

# INTERNAL REVENUE BULLETIN



## HIGHLIGHTS OF THIS ISSUE

**Bulletin No. 2018-18**  
**April 30, 2018**

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### Administrative

#### **Notice 2018-38, page 522.**

This notice provides guidance to corporations on changes made by recent legislation to federal income tax rates for corporations under § 11(b) of the Internal Revenue Code (Code) and the alternative minimum tax for corporations under § 55 and the application of § 15 in determining the federal income tax (including the alternative minimum tax) of a corporation for a tax year that begins before January 1, 2018 and ends after December 31, 2017.

#### **Rev. Proc. 2018-22, page 524.**

This procedure modifies and supersedes sections 3.08 and 3.10 of Rev. Proc. 2018-18, 2018-10 I.R.B. 392. Section 3.08 is amended to reflect an increase in the state housing credit ceiling enacted pursuant to Division T, of the Consolidated Appropriations Act, 2018, P.L. 115-141. Section 3.10 is amended to correct an error concerning the alternative minimum tax phaseout threshold amount for estates and trusts.

#### **Rev. Proc. 2018-25, page 543.**

This revenue procedure provides: (1) tables of limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2018; and (2) a table of amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2018. For purposes of this revenue procedure, the term "passenger automobiles" includes trucks and vans.

### Employment Tax

#### **Rev. Proc. 2018-24, page 525.**

This procedure provides general rules and specifications from the IRS for paper and computer-generated substitutes for Form 941, Schedule B (Form 941), Schedule D (Form 941), Schedule R (Form 941) and Form 8974. This procedure will be reproduced as the next revision of Publication 4436. 2017-32, 2017-17 I.R.B. 1109, dated April 24, 2017, is superseded.

### Estate Tax

#### **Rev. Proc. 2018-22, page 524.**

This procedure modifies and supersedes sections 3.08 and 3.10 of Rev. Proc. 2018-18, 2018-10 I.R.B. 392. Section 3.08 is amended to reflect an increase in the state housing credit ceiling enacted pursuant to Division T, of the Consolidated Appropriations Act, 2018, P.L. 115-141. Section 3.10 is amended to correct an error concerning the alternative minimum tax phaseout threshold amount for estates and trusts.

### Income Tax

#### **Notice 2018-35, page 520.**

This notice provides transitional guidance relating to advance payments under Rev. Proc. 2004-34, 2004-1 C.B. 991, as modified and clarified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443, and Rev. Proc. 2013-29, 2013-33 I.R.B. 141, and as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330. Section 13221 of "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," Pub. L. 115-97, amended section 451 of the

Internal Revenue Code. This notice provides that taxpayers, with or without applicable financial statements, receiving advance payments may continue to rely on Rev. Proc. 2004-34 until future guidance is effective.

**Notice 2018-37, page 521.**

This notice announces that the Department of the Treasury and the Internal Revenue Service intend to issue regulations providing clarification of the application of the effective date provisions concerning the repeal of section 682 of the Internal Revenue Code enacted on December 22, 2017, by "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018," P.L. 115-97 (Act). The regulations will provide that section 682, as in effect prior to December 22, 2017, will continue to apply with regard to trust income payable to a former spouse who was divorced or legally separated under a divorce or separation instrument (as defined in section 71(b)(2)) executed on or before December 31, 2018, unless such instrument is modified after that date and the modification provides that the changes made by the Act apply to the modification. The notice also requests comments on whether guidance is needed with respect to the application of sections 672(e)(1)(A), 674(d), and 677 of the Code to trusts for the benefit of a spouse following a divorce or separation.

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**Rev. Proc. 2018-26, page 546.**

This revenue procedure provides certain remedial actions that issuers of State and local tax-exempt bonds and other tax-advantaged bonds (as defined in § 1.150-1(b) of the Income Tax Regulations) may take to preserve the tax-advantaged status of the bonds when certain nonqualified uses of the bond proceeds occur.

**Rev. Rul. 2018-11, page 518.**

The revenue ruling provides the dollar amounts, increased by the 2018 adjustment for inflation, to determine whether a debt instrument is a qualified debt instrument or a cash method debt instrument under section 1274A of the Internal Revenue Code.

# The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

## Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

### **Part I.—1986 Code.**

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

### **Part II.—Treaties and Tax Legislation.**

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

### **Part III.—Administrative, Procedural, and Miscellaneous.**

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

### **Part IV.—Items of General Interest.**

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

# Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

## Section 1274A.—Special Rules for Certain Transactions Where Stated Principal Amount Does Not Exceed \$2,800,000

26 CFR 1.1274A-1: Special rules for certain transactions where stated principal amount does not exceed \$2,800,000. (Also §§ 483, 1274.)

### Rev. Rul. 2018-11

This revenue ruling provides the dollar amounts, increased by the 2018 adjustment for inflation, for § 1274A of the Internal Revenue Code.

#### BACKGROUND

In general, §§ 483 and 1274 determine the principal amount of a debt instrument given in consideration for the sale or exchange of nonpublicly traded property. In addition, any interest on a debt instrument subject to § 1274 is taken into account under the original issue discount provisions of the Code. Section 1274A, however, modifies the rules under §§ 483 and 1274 for certain types of debt instruments.

In the case of a “qualified debt instrument,” the discount rate used for purposes of §§ 483 and 1274 may not exceed nine percent, compounded semiannually. Section 1274A(b) defines a qualified debt instrument as any debt instrument given in consideration for the sale or exchange of property (other than new § 38 property within the meaning of § 48(b), as in effect on the day before the date of enactment of the Revenue Reconciliation Act of 1990) if the stated principal amount of the instrument does not exceed the amount specified in § 1274A(b). For debt instruments arising out of sales or exchanges before January 1, 1990, this amount is \$2,800,000.

In the case of a “cash method debt instrument,” as defined in § 1274A(c), the borrower and lender may elect to use the cash receipts and disbursements method

of accounting. In particular, for any cash method debt instrument, § 1274 does not apply, and interest on the instrument is accounted for by both the borrower and the lender under the cash receipts and disbursements method of accounting. A cash method debt instrument is a qualified debt instrument that meets the following additional requirements: (A) in the case of a debt instrument arising out of a sale or exchange before January 1, 1990, the stated principal amount does not exceed \$2,000,000; (B) the lender does not use an accrual method of accounting and is not a dealer with respect to the property sold or exchanged; (C) § 1274 would have applied to the debt instrument but for an election under § 1274A(c); and (D) an election under § 1274A(c) is jointly made with respect to the debt instrument by the borrower and the lender. Section 1.1274A-1(c)(1) of the Income Tax Regulations provides rules concerning the time for, and manner of, making this election.

For taxable years beginning on or before December 31, 2017, § 1274A(d)(2) provided that, for any debt instrument arising out of a sale or exchange during any calendar year after 1989, the dollar amounts stated in § 1274A(b) and § 1274A(c)(2)(A) were increased by the inflation adjustment for the calendar year. Any increase due to the inflation adjustment was rounded to the nearest multiple of \$100 (or, if the increase was a multiple of \$50 and not of \$100, the increase was increased to the nearest multiple of \$100). The inflation adjustment for any calendar year was the percentage (if any) by which the CPI for the preceding calendar year exceeded the CPI for calendar year 1988. Section 1274A(d)(2)(B) defined the CPI for any calendar year as the average of the Consumer Price Index as of the close of the 12-month period ending on September 30 of that calendar year.

For taxable years beginning after December 31, 2017, section 11002(d)(10) of An Act to provide for reconciliation pursuant to titles II and V of the concurrent

resolution on the budget for fiscal year 2018, Pub. L. 115-97 (the Act), amended § 1274A(d)(2) to change the calculation of the adjustments for inflation. As amended by the Act, § 1274A(d)(2) provides that the dollar amounts stated in § 1274A(b) and (c)(2)(A) are each increased by an adjustment for inflation determined by multiplying the stated amount by the cost-of-living (COL) adjustment determined under § 1(f)(3) for the calendar year in which the taxable year begins, by substituting “calendar year 1988” for “calendar year 2016” in § 1(f)(3)(A)(ii). Thus, for purposes of § 1274A(d)(2), the COL adjustment for any calendar year is the percentage (if any) by which (i) the C-CPI-U for the preceding calendar year exceeds (ii) the CPI for calendar year 1988, multiplied by the amount determined in § 1(f)(3)(B). The amount determined in § 1(f)(3)(B) is the C-CPI-U for calendar year 2016 divided by the CPI for calendar year 2016. Section 1(f)(4) defines the CPI for any calendar year as the average of the Consumer Price Index for All Urban Consumers as of the close of the 12-month period ending on August 31 of that calendar year. Section 1(f)(6)(B) defines the C-CPI-U for any calendar year as the average of the Chained Consumer Price Index for All Urban Consumers as of the close of the 12-month period ending on August 31 of such calendar year. Under § 1274A(d)(2), any increase in an adjustment for inflation is rounded to the nearest multiple of \$100 (or, if such increase is a multiple of \$50, such increase shall be increased to the nearest multiple of \$100).

