the United States toward a participation exemption-style system for taxing foreign-source income of domestic multinational corporations. The Act also includes provisions specific to exempt organizations which are summarized below.

Unrelated Business Income (UBI) Netting

Effective for tax years beginning after December 31, 2017, income and losses from UBI activities can no longer be aggregated in determining unrelated business taxable income. Organizations must calculate income or loss on each unrelated business activity. All activities with \$0 or positive income should be netted to determine taxable income. Net operating losses (NOLs) from activities with income less than \$0 should be carried forward and tracked by activity.

Excise Tax on Executive Compensation

Effective for tax years beginning after December 31, 2017, a 21% excise tax is imposed on (1) compensation in excess of \$1M paid to a covered employee and (2) any excess parachute payment (severance) paid to a covered employee. Covered employees are, generally, the top five highest compensated employees during the taxable year or any employee who was a covered employee in a previous year. Payments made to licensed medical professionals (doctors, nurses, veterinarians) directly related to the performance of medical or veterinary services should not be considered in determining compensation for the top five highest compensated employees.

Transportation Fringe Benefits Taxed as UBI

Effective for tax years beginning after December 31, 2017, UBI will be increased by amounts disallowed under section 274 for qualified transportation fringe benefits, a parking facility used in connection with qualified parking, or any on-premises athletic facility. Examples of these section 274 expenses include: employer provided bus passes or vehicles, employer provided parking, employer owned parking facilities, and on-site fitness rooms. Benefits that are treated as taxable to the employee or are attributable to UBI activities are not included in UBI.

Bonds

Interest on advance refunding bonds issued after December 31, 2017 will be included in gross income. Also, tax-credit bonds and direct-pay bonds may no longer be issued after December 31, 2017.

For a more in depth discussion of these and other provisions of the Act, please visit the [Tax News & Views, Capitol Hill Briefing](#) released December 18, 2017.

IRS Releases Revenue Procedures

The IRS has released a series of updated revenue procedures (Rev. Proc.) for 2018: [Rev. Proc. 2018-1](#), which explains how the Service provides advice to taxpayers on specific issues; [Rev. Proc. 2018-2](#), which explains when and how an Associate office provides technical advice, conveyed in a technical advice memorandum (TAM); [Rev. Proc. 2018-3](#), which provides a revised list of those areas of the Internal Revenue Code on which the Internal Revenue Service will not issue letter rulings or determination letters; [Rev. Proc. 2018-4](#), which explains how the Internal Revenue Service provides advice to taxpayers on issues under the jurisdiction of the Commissioner, Tax Exempt and Government Entities Division, Employee Plans Rulings and Agreements Office; [Rev. Proc. 2018-5](#), which sets forth procedures for issuing determination letters on issues under the jurisdiction of the Director, Exempt Organizations (EO) Rulings and Agreements, and; [Rev. Proc. 2018-7](#), which provides a current list of those areas of the Internal Revenue Code under the jurisdiction of the Associate Chief Counsel (International) relating to matters on which the Internal Revenue Service will not issue letter rulings or determination letters.

Rev. Proc. 2018-5 is related to the procedures for issuing determination letters to exempt organizations. Some of the amendments to Rev. Proc. 2018-5 are discussed below.

- Section 3.02, which lists circumstances under which determination letters are not issued, was amended to include:
 - that the Service will not issue a determination letter when the request concerns an organization whose purpose is directed to the improvement of business conditions of one or more lines of business relating to an activity involving controlled substances which is prohibited by Federal law regardless of its legality under the law of the state in which such activity is conducted.
 - that the Service will not issue a determination letter when an organization currently recognized as exempt under section 501(c) (other than a government entity as specified in section 3.01 (12)) requests a determination to relinquish its exempt status under section 501(a).
- Section 3.02 was also amended to remove from the list of circumstances the Service will not issue a determination letter when the request involves an industry-wide problem.
- Section 6.05 was amended to include in the list of organizations ineligible to submit Form 1023-EZ, and that must use Form 1023 to apply for recognition of exemption under section 501(c)(3) organizations applying for retroactive reinstatement under section 4 of Rev. Proc. 2014-11, 2014-3 I.R.B. 411, after being automatically revoked, that are seeking a foundation classification that is different from the classification they had at the time of revocation.
- The Schedule of User Fees in Appendix A was amended, in part, to reflect a change to a flat user fee of \$600 for all section 501 applications other than Form 1023-EZ applications and includes a change of a \$2,000 fee for group exemption letters.

Did you know?

Due Dates for Forms W-2, W-3, and Form 1099-MISC

Both electronic and paper copies of Forms W-2 and W-3 for tax year 2017 must be filed with the Security Administration by January 31, 2018. Further, 2017 Forms 1099-MISC that include compensation payments in box 7 are due to the Internal Revenue Service and individuals by January 31, 2018.

Form 1023-EZ revised instructions available

The IRS has released the revised [2018 Instructions for Form 1023-EZ](#), Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. The form and instructions were updated to specify that the filer should provide a brief description of the organization's mission or most significant activity and specifies that the description should be of actual or planned activities rather than potential future programs.

IRS Requesting Comments on Supporting Organization Regulations

The IRS is requesting comments on the payout requirements of Non-functionally Integrated Type III Supporting Organizations. Comments should be received by the IRS on or before February 5, 2018. For additional information, [click here](#).

Deloitte Dbriefs

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Life Sciences and Health Care

US tax reform: Considerations for health care and life sciences execs

January 24 | 1 p.m. ET | 18:00 GMT

In the first major tax reform legislation since the 1980s, what provisions impact life sciences and health care organizations, what do business executives need to understand and plan for now, and how could tax reform affect your business strategy? You will learn how the new tax law is likely to affect business and strategy decisions for life sciences and health executives in 2018 and beyond.

Register



Tax Reform

US tax reform: Impacts to global mobility and rewards programs

January 30 | 2 p.m. ET | 19:00 GMT

Tax reform represents the most significant change in US tax policy since 1986, and its impact on global mobility and rewards programs should not be overlooked. What are important considerations for companies as they revisit their current policies? You will learn how planning can benefit their organization's global mobility and rewards program activities as new tax laws are enacted.

Register



Tax Reform

US tax reform: February 2018 updates for businesses and individuals

February 13 | 1 p.m. ET | 18:00 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? You 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



Life Sciences and Health Care

Blockchain: Is life sciences and health care ready to bet big?

February 14 | 1 p.m. ET | 18:00 GMT

Blockchain, the technology underlying Bitcoin, is being adopted quickly in financial services and other industries. But what promise does it hold for health care? You will learn how blockchain could transform key areas of health care and why now is the time to identify use cases in their own organization.

Register



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