

## 2018 TAX B Supplement

**NOTE** – This document continues to be updated through mid-January 2019. You might want to just use it online rather than print it. Also, the links are live.

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<h3>Errata – Corrections to the Outline or Slides</h3>
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While we work hard to be complete and accurate, a mistake can happen.

Chapter 1: TCJA: Accounting Methods & Other Business Items

**Method Changes for Certain §263A Allocation Changes – Rev. Proc. 2018-56 (11/19/18)**

Rev. Proc. 2018-56 (11/19/18) - Per the IRS: “Rev. Proc. 2018-56 provides the procedures by which a taxpayer may obtain the automatic consent of the Commissioner of Internal Revenue to change to certain methods of accounting provided in §§ 1.263A-1, -2, and -3 of the Income Tax Regulations, including methods described in T.D. 9843, for costs allocable to certain property produced or acquired for resale by the taxpayer. This revenue procedure modifies Rev. Proc. 2018-31, 2018-22 I.R.B 637.” Includes explanation for dealing with negative adjustments.

**IRS Practice Unit -- Partial Disposition Elections**

IRS has published a Practice Unit focused on identifying when taxpayers elect a partial disposition of a building or its structural components.

Chapter 2: TCJA: §199A – Aggregation, SSTBs, and Trusts, Estates, Beneficiaries

Chapter 3: TCJA: Interest Expense Limit, Partnerships and S Corporations

Chapter 4: Estate, Gift and Subchapter J

***Estate of Streightoff, TC Memo 2018-178 (Oct. 24, 2018) -- Partnership Interest in Gross Estate was a Partnership Interest and 18% Discount OK***

The IRS determined a deficiency of \$491,750 in the Federal estate tax of the Estate of Frank D. Streightoff (estate). The issue was the type and value of an interest that the decedent Streightoff transferred during his lifetime to a revocable trust. The Tax Court determined that in “both form and substance, the interest to be valued for estate tax purposes [was] an *88.99% limited partnership interest* in Streightoff Investments.” (emphasis added).

With respect to value, the Tax Court allowed an 18% discount for lack of marketability:

“We agree with the experts that there should be a discount for the lack of marketability. The estate's experts took into consideration that the interest they were valuing was an assignee interest, and this affected the conclusion in their report. Since we concluded that the interest decedent transferred was a limited partnership interest, the estate's experts' valuation is too high. The analysis in [IRS's] expert report is reasonable. We conclude that the interest should be valued using an 18% discount rate for lack of marketability.”

**Chapter 5: International Tax**

**Chapter 6: California and Multistate**

**Chapter 7: Centralized Partnership Audit Regime  
(CPAR)**

**Chapter 8: Non-TCJA and Non-CPAR Entities Update**

**Tax-Exempt Orgs and Gaming – IRS Publication 3079 (Oct 2018)**

**IRS Publication 3079** (Oct 2018) – This guide helps non-profits that raise funds via bingo games, lotteries and other gaming activities. It covers the possible effect on the entity's tax-exempt status, UBTI, recordkeeping, excise taxes, and reporting of winnings.

**Chapter 9: Employment Taxes and Worker Classification**

**Chapter 10: ACA**

**Proposed Rules to Avoid Employer Mandate with Certain HRAs – Notice  
2018-88 and Proposed Regulations**

Per the IRS (11/19/18) – “[Notice 2018-88](#), is intended to initiate and inform the process of developing guidance under sections 4980H and 105(h) that would address these issues, and requests comments on potential approaches developed by the Treasury Department and the IRS, so employers understand how to structure integrated HRAs to avoid assessable payments (section 4980H) and potential loss of the exclusion from income for employer-provided health benefits (section 105(h)).

Notice 2018-88 is related to a notice of proposed rulemaking ([REG-135724-17](#)) [appears should be Reg. 136724-17] issued on October 23, 2018 (83 FR 54420) that, in relevant part, would (a) remove the current prohibition on integrating HRAs with individual health insurance coverage (integrated HRAs) if certain conditions are met, allowing employers to offer employees integrated HRAs in lieu of providing more traditional group health plans (the proposed integration regulations being proposed by the Treasury Department, DOL and HHS); and (b) address when individuals offered coverage under an integrated HRA who are otherwise eligible for a premium tax credit (PTC) will remain eligible for the PTC (proposed PTC regulations being proposed by the Treasury Department and IRS). The proposed integration regulations and the proposed PTC regulations would raise issues concerning the application of section 4980H (the employer shared responsibility provisions) and section 105(h) (addressing discriminatory self-insured group health plans) to employers offering integrated HRAs and their employees.”