#### INFLATION-ADJUSTED AMOUNTS UNDER § 1274A

For debt instruments arising out of sales or exchanges after December 31, 1989, the inflation-adjusted amounts under § 1274A are shown in Table 1.

Rev. Rul. 2018–11 Table 1

Inflation-Adjusted Amounts Under Section 1274A

Calendar Year of Sale or Exchange	1274A(b) Amount (qualified debt instrument)	1274A(c)(2)(A) Amount (cash method debt instrument)
1990	\$2,933,200	\$2,095,100
1991	\$3,079,600	\$2,199,700
1992	\$3,234,900	\$2,310,600
1993	\$3,332,400	\$2,380,300
1994	\$3,433,500	\$2,452,500
1995	\$3,523,600	\$2,516,900
1996	\$3,622,500	\$2,587,500
1997	\$3,723,800	\$2,659,900
1998	\$3,823,100	\$2,730,800
1999	\$3,885,500	\$2,775,400
2000	\$3,960,100	\$2,828,700
2001	\$4,085,900	\$2,918,500
2002	\$4,217,500	\$3,012,500
2003	\$4,280,800	\$3,057,700
2004	\$4,381,300	\$3,129,500
2005	\$4,483,000	\$3,202,100
2006	\$4,630,300	\$3,307,400
2007	\$4,800,800	\$3,429,100
2008	\$4,913,400	\$3,509,600
2009	\$5,131,700	\$3,665,500
2010	\$5,115,100	\$3,653,600
2011	\$5,201,300	\$3,715,200
2012	\$5,339,300	\$3,813,800
2013	\$5,468,200	\$3,905,900
2014	\$5,557,200	\$3,969,500
2015	\$5,647,300	\$4,033,800
2016	\$5,664,800	\$4,046,300
2017	\$5,717,400	\$4,083,800
2018	\$5,831,500 <sup>1</sup>	\$4,165,300 <sup>2</sup>

*Notes:* The inflation adjustments for 1990–2017 were computed using the All-Urban, Consumer Price Index, 1982–1984 base, published by the Bureau of Labor Statistics.

For taxable years beginning after December 31, 2017, the adjustment for inflation is computed using the Chained Consumer Price Index for All Urban Consumers, 1999 base, and the All-Urban, Consumer Price Index, 1982–1984 base, both published by the Bureau of Labor Statistics.

**EFFECT ON OTHER DOCUMENTS**

Rev. Rul. 2016–30, 2016–52 I.R.B. 876, is supplemented and superseded.

**DRAFTING INFORMATION**

The author of this revenue ruling is Jason Eisenberg of the Office of Associate Chief

Counsel (Financial Institutions & Products).

For further information regarding this revenue ruling, contact Jason Eisenberg at (202) 317-7053 (not a toll-free number).

<sup>1</sup>For a debt instrument arising out of a sale or exchange that occurs after December 31, 2017, and before April 30, 2018, or for a debt instrument arising out of a sale or exchange that occurs on or after April 30, 2018, pursuant to a binding written contract entered into before April 30, 2018, a taxpayer, however, may use \$5,834,700 as the section 1274A(b) amount to determine whether the debt instrument is a qualified debt instrument. The methodology used prior to January 1, 2018, was used to compute the inflation-adjusted amount for a qualified debt instrument in the preceding sentence.

<sup>2</sup>For a debt instrument arising out of a sale or exchange that occurs after December 31, 2017, and before April 30, 2018, or for a debt instrument arising out of a sale or exchange that occurs on or after April 30, 2018, pursuant to a binding written contract entered into before April 30, 2018, a taxpayer, however, may use \$4,167,600 as the section 1274A(c)(2)(A) amount to determine whether the debt instrument is a cash method debt instrument. The methodology used prior to January 1, 2018, was used to compute the inflation-adjusted amount for a cash method debt instrument in the preceding sentence.



# Part III. Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and method of accounting.(Also: Part I, Sections 446, 451; 1.451-1.)

## Notice 2018-35

### SECTION 1. PURPOSE

This notice provides transitional guidance relating to advance payments under Rev. Proc. 2004-34, 2004-1 C.B. 991, as modified and clarified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443, and Rev. Proc. 2013-29, 2013-33 I.R.B. 141, and as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330. Section 13221 of “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” Pub. L. No. 115-97 (December 22, 2017) (the “Act”) amended § 451 of the Internal Revenue Code. The amendments included a new section 451(c), which allows accrual method taxpayers to elect a limited deferral of the inclusion of income associated with certain advance payments. The rules in new § 451(c) largely track the approach in Rev. Proc. 2004-34. The Department of the Treasury (Treasury Department) and the Internal Revenue Service (the Service) expect to issue future guidance regarding the treatment of advance payments to implement this legislative change. Taxpayers, with or without applicable financial statements, receiving advance payments may continue to rely on Rev. Proc. 2004-34 until future guidance is effective.

### SECTION 2. BACKGROUND

Section 451(a) provides that the amount of any item of gross income is included in gross income for the taxable year in which received by the taxpayer, unless, under the method of accounting used in computing taxable income, the amount is to be properly accounted for as of a different period.

Section 1.451-1(a) of the Income Tax Regulations provides that, under an accrual method of accounting, income is includible in gross income when all the events have occurred that fix the right to receive the income and the amount can be determined with reasonable accuracy. All the events that fix the right to receive

income generally occur when: (1) the payment is earned through performance, (2) payment is due to the taxpayer, or (3) payment is received by the taxpayer, whichever happens earliest. *See* Rev. Rul. 2003-10, 2003-1 C.B. 288.

Rev. Proc. 2004-34 provides a full inclusion method (the Full Inclusion Method) and a deferral method (the Deferral Method) of accounting for the treatment of advance payments for goods, services, and other items. Under the Full Inclusion Method, advance payments are included in income in the year of receipt. Under the Deferral Method, an advance payment is included in gross income for the taxable year of receipt to the extent recognized in revenue in a taxpayer’s applicable financial statement for that taxable year or earned (for taxpayers without an applicable financial statement) in that taxable year, and the remaining amount of the advance payment is included in the next succeeding taxable year after the taxable year in which the payment is received.

Section 13221 of the Act amends § 451 by redesignating subsections (b) through (i) as (d) through (k), respectively, and by inserting new subsections (b) and (c), effective generally for taxable years beginning after December 31, 2017. Section 451(b)(1)(A)(i) provides that for an accrual method taxpayer, the all events test for any item of gross income shall not be treated as met any later than when the item is taken into account as revenue in an applicable financial statement of the taxpayer. Section 451(c)(1)(A) generally provides that an accrual method taxpayer shall include an advance payment in gross income in the taxable year of receipt. Alternatively, under § 451(c)(1)(B), an accrual method taxpayer may elect to defer the recognition of all or a portion of an advance payment to the taxable year following the taxable year in which the payment is received, except any portion of such advance payment that is required under § 451(b) to be included in gross income in the taxable year in which the payment is received.

Section 451(c)(4)(A) defines an advance payment as any payment: (1) the full inclusion of which in the gross in-

come of the taxpayer for the taxable year of receipt is a permissible method of accounting, (2) any portion of which is included in revenue by the taxpayer in an applicable financial statement, or such other financial statement as the Secretary may specify, for a subsequent taxable year, and (3) which is for goods, services, or such other items as may be identified by the Secretary. Section 451(c) generally contains rules similar to Rev. Proc. 2004-34. *See* H.R. Rep. No. 115-466, at 429 (2017) (Conf. Rep.).

### SECTION 3. INTERIM GUIDANCE FOR REV. PROC. 2004-34

The Treasury Department and the Service expect to issue guidance for the treatment of advance payments to implement the changes made to § 451 by the Act. Until further guidance for the treatment of advance payments is applicable, taxpayers may continue to rely on Rev. Proc. 2004-34 for the treatment of advance payments. During this time, the Service will not challenge a taxpayer’s use of Rev. Proc. 2004-34 to satisfy the requirements of § 451, although the Service will continue to verify on examination that taxpayers are properly applying Rev. Proc. 2004-34. In addition, the Service intends to modify section 16.07 of Rev. Proc. 2017-30, 2017-18 I.R.B. 1131, to provide a waiver of the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, to enable taxpayers to make a change to a method of accounting that is permitted under Rev. Proc. 2004-34.

