

Tax Hot Topics

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OCTOBER 18-20, 2023

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Legislative Updates



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IRS and Treasury Updates

Recent PLR

Treasury Priority Guidance Plan

- Registered Bonds
- Modification issues related to disregarded entities

Hotel Management Contract PLR

Section 5.02(2) of Rev. Proc. 2017-13 states that

“compensation to the service provider will not be treated as providing a share of net profits if no element of the compensation takes into account, or is contingent upon, either the managed property’s net profits or both the managed property’s revenues and expenses *(other than any reimbursements of direct and actual expenses paid by the service provider to unrelated third parties)* for any fiscal period. For this purpose, the elements of the compensation are the eligibility for, the amount of, and the timing of the payment of the compensation.” (emphasis added)

“Unrelated parties” are defined in Section 4.09 as “persons other than either (1) a related party (as defined in §1.150-1(b)) to the service provider or (2) a service provider’s employee.”

What does the parenthetical language mean?

Lessening the Burdens of Government

The IRS is approving the 501(c)(3) applications of entities that have a charitable purpose of lessening the burdens of government without specifically identifying the government or the burdens to be lessened

What factors should bond counsel look for before providing or agreeing to rely on a 501(c)(3) opinion for bonds being issued to benefit these entities?

See IRS Circular 230 and NABL's report on The 501(c)(3) Opinion in Qualified 501(c)(3) Bond Transactions (2014)

Questions

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