### SECTION 4. REQUEST FOR COMMENTS ON ADVANCE PAYMENTS

The Treasury and Service invite comments containing suggestions for future guidance under § 451(b) and (c). In particular, comments are requested concerning the following issues under § 451(c): (1) whether taxpayers without an applicable financial statement may continue to use the Deferral Method, as provided in Rev. Proc. 2004-34; (2) whether clarity is needed for the definition of an applicable financial statement under § 451(b)(3); (3)

whether the definition of applicable financial statement under § 451(b) and (c) should be the same as the definition in section 4.06 of Rev. Proc. 2004–34; (4) whether other items in addition to those listed in section 4.01(3) of Rev. Proc. 2004–34 should be included in the definition of an advance payment; (5) whether certain payments other than those listed in section 4.02 of Rev. Proc. 2004–34 should be excluded from the definition of an advance payment; (6) whether any new procedural rules for changing a method of accounting for advance payments would be appropriate and helpful; and (7) the extent, if any, to which the Service may provide procedures expanding the rules of § 451(c) to apply to additional taxpayers and types of income.

## WHERE TO SEND COMMENTS

Comments must be submitted by May 14, 2018. Comments, identified by Notice 2018–35, may be sent by one of the following methods:

- **By Mail:**

Internal Revenue Service  
Attn: CC:PA:LPD:PR (Notice 2018–35)

Room 5203  
P.O. Box 7604  
Ben Franklin Station  
Washington, DC 20044

- **By Hand or Courier Delivery:** Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to:

Courier’s Desk  
Internal Revenue Service  
Attn: CC:PA:LPD:PR  
(Notice 2018–35)  
1111 Constitution Avenue, NW  
Washington, DC 20224

- **Electronic:** Alternatively, persons may submit comments electronically to [Notice.Comments@irs.counsel.treas.gov](mailto:Notice.Comments@irs.counsel.treas.gov). Please include “Notice 2018–35” in the subject line of any electronic communications.

All submissions will be available for public inspection and copying in room 1621, 1111 Constitution Avenue, NW, Washington, DC, from 9 a.m. to 4 p.m.

## SECTION 5. DRAFTING INFORMATION

The principal author of this notice is Peter E. Ford of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice, contact Peter E. Ford, at (202) 317-7011 (not a toll-free number).

## Guidance in Connection with the Repeal of Section 682

### Notice 2018–37

#### SECTION 1. OVERVIEW

This notice announces that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to issue regulations providing clarification of the application of the effective date provisions concerning the repeal of § 682 of the Internal Revenue Code (Code) enacted on December 22, 2017, by “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” P.L. 115–97 (Act). This notice also requests comments on whether guidance is needed with respect to the application of §§ 672(e)(1)(A), 674(d), and 677 of the Code to trusts for the benefit of a spouse following a divorce or separation.

#### SECTION 2. BACKGROUND

Section 71 of the Code as in effect prior to the Act provides rules regarding the tax treatment of alimony and separate maintenance payments, with § 71(a) providing that gross income includes amounts received as alimony or separate maintenance payments. Along with certain restrictions, § 71(b)(1) defines the term “alimony or separate maintenance payment” to mean any payment in cash if such payment is received by (or on behalf of) a spouse under a divorce or separation instrument. Section 71(b)(2) defines the term “divorce or separation instrument” to mean (A) a decree of divorce or separate maintenance or a written instrument incident to such a decree, (B) a written separation agreement, or (C) a decree (not described in former § 71(b)(2)(A)) requiring a

spouse to make payments for the support and maintenance of the other spouse.

Section 682 of the Code as in effect prior to the Act provides rules regarding the tax treatment of the income of certain trusts payable to a former spouse who was divorced or legally separated. Section 682(a) provides that there shall be included in the gross income of a wife who is divorced or legally separated under a decree of divorce or of separate maintenance (or who is separated from her husband under a written separation agreement) the amount of the income of any trust which such wife is entitled to receive and which, except for former § 682, would be includible in the gross income of her husband, and such amount shall not, despite any other provision of subtitle A of the Code, be includible in the gross income of such husband. Section 682(a), however, does not apply to any trust income payable under the terms of such decree or agreement or the trust instrument for the support of the husband’s minor children.

Section 682(b) provides that, for purposes of computing the taxable income of the trust and the taxable income of a wife to whom § 682(a) applies, such wife shall be considered as the beneficiary specified in part I of subchapter J of chapter 1 of the Code.

Section 7701(a)(17) as in effect prior to the Act provides that, as used in § 682, if the husband and wife therein referred to are divorced, wherever appropriate to the meaning of former § 682, the term “wife” shall be read “former wife” and the term “husband” shall be read “former husband;” and, if the payments described in former § 682 are made by or on behalf of the wife or former wife to the husband or former husband instead of vice versa, wherever appropriate to the meaning of former § 682, the term “husband” shall be read “wife” and the term “wife” shall be read “husband.”

Section 11051(b)(1)(B) and (C) of the Act prospectively repeal §§ 71 and 682, and § 11051(b)(4)(A) makes conforming amendments to § 7701(a)(17). Section 11051(c) of the Act provides that the amendments made by § 11051 shall apply to: (1) any divorce or separation instrument (as defined in former § 71(b)(2)) executed after December 31, 2018, and

(2) any divorce or separation instrument (as so defined) executed on or before such date and modified after such date if the modification expressly provides that the amendments made by such section apply to such modification.

### **SECTION 3. TRUSTS TO WHICH SECTION 682 CONTINUES TO APPLY**

The regulations will provide that § 682, as in effect prior to December 22, 2017, will continue to apply with regard to trust income payable to a former spouse who was divorced or legally separated under a divorce or separation instrument (as defined in § 71(b)(2)) executed on or before December 31, 2018, unless such instrument is modified after that date and the modification provides that the changes made by § 11051 of the Act apply to the modification.

### **SECTION 4. REQUEST FOR COMMENTS**

Section 672(e)(1)(A) of the Code provides that the grantor of a trust shall be treated as holding any power or interest in such trust held by any individual who was the spouse of the grantor at the time of the creation of such power or interest.

Section 674(a) of the Code provides, in general, that the grantor shall be treated as the owner of any portion of a trust in respect of which the beneficial enjoyment of the corpus or the income therefrom is subject to a power of disposition, exercisable by the grantor or a nonadverse party (as defined in § 672(b)), or both, without the approval or consent of any adverse party (as defined in § 672(a)). However, § 674(d) provides that § 674(a) shall not apply to a power solely exercisable (without the approval or consent of any other person) by a trustee or trustees, none of whom is the grantor or spouse living with the grantor, to distribute, apportion, or accumulate income to or for a beneficiary or beneficiaries, or to, for, or within a class of beneficiaries, whether or not the conditions of § 674(b)(6) or (7) are satisfied, if such power is limited by a reasonably definite external standard which is set forth in the trust instrument.

Section 677(a) of the Code provides that the grantor of a trust shall be treated as the owner of any portion of a trust,

whether or not the grantor is treated as such owner under § 674, whose income without the approval or consent of any adverse party is, or, in the discretion of the grantor or a nonadverse party, or both, may be distributed to the grantor or the grantor's spouse, or held or accumulated for future distribution to the grantor or the grantor's spouse.

The Treasury Department and IRS request comments on whether guidance is needed regarding the application of §§ 672(e)(1)(A), 674(d), and 677 following a divorce or separation in light of the repeal of former § 682.

Written comments may be submitted by July 11, 2018 to Internal Revenue Service, CC:PA:LPD:PR (Notice 2018-37), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044, or electronically to Notice.Comments@irs.counsel.treas.gov (please include "Notice 2018-37" in the subject line). Alternatively, comments may be hand delivered between the hours of 8:00 a.m. and 4:00 p.m. Monday to Friday to CC:PA:LPD:PR (Notice 2018-37), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, D.C. Comments will be available for public inspection and copying.

### **SECTION 5. CONTACT INFORMATION**

The principal author of this notice is Jennifer N. Keeney of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this notice contact Jennifer N. Keeney at (202) 317-6850 (not a toll-free number).

## **2018 Fiscal-year Blended Tax Rates for Corporations Notice 2018-38**

### **PURPOSE**

This notice provides guidance on the changes made by "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," P.L. 115-97 (the Act), to federal income tax rates for corporations under § 11(b) of the Internal Revenue Code (Code) and to the alternative minimum tax for corporations under

§ 55 and on the application of § 15 in determining the federal income tax (including the alternative minimum tax) of a corporation for a taxable year that begins before January 1, 2018, and ends after December 31, 2017.

### **BACKGROUND**

Section 11(a) of the Code imposes a tax on the taxable income of every corporation (corporate tax). Prior to changes made by the Act, § 11(b) provided that the amount of tax imposed was based on a graduated rate structure starting at 15 percent of the corporation's taxable income and increasing to 35 percent of taxable income. In addition, § 55(a) imposed a tax (the "alternative minimum tax" or AMT) equal to the excess, if any, of the tentative minimum tax (TMT) for the taxable year, over the corporate tax for the taxable year. Section 55(b)(1)(B) provided that in the case of a corporation, the TMT for the taxable year is 20 percent of so much of the alternative minimum taxable income (AMTI) for the taxable year as exceeds the exemption amount, reduced by the alternative minimum tax foreign tax credit for the taxable year.

Section 13001(a) of the Act amended § 11(b) of the Code to provide that the amount of tax imposed by § 11(a) shall be 21 percent of a corporation's taxable income. Section 13001(c)(1) provides generally that this change in the tax rate for corporations is effective for taxable years beginning after December 31, 2017.

Section 12001(a) of the Act amended § 55(a) of the Code by limiting the application of the AMT to non-corporate taxpayers, thereby repealing the AMT for corporations. Section 12001(c) of the Act provides that the changes made by § 12001 apply to taxable years beginning after December 31, 2017.

Section 15(a) of the Code provides that if any rate of tax imposed by chapter 1 of the Code changes, and if the taxable year includes the effective date of the change (unless that date is the first day of the taxable year), then –

(1) tentative taxes shall be computed by applying the rate for the period before the effective date of the change, and the rate for the period on and after such date, to the taxable income for the entire taxable year; and



(2) the tax for such taxable year shall be the sum of that proportion of each tentative tax which the number of days in each period bears to the number of days in the entire taxable year.

Section 15(b) of the Code provides that for purposes of § 15(a), if a tax is repealed, the repeal shall be considered a change of rate, and the rate for the period after the repeal shall be zero. Section 15(c) provides in part that for purposes of § 15(a) and (b), if the rate changes for taxable years “beginning after” or “ending after” a certain date, the following day shall be considered the effective date of the change.

## APPLICATION

### *Corporate Tax under § 11*

The changes made by § 13001 of the Act to the federal income tax rates imposed on corporations under § 11(b) of the Code are effective for taxable years beginning after December 31, 2017. Under § 15(c), for purposes of § 15(a) and (b), the effective date of the change made by § 13001 of the Act is January 1, 2018. The computation of tax provided under § 15(a) applies to a change in any rate of tax imposed by chapter 1 of the Code if the taxable year includes the effective date of the change, unless that date is the first day of the taxable year. The tax under § 11 is a tax imposed by chapter 1 of the Code. Consequently, a corporation with a taxable year that includes January 1, 2018, but does not start on that day, must apply § 15(a) to determine the amount of federal income tax imposed under § 11 for that taxable year. Pursuant to § 15(a), a tentative tax of a corporation for the taxable year that includes January 1, 2018, shall be computed by applying the rates of tax imposed under

§ 11(b) prior to the change of the tax rate under § 13001 of the Act, and a tentative tax for a corporation shall be computed by applying the 21 percent rate of tax imposed under § 11(b) as amended by § 13001 of the Act. The tax imposed under § 11 for the taxable year that includes January 1, 2018, is the sum of that proportion of each tentative tax which the number of days in each period bears to the number of days in the entire taxable year.

### *Other Applications using § 11(b) Rates*

Certain taxpayers, such as life insurance companies and regulated investment companies, are not subject to the tax imposed under § 11(a), but are nonetheless taxed under other Code provisions that use the rates of tax set forth in § 11(b). The application of § 15 will apply in determining the chapter 1 tax for these taxpayers in the same manner as described above for corporations subject to the tax imposed by § 11(a).

### *Alternative Minimum Tax under § 55*

Section 12001 of the Act repealed the application of the AMT imposed under § 55 to corporations effective for taxable years beginning after December 31, 2017. Under § 15(b), the repeal of a tax shall be considered a change of tax rate, and the rate for the period after the repeal is zero for purposes of § 15(a). As a result, the repeal of the AMT for corporations is a change in the TMT rate from 20 percent to zero. Further, under § 15(c), the effective date of this change of rate is January 1, 2018. The computation of tax provided under § 15(a) applies to a change in any rate of tax imposed by chapter 1 of the Code if the taxable year includes the ef-

fective date of the change, unless that date is the first day of the taxable year. The tax under § 55 is a tax imposed by chapter 1 of the Code. Consequently, a corporation with a taxable year that includes January 1, 2018, but does not start on that day, must apply § 15(a) to determine the amount of its TMT for that taxable year. Pursuant to § 15(a), a tentative TMT for the corporation shall be computed by applying the 20 percent TMT rate provided under § 55(b)(1)(B) prior to the change under § 12001 of the Act, and a tentative TMT shall be computed by applying the zero percent TMT rate resulting from the repeal under § 12001 of the Act of the AMT for corporations. The corporation’s TMT for the taxable year that includes January 1, 2018, is the sum of that proportion of each tentative TMT which the number of days in each period bears to the number of days in the entire taxable year.

## EXAMPLE

The following example illustrates the application of § 15(a) of the Code in determining the tax under §§ 11 and 55 of a corporation using a fiscal year as its taxable year for the taxable year that includes January 1, 2018.

*Example.* Corporation X, a subchapter C corporation, uses a June 30 taxable year. For its taxable year beginning July 1, 2017, and ending June 30, 2018, X’s taxable income is \$1,000,000, and its AMTI in excess of its AMT exemption amount is \$2,000,000.

### *Computation under § 11*

Corporation X’s corporate tax under § 11 of the Code is computed by applying § 15(a) as follows:

1) Taxable income (Line 30, Form 1120)	\$1,000,000
2) Tax on Line 1 amount using § 11(b) rates before the Act	340,000
3) Number of days in Corporation X’s taxable year before January, 1, 2018	184
4) Multiply Line 2 by Line 3	62,560,000
5) Tax on Line 1 amount using § 11(b) rate after the Act	210,000
6) Number of days in the taxable year after December 31, 2017	181
7) Multiply Line 5 by Line 6	38,010,000
8) Divide Line 4 by total number of days in the taxable year	171,397
9) Divide Line 7 by total number of days in the taxable year	104,137
10) Sum of Line 8 and Line 9	\$275,534

Under § 15(a), Corporation X's corporate tax for its taxable year ending June 30, 2018 is \$275,534.

*Computation under § 55*

Corporation X's TMT and resulting AMT under § 55 of the Code is computed by applying § 15(a) as follows:

1) AMTI in excess of AMT exemption amount (Line 9, Form 4626)	\$ 2,000,000
2) TMT on Line 1 amount using § 55(b)(1)(B) rate before the Act	400,000
3) Number of days in Corporation X's taxable year before January, 1, 2018	184
4) Multiply Line 2 by Line 3	73,600,000
5) Divide Line 4 by total number of days in the taxable year	\$201,644

It is unnecessary to compute a TMT for the portion of the taxable year beginning on and after the effective date of § 12001 of the Act because the TMT is repealed as of the effective date for purposes of applying § 15(a). Corporation X's TMT for its taxable year ending June 30, 2018 is \$201,644. Because this TMT amount for the taxable year does not exceed Corporation X's corporate tax amount of \$275,534, Corporation X does not have an AMT liability for its taxable year ending June 30, 2018.

4731 or Forest Boone at (202) 317-4904 (not a toll-free number).

*26 CFR 601.602: Tax forms and instructions. (Also Part I, §§ 42, 55.)*

**Rev. Proc. 2018-22**

**SECTION 1. PURPOSE**

This revenue procedure modifies and supersedes section 3.08 of Rev. Proc. 2018-18, 2018-10 I.R.B. 392, to reflect the statutory amendment by section 102, of Division T, of the Consolidated Appropriations Act, 2018, P.L. 115-141 (H.R. 1625) to increase the state housing credit ceiling. This revenue procedure also modifies and supersedes section 3.10 of Rev. Proc. 2018-18 to correct the alternative minimum tax phaseout threshold amount for estates and trusts.

**SECTION 2. MODIFICATION OF SECTION 3.08 and SECTION 3.10 OF REV. PROC. 2018-18**

Section 3.08 of Rev. Proc. 2018-18 is modified and superseded to read as follows:

.08 *Low-Income Housing Credit.* For calendar year 2018, the amount used under § 42(h)(3)(C)(ii) to calculate the State housing credit ceiling for the low-income housing credit is the greater of (1) \$2.70 multiplied by the State population, or (2) \$3,105,000.

Section 3.10 of Rev. Proc. 2018-18 is modified and superseded to read as follows:

.10 *Exemption Amounts for Alternative Minimum Tax.* For taxable years beginning in 2018, the exemption amounts under § 55(d)(1) are:

**APPLICABILITY DATE**

This notice applies to taxable years of corporations that begin before January 1, 2018, and end after December 31, 2017.

**CONTACT INFORMATION**

For further information regarding this notice, contact Bill Jackson at (202) 317-

Joint Returns or Surviving Spouses	\$109,400
Unmarried Individuals (other than Surviving Spouses)	\$70,300
Married Individuals Filing Separate Returns	\$54,700
Estates and Trusts	\$24,600

For taxable years beginning in 2018, under § 55(b)(1), the excess taxable income above which the 28 percent tax rate applies is:

Married Individuals Filing Separate Returns	\$95,550
Joint Returns, Unmarried Individuals (other than surviving spouses), and Estates and Trusts	\$191,100

For taxable years beginning in 2018, terminate the phaseout of the exemption amounts used under § 55(d)(3) to determine the amounts are:

Joint Returns or Surviving Spouses	\$1,000,000
Unmarried Individuals (other than Surviving Spouses)	\$500,000
Married Individuals Filing Separate Returns	\$500,000
Estates and Trusts	\$81,900

**SECTION 3. EFFECT ON OTHER DOCUMENTS**

This revenue procedure modifies and supersedes sections 3.08 and 3.10 of Rev. Proc. 2018-18, which modified and superseded certain sections of Rev. Proc. 2017-58, 2017-45 I.R.B. 489.

**SECTION 4. EFFECTIVE DATE**

Sections 3.08 and 3.10 of Rev. Proc. 2018-18 are modified and superseded for taxable years beginning in 2018.

**SECTION 5. DRAFTING INFORMATION**

The principal author of this revenue procedure is William Ruane of the Office

of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Ruane at (202) 317-4718 (not a toll-free number).

**NOTE.** This revenue procedure will be reproduced as the next revision of IRS Publication 4436, General Rules and Specifications for Substitute Form 941, Schedule B (Form 941), Schedule D (Form 941), Schedule R (Form 941), and Form 8974.

**Rev. Proc. 2018-24**

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**Part 1**

**Section 1.1 – Purpose**

**0.1** The purpose of this revenue procedure is to provide general rules and specifications from the IRS for paper and computer-generated substitutes for Form 941, Employer’s QUARTERLY Federal Tax Return; Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors (referred to in this revenue procedure as “Schedule B”); Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations (referred to in this revenue procedure as “Schedule D”); Schedule R (Form 941), Allocation Schedule for

Aggregate Form 941 Filers (referred to in this revenue procedure as “Schedule R”); and Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities.



*Before creating a substitute Form 941, see Pub. 1167, General Rules and Specifications for Substitute Forms and Schedules, for additional rules and specifications for payment vouchers (Vouchers), printing in margins (Marginal Printing), and additional instructions (Additional Instructions for All Forms).*

**Note.** Substitute territorial forms (941–PR, Planilla para la Declaración Federal TRIMESTRAL del Patrono; 941–SS, Employer’s QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands); and Anexo B (Formulario 941–PR), Registro de la Obligación Contributiva para los Despositantes de Itinerario Bisemanal) should also conform to the specifications outlined in this revenue procedure.

**0.2** This revenue procedure provides information for substitute Form 941, Schedule B, Schedule D, Schedule R, and Form 8974. If you need more in-depth information on who must complete these forms and how to complete them, see the Instructions for Form 941, Instructions for Schedule B, Instructions for Schedule D, instructions included with Schedule R, Instructions for Form 8974, and Pub. 15, Employer’s Tax Guide, or visit [IRS.gov](http://IRS.gov).

**Note.** Failure to produce acceptable substitutes of the forms and schedules listed in this revenue procedure may result in delays in processing and penalties.

**0.3** Forms that completely follow the guidelines in this revenue procedure and are exact replicas of the official IRS forms do not need to be submitted to the IRS for specific approval. Substitute forms and schedules need to be scanned using IRS scanning equipment.

If you are uncertain of any specification and want clarification, do the following.

1. Submit a letter citing the specification.
2. State your understanding of the specification.
3. Enclose an example (if appropriate) of how the form would appear if produced using your understanding.
4. Be sure to include your name, complete address, phone number, and, if applicable, your email address with your correspondence. Send your request to [SCRIPS@IRS.gov](mailto:SCRIPS@IRS.gov) or [SubstituteForms@IRS.gov](mailto:SubstituteForms@IRS.gov), or use the following address.

Internal Revenue Service  
Attn: Substitute Forms Program SE:W:CAR:MP:P:TP  
5000 Ellin Road, C6–440 Lanham, MD 20706

**Note.** Allow at least 30 days for the IRS to respond.

**0.4** However, software developers and form producers should send a blank copy of their substitute Form 941 and Schedule B in Portable Document Format (PDF) to [SCRIPS@IRS.gov](mailto:SCRIPS@IRS.gov). The purpose is not specifically for approval but to assist the IRS in preparing to scan these forms. Submitters will only receive comments if a significant problem is discovered through this process. Submitters are not expected to delay marketing their forms in order to receive feedback. Submitters must not include any “live” taxpayer data on any substitute form submitted for review.

**0.5** The following six-digit form ID codes are used on Form 941, the schedules for Form 941, and Form 8974.

- **Official paper forms:** 950117 (Form 941, page 1); 950217 (Form 941, page 2); 960311 (Schedule B); 950417 (Schedule R, page 1); 950517 (Schedule R, page 2); 950613 (Schedule R, page 3); and 950817 (Form 8974).



- **Substitute 6x10 grids:** 970117 (Form 941, page 1); 970217 (Form 941, page 2); 970311 (Schedule B); 970417 (Schedule R, page 1); 970517 (Schedule R, page 2); 970617 (Schedule R, page 3); and 970817 (Form 8974).

Generally, the last two digits of the form ID code represent the last year in which the IRS made major formatting changes to the layout of the form.

**Note.** Page 3 of Schedule R is not required to be filed with the IRS as part of a substitute Schedule R. However, if page 3 of the substitute Schedule R is filed, it must include the form ID code.

**0.6** This revenue procedure will be updated only if there are major formatting changes to the layout of the forms or there are other changes that impact the processing of substitute forms.

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## Section 1.2 – Reminders

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**0.1 Qualified small business payroll tax credit for increasing research activities.** For tax years beginning after December 31, 2015, a qualified small business may elect to claim up to \$250,000 of its credit for increasing research activities as a payroll tax credit against the employer’s share of social security tax. The portion of the credit used against the employer’s share of social security tax is allowed in the first calendar quarter beginning after the date that the qualified small business filed its income tax return. The election and determination of the credit amount that will be used against the employer’s share of social security tax is made on Form 6765, Credit for Increasing Research Activities. The amount from Form 6765, line 44, must then be reported on Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities. Form 8974 is used to determine the amount of the credit that can be used in the current quarter. The amount from Form 8974, line 12, is reported on Form 941, line 11. If you are claiming the research payroll tax credit on your Form 941, you must attach Form 8974 to that Form 941.

**0.2 New certification program for professional employer organizations.** The Tax Increase Prevention Act of 2014 required the IRS to establish a voluntary certification program for professional employer organizations (PEOs). PEOs handle various payroll administration and tax reporting responsibilities for their business clients and are typically paid a fee based on payroll costs. To become and remain certified under the certification program, certified professional employer organizations (CPEOs) must meet tax status, background, experience, business location, financial reporting, bonding and other requirements described in sections 3511 and 7705 and related published guidance. The IRS began accepting applications for PEO certification in July 2016. Certification as a CPEO affects the employment tax liabilities of both the CPEO and its customers. A CPEO is generally treated as the employer of any individual performing services for a customer of the CPEO and covered by a contract described in section 7705(e)(2) between the CPEO and the customer (CPEO contract), but only for wages and other compensation paid to the individual by the CPEO. For more information, visit the IRS website at [IRS.gov/CPEO](http://IRS.gov/CPEO).

CPEOs generally must file Form 941 and Schedule R electronically. For more information about a CPEO’s requirement to file electronically, see Rev. Proc. 2017–14, 2017–3 I.R.B. 426, available at [IRS.gov/irb/2017-03\\_IRB/ar14.html](http://IRS.gov/irb/2017-03_IRB/ar14.html).

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## Section 1.3 – General Requirements for Reproducing IRS Official Form 941, Schedule B, Schedule D, Schedule R, and Form 8974

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**0.1** Submit substitute Form 941, Schedule B, Schedule D, Schedule R, and Form 8974 to the IRS for specifications review. Substitute Form 941, Schedule B, Schedule D, Schedule R, and Form 8974 that **completely conform** to the specifications contained in this revenue procedure do not require prior approval from the IRS, but should be submitted to [SCRIPS@IRS.gov](mailto:SCRIPS@IRS.gov) to ensure that they conform to IRS format and scanning specifications.

**0.2** Print the form on standard 8.5 inches wide by 11-inch paper.

**0.3** Use white paper that meets generally accepted weight, color, and quality standards (minimum 20 lb. white bond paper).

**Note.** Reclaimed fiber in any percentage is permitted provided that the requirements of this standard are met.

**0.4** The IRS prefers printing Form 941 on both sides of a single sheet of paper, but it is acceptable to print on one side of each of two separate sheets of paper.

**0.5** Make the substitute paper form as identical to the official form as possible.

**0.6** Print the substitute form using nonreflective black (not blue or other-colored) ink. Printing in an ink color other than black may reduce readability in the scanning process. This may result in figures being too faint to be recognizable.

**0.7** Use typefaces that are substantially identical in size and shape to the official form and use rules and shading (if used) that are substantially identical to those on the official form. Use font size as large as possible within the fields.

**0.8** In the same location as shown on the official IRS forms, print the six-digit form ID code (if one exists on the official form) on each form using nonreflective black, carbon-based, 12-point. The use of non-OCR-A font may reduce readability for scanning. Use the official form to develop your substitute form.

**Note.** Maintain as much white space as possible around the form ID code. Do not allow character strings to print adjacent to the code.

The year digits represent the last year in which the IRS made major formatting changes to the layout of the form. Therefore, the last two digits may not be the same as the current tax year. For tax year 2018 and until this revenue procedure is superseded, print “950117” on Form 941, page 1; “950217” on Form 941, page 2; “960311” on Schedule B; “950417” on Schedule R, page 1; “950517” on Schedule R, page 2; “950617” on Schedule R, page 3; and “950817” on Form 8974. See *Section 1.4* for information on form ID codes for software-generated forms.

**Note.** Page 3 of Schedule R is not required to be filed with the IRS as part of a substitute Schedule R. However, if page 3 of the substitute Schedule R is filed, it must include the form ID code.

**0.9** Print the OMB number in the same location as on the official form. Be sure to include the OMB number on Form 941, Schedule B, Schedule D, Schedule R, and Form 8974.

**.10** Print all entry boxes and checkboxes exactly as shown (**location and size**) on the official forms.

**Note.** Instead of a four-sided checkbox for the entry, just the bottom line of the box can be used as long as the location and size remain the same.

**.11** Print “For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.” at the bottom of page 1 of Form 941.

**.12** Print “For Paperwork Reduction Act Notice, see separate instructions.” at the bottom of Schedule B and Schedule D.

**.13** Print “For Paperwork Reduction Act Notice, see the instructions.” at the bottom of Schedule R.

**.14** Print “Paperwork Reduction Act Notice, see the separate instructions.” at the bottom of Form 8974.

**.15 Do not** print the form catalog number (“Cat. No.”) at the bottom of the forms or instructions. Instead, print your IRS-issued three letter substitute form source code in place of the catalog number on the left at the bottom of page 1 of Form 941, Schedule B, Schedule D, Schedule R, and Form 8974.

**Note.** You can obtain a three-letter substitute form source code by requesting it by email at *SubstituteForms@IRS.gov*. Please enter “Substitute Forms” on the subject line.

**.16 Do not** print the Government Printing Office (GPO) symbol at the bottom of the forms or instructions.

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## Section 1.4 – Reproducing Form 941, Schedule B, Schedule D, Schedule R, and Form 8974 for Software-Generated Paper Forms

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**0.1** You may use the PDF files to develop the layout for your forms. Draft forms found at *IRS.gov/DraftForms* can be used to develop interim formats until the forms are finalized. When forms become finalized, they are posted and can be found at *IRS.gov/Forms*. You may use 6x10 grid formats to develop software versions of Form 941, Schedule B, Schedule D, Schedule R, and Form 8974. Please follow the specifications exactly to develop the fields.

**0.2** If you are developing software using the 6x10 grid, you may make the following modifications.

- “970117” for Form 941, page 1; “970217” for Form 941, page 2; “970311” for Schedule B; “970417” for Schedule R, page 1; “970517” for Schedule R, page 2; “970617” for Schedule R, page 3; and “970817” for Form 8974, as the form ID codes.

**Note.** Maintain as much white space as possible around the form ID code. Do not allow character strings to print adjacent to the code.

- Place all 6x10 grid boxes and entry spaces in the same field locations as indicated on the official forms.
- Use single lines for “Employer Identification Number (EIN)” and other entry areas in the entity section of Form 941, page 1; Schedule B; Schedule R, pages 1 and 2; and Form 8974.
- Reverse type is not needed as shown on the official form.
- **Do not** pre-print decimal points in the data boxes. However, where the amounts are required, the amounts should be printed with decimal points and place holders for cents.
- Delete the pre-printed formatting in any “date” boxes.
- Use a single box for “Personal Identification Number (PIN)” on Form 941.
- You may delete all shading when using the 6x10 grid format.

**0.3** If producing both the form and the data or the form only, print your three-letter source code at the bottom of Form 941, page 1; Schedule B; Schedule D; Schedule R, page 1; or Form 8974. See *Section 1.3.15*.

**0.4** If producing only the data on the form, print your four-digit software industry vendor code on Form 941. The four-digit vendor code preceded by four zeros and a slash (0000/9876) must be pre-printed. If you have a valid vendor code issued to you through the National Association of Computerized Tax Processors (NACTP), you should use that code. If you do not have a valid vendor code, contact the NATCP via email at *president@natcp.org* for information on these codes.

**0.5** Print “For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.” at the bottom of Form 941, page 1.

**0.6** Print “For Paperwork Reduction Act Notice, see separate instructions.” at the bottom of Schedule B and Schedule D.

**0.7** Print “For Paperwork Reduction Act Notice, see the instructions.” at the bottom of Schedule R, page 1.

**0.8** Print “For Paperwork Reduction Act Notice, see the separate instructions.” at the bottom of Form 8974.

**0.9** Be sure to print the OMB number in the same location as on the official forms on substitute Form 941, Schedule B, Schedule D, Schedule R, and Form 8974.

**.10 Do not** print the form catalog number (“Cat. No.”) at the bottom of the forms or instructions.

**.11 Do not** print the Government Printing Office (GPO) symbol at the bottom of the forms or instructions.

**.12** To ensure accurate scanning and processing, enter data on Form 941, Schedule B, Schedule D, Schedule R, and Form 8974 as follows.

- Display/print the name and EIN on all pages and attachments in the proper associated fields.
- Use 12-point (minimum 10-point) Courier font (where possible). Omit dollar signs, but use commas when showing amounts.
- Except for Form 941, lines 1 and 2, leave blank any data field with a value of zero.
- Enter negative amounts with a minus sign. For example, report “-10.59” instead of “(10.59).”

**Note.** The IRS prefers that you use a minus sign for negative amounts instead of parentheses or some other means. However, if your software only allows for parentheses in reporting negative amounts, you may use them.

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## Section 1.5 – Specific Instructions for Schedule D

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**0.1** To properly file and to reduce delays and contact from the IRS, Schedule D must be produced as close as possible to the official form.

**0.2** Use Schedule D to explain why you have certain discrepancies. See the Instructions for Schedule D for more information. In many cases, the information on Schedule D helps the IRS resolve discrepancies without contacting you.

**0.3** If a substitute Schedule D is not submitted in similar format to the official IRS schedule, the substitutes may be returned, you may be contacted by the IRS, delays in processing may occur, and you may be subject to penalties.



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## Section 1.6 – Specific Instructions for Schedule R

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**0.1** To properly file and to reduce delays and contact from the IRS, Schedule R and Continuation Sheets for Schedule R must be produced as close as possible to the official form.

**Note. Do not** present the information in spreadsheet or similar format. We may not be able to properly process nonconforming documents with an excessive number of entries. Complete as many Continuation Sheets for Schedule R (Schedule R, page 2) as necessary. If Continuation Sheets are not used or they vary in form from the official form, processing may be delayed and you may be subject to penalties.

**0.2** Use Schedule R to allocate the aggregate information reported on Form 941 to each client. If you have more than 10 clients, complete as many Continuation Sheets for Schedule R as necessary. Attach Schedule R, including any Continuation Sheets, to your aggregate Form 941 and file it with your return. Enter your business information carefully.

Make sure all information exactly matches the information shown on the aggregate Form 941. Compare the total of each column on Schedule R, line 14 (including your information on line 13), to the amounts reported on the aggregate Form 941. For each column total of Schedule R, the relevant line from Form 941 is noted in the column heading. If the totals on Schedule R, line 14, do not match the totals on Form 941, there is an error that must be corrected before submitting Form 941 and Schedule R.

**0.3 Do:**

- Develop and submit only conforming Schedules R.
- Follow the format and fields exactly as on the official Schedule R.
- Maintain the same number of entry lines on the substitute Schedule R as on the official form.

**0.4 Do not:**

- Add or delete entry lines.
- Submit spreadsheets, database printouts, or similar formatted documents instead of using the Schedule R format to report data.
- Reduce or expand font size to add or delete extra data or lines.

**0.5** If substitute Schedules R and Continuation Sheets for Schedule R are not submitted in similar format to the official schedule, the substitutes may be returned, you may be contacted by the IRS, delays in processing may occur, and you may be subject to penalties.

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## Section 1.7 – Specific Instructions for Form 8974

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**0.1** To properly file and to reduce delays and contact from the IRS, Form 8974 must be produced as close as possible to the official form.

**0.2** Use Form 8974 only if you are claiming the qualified small business payroll tax credit for increasing research activities.

**0.3** If a substitute Form 8974 is not submitted in similar format to the official IRS form, the substitutes may be returned, you may be contacted by the IRS, delays in processing may occur, and you may be subject to penalties.

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## Section 1.8 – OMB Requirements for Substitute Forms

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**0.1** The Paperwork Reduction Act (the Act) of 1995 (Public Law 104–13) requires the following.

- The Office of Management and Budget (OMB) approves all IRS tax forms that are subject to the Act.
- Each IRS form contains the OMB approval number, if assigned. The official OMB numbers may be found on the official IRS-printed forms. Each IRS form (or its instructions) states:
  1. Why the IRS needs the information,
  2. How it will be used, and
  3. Whether or not the information is required to be furnished to the IRS.

**0.2** This information must be provided to any users of official or substitute IRS forms or instructions.

**0.3** The OMB requirements for substitute IRS forms are the following.

- Any substitute form or substitute statement to a recipient must show the OMB number as it appears on the official form.
- For Form 941, Schedule B, Schedule D, Schedule R, and Form 8974, the OMB number (1545-0029) must appear exactly as shown on the official form.
- For Form 941, Schedule B, Schedule D, Schedule R, and Form 8974, the OMB number must use one of the following formats.
  1. OMB No. 1545–0029 (preferred).
  2. OMB # 1545–0029 (acceptable).

**0.4** If no instructions are provided to users of your forms, you must furnish to them the exact text of the Privacy Act and Paperwork Reduction Act Notice.

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## Section 1.9 – Order Forms and Instructions

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**.01** You can order forms and instructions at *IRS.gov/orderforms*.

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## Section 1.10 – Effect on Other Documents

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**.01** Revenue Procedure 2017–32, 2017–17 I.R.B. 1109, dated April 24, 2017, is superseded.

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## Section 1.11 – Helpful Information

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**0.1** Please follow the specifications and guidelines to produce substitute Form 941, Schedule B, Schedule D, Schedule R, and Form 8974.

**0.2** These forms are subject to review and possible changes as required. Therefore, employers are cautioned against overstocking supplies of privately printed substitutes.

**0.3** Here is a review of references that were listed throughout this document.

- Form 941, Employer’s QUARTERLY Federal Tax Return. Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors (referred to in this revenue procedure as “Schedule B”).
- Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations (referred to in this revenue procedure as “Schedule D”).
- Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers (referred to in this revenue procedure as “Schedule R”).
- Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities.
- Substitute territorial forms (941–PR, 941–SS, and Anexo B (Formulario 941–PR)).
- Instructions for Form 941.
- Instructions for Schedule B (Form 941). Instructions for Form 8974.
- Pub. 15, Employer’s Tax Guide.
- *SCRIPS@IRS.gov* for submissions.
- *SubstituteForms@IRS.gov* for questions.
- For questions:
  - Internal Revenue Service
  - Attn: Substitute Forms Program
  - SE:W:CAR:MP:P:TP
  - 5000 Ellin Road, C6–440
  - Lanham, MD 20706
- *IRS.gov/DraftForms* for draft forms.
- *IRS.gov/Forms* for final forms.





.50 in  
950217

Name (not your trade name) \_\_\_\_\_ Employer identification number (EIN) \_\_\_\_\_

**Part 2: Tell us about your deposit schedule and tax liability for this quarter.**

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one:  Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule below; if you are a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1  .

Month 2  .

Month 3  .

Total liability for quarter  . Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.

**Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.**

17 If your business has closed or you stopped paying wages . . . . .  Check here, and enter the final date you paid wages  .

18 If you are a seasonal employer and you don't have to file a return for every quarter of the year . . . . .  Check here.

**Part 4: May we speak with your third-party designee?**

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS.

No.

**Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**X** Sign your name here

Print your name here

Print your title here

Date  / /

Best daytime phone

**Paid Preparer Use Only** Check if you are self-employed

Preparer's name  PTIN

Preparer's signature  Date

Firm's name (or yours if self-employed)  EIN

Address  Phone

City  State  ZIP code

Page 2 Form 941 (Rev. 1-2018)



# Exhibit D

## Schedule B (Form 941)

### Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors

(Rev. January 2017) Department of the Treasury — Internal Revenue Service

Employer identification number (EIN) 3.27 in

Name (not your trade name) 3.50 in

Calendar year 1.33 in (Also check quarter)

960311  
OMB No. 1545-0029

**Report for this Quarter...**  
(Check one.)

1: January, February, March 2.20 in

2: April, May, June 2.50 in

3: July, August, September

4: October, November, December

Use this schedule to show your TAX LIABILITY for the quarter; don't use it to show your deposits. When you file this form with Form 941 or Form 941-SS, don't change your tax liability by adjustments reported on any Forms 941-X or 944-X. You must fill out this form and attach it to Form 941 or Form 941-SS if you're a semiweekly schedule depositor or became one because your accumulated tax liability on any day was \$100,000 or more. Write your daily tax liability on the numbered space that corresponds to the date wages were paid. See Section 11 in Pub. 15 for details.

1	9	17	25	Tax liability for Month 1
2	10	18	26	1.80 in
3	11	19	27	
4	12	20	28	
5	13	21	29	
6	14	22	30	
7	15	23	31	
8	16	24		
Month 2 <span style="float: right;">.20 in</span> <span style="float: right;">6.30 in</span>				Tax liability for Month 2
1	9	17	25	1.58 in
2	10	18	26	
3	11	19	27	
4	12	20	28	
5	13	21	29	
6	14	22	30	
7	15	23	31	
8	16	24		
Month 3				Tax liability for Month 3
1	9	17	25	.50 in
2	10	18	26	
3	11	19	27	
4	12	20	28	
5	13	21	29	
6	14	22	30	
7	15	23	31	
8	16	24		
Total liability for the quarter (Month 1 + Month 2 + Month 3) <span style="float: right;">.55 in</span> Total must equal line 12 on Form 941 or Form 941-SS. <span style="float: right;">.50 in</span>				Total liability for the quarter

For Paperwork Reduction Act Notice, see separate instructions. IRS.gov/form941 Cat. No. 11967Q Schedule B (Form 941) (Rev. 1-2017)

↑ .50 in

← .50 in

## Schedule D (Form 941):

### Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations

(Rev. June 2011) Department of the Treasury—Internal Revenue Service

OMB No. 1545-0029

**Employer Identification Number (EIN)** 2.85 in

**Name (not your trade name)** 3.40 in

**Trade name (if any)** 3.70 in

**Address** 4.20 in

Number Street Suite or room number

City State ZIP code

**Phone number** 2.29 in

**Tax Year of Discrepancies (Fill in)**

Format: YYYY

7.5 in

---

**Type of Submission (Check one)**

Original  
 Corrected

2.20 in

1.08 in

**About this schedule**

Each year the Internal Revenue Service (IRS) and the Social Security Administration (SSA) compare the totals on your Forms 941, *Employer's QUARTERLY Federal Tax Return*, with the totals on Forms W-2, *Wage and Tax Statement*, to verify that:

- The wages you reported on Forms 941 match those you reported on Forms W-2 (Copy A) so that your employees' social security earnings records are complete for benefit purposes; and
- You have paid the appropriate taxes.

Generally, the totals on your Forms W-2 (Copy A) should equal the totals you reported on Forms 941. Use this schedule if discrepancies exist between the totals you reported on those forms ONLY as a result of an acquisition, statutory merger, or consolidation. **In many cases, the information on this schedule should help the IRS resolve discrepancies without contacting you.** If you are an eligible employer who elects to use the alternate procedure set forth in Rev. Proc. 2004-53, explained in the instructions, you should file this schedule.

**Read the separate instructions before you fill out this schedule.**

**Part 1: Answer these background questions.**

**1. Are you filing this schedule —**

After a statutory merger or consolidation? (See Rev. Rul. 62-60, 1962-1 C.B. 186 and Rev. Proc. 2004-53, 2004-2 C.B. 320.)

You are either:  An acquired corporation or  
 A surviving corporation.

OR

After an acquisition and you are using the alternate procedure under Rev. Proc. 2004-53, 2004-2 C.B. 320?

You are either:  A predecessor or  
 A successor.

**2. The effective date of the statutory merger/consolidation or acquisition is .....** 1.70 in

MM / DD / YYYY

**3. The OTHER PARTY in this transaction is . . .**

Other party's EIN 2.85 in

Other party's name 6.00 in

Trade name (if any)

Address 4.20 in

Number Street Suite or room number

City State ZIP code

Phone number 2.29 in

Next

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 38791Y Schedule D (Form 941) (Rev. 6-2011)

↓ .50 in

April 30, 2018

538

Bulletin No. 2018-18







95051

**Report for calendar year:**

Check the quarter (same as Form 941):

- 1: January, February, March
- 2: April, May, June
- 3: July, August, September
- 4: October, November, December

Page \_\_\_\_\_ of \_\_\_\_\_



**Continuation Sheet for Schedule R (Form 941)**

(Rev. January 2018)

Employer identification number (EIN)  -

Name as shown on Form 941

Type of filer (check one):  Section 3504 Agent  Certified Professional Employer Organization (CPEO)

(a) Client's Employer identification number (EIN)	(b) Type of wages, tips, and other compensation (CPEO Use Only)	(c) Wages, tips, and other compensation allocated to the listed client EIN from Form 941, line 2	(d) Federal income tax withheld from wages, tips, and other compensation allocated to the listed client EIN from Form 941, line 3	(e) Total social security and Medicare taxes allocated to the listed client EIN from Form 941, line 5e	(f) Section 312(g) Notice and Demand-Tax due on unreported tips allocated to the listed client EIN from Form 941, line 5f	(g) Qualified small business payroll tax creditor relaxing, rescheduling, or abating the tax activity of the listed client EIN from Form 941, line 11	(h) Total taxes after adjustments and credits allocated to the listed client EIN from Form 941, line 12	(i) Total deposits from Form 941, line 13, plus any payments made to the return indicated to the listed client EIN
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
<b>24</b> Subtotals for clients. Add lines 1 through 23. Include the subtotals from line 24 on line 12 of Schedule R.								

Schedule R (Form 941) (Rev. 1-2018)

**Form 8974: Qualified Small Business Payroll Tax Credit for Increasing Research Activities** 950817

(Rev. December 2017) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) --

Name (not your trade name)

The credit from Part 2, line 12, will be reported on (check only one box):

Form 941, 941-PR, or 941-SS

Form 943 or 943-PR

Form 944 or 944(SP)

Calendar year  You must select a quarter if you file Form 941, 941-PR, or 941-SS.

**Report for this quarter . . .**

Check only one box.

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

**Part 1: Tell us about your income tax return.**

	(a) Ending date of income tax period	(b) Income tax return filed that included Form 6765	(c) Date income tax return was filed	(d) EIN used on Form 6765	(e) Amount from Form 6765, line 44, or if applicable, the amount that was allocated to your EIN	(f) Amount of credit from column (e) taken on a previous period(s)	(g) Remaining credit (subtract column (f) from column (e))
1	/ /	/ /	/ /	/ /	.	.	.
2	/ /	/ /	/ /	/ /	.	.	.
3	/ /	/ /	/ /	/ /	.	.	.
4	/ /	/ /	/ /	/ /	.	.	.
5	/ /	/ /	/ /	/ /	.	.	.
6	Add lines 1(g) through 5(g) and enter the total here						.

**Part 2: Determine the credit that you can use this period.**

7 Enter the amount from Part 1, line 6(g)..... 1.80

8 Enter the amount from Form 941 (941-PR or 941-SS), line 5a, Column 2; Form 943 (943-PR), line 3; or Form 944 (944(SP)), line 4a, Column 2..... 8

9 Enter the amount from Form 941 (941-PR or 941-SS), line 5b, Column 2; or Form 944 (944(SP)), line 4b, Column 2..... 9

10 Add lines 8 and 9 ..... 10

11 Multiply line 10 by 50% (0.50). Check this box  if you're a third-party payer of sick pay or check this box  if you received a Section 3121(q) Notice and Demand. See the instructions before completing line 11 ..... 11

12 **Credit.** Enter the smaller of line 7 or line 11. Also enter this amount on Form 941 (941-PR or 941-SS), line 11; Form 943 (943-PR), line 12; or Form 944 (944(SP)), line 8 ..... 12

For Paperwork Reduction Act Notice, see the separate instructions. www.irs.gov/Form8974 Cat. No. 37797C Form 8974 (Rev. 12-2017)

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability. (Also Part I, §§ 280F; 1.280F-7.)

## Rev. Proc. 2018-25

### SECTION 1. PURPOSE

This revenue procedure provides: (1) tables of limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2018; and (2) a table of amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2018. For purposes of this revenue procedure, the term “passenger automobiles” includes trucks and vans.

### SECTION 2. BACKGROUND

.01 For owners of passenger automobiles, § 280F(a), as modified by § 13202(a)(1) of “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018”, Pub. L. No. 115-97 (Dec. 22, 2017) (the “Act”), imposes dollar limitations on the depreciation deduction for the year the taxpayer places the passenger automobile in service and for each succeeding year. The dollar limitation amounts in this revenue procedure reflect the new limits provided in § 13202(a)(1) of the Act and are applicable to passenger automobiles placed in service during calendar year 2018.

.02 Section 13201 of the Act amended § 168(k) to extend and modify the additional first year depreciation deduction for qualified property acquired and placed in service after September 27, 2017, and before January 1, 2027. Section 168(k)(1) provides that, in the case of qualified property, the depreciation deduction allowed under § 167(a) for the taxable year in which the property is placed in service includes an allowance equal to the applicable percentage of the property’s adjusted basis (hereinafter, referred to as “§ 168(k) additional first year depreciation deduction”). Pursuant to § 168(k)(6)(A), the applicable percentage is 100 percent for qualified property acquired and placed in service after September 27,

2017, and placed in service before January 1, 2023, and is phased down 20 percent each year for property placed in service through December 31, 2026. However, if a taxpayer elects to apply § 168(k)(10) in the case of qualified property placed in service by the taxpayer during the first taxable year ending after September 27, 2017, the depreciation deduction allowed under § 167(a) for the taxable year includes an allowance equal to 50 percent of the property’s adjusted basis. Pursuant to § 168(k)(8)(B)(i), the applicable percentage is 40 percent for qualified property acquired before September 28, 2017, and placed in service in 2018. For qualified property acquired and placed in service after September 27, 2017, § 168(k)(2)(F)(i) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$8,000. For qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer during 2018, § 168(k)(2)(F)(iii) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$6,400.

.03 Tables 1 through 3 of this revenue procedure provide depreciation limitations for passenger automobiles placed in service during calendar year 2018. Table 1 provides depreciation limitations for passenger automobiles acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer during calendar year 2018, for which the § 168(k) additional first year depreciation deduction applies. Table 2 provides depreciation limitations for passenger automobiles acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during calendar year 2018, for which the § 168(k) additional first year depreciation deduction applies. Table 3 provides depreciation limitations for passenger automobiles placed in service during calendar year 2018 for which no § 168(k) additional first year depreciation deduction applies. The § 168(k) additional first year depreciation deduction does not apply for 2018 if the taxpayer: (1) did not use the passenger automobile during 2018 more than 50 percent for business purposes; (2) elected out of the § 168(k) additional first year depreciation deduc-

tion pursuant to § 168(k)(7) for the class of property that includes passenger automobiles; or (3) acquired the passenger automobile used and the acquisition of such property did not meet the acquisition requirements in § 168(k)(2)(E)(ii).

.04 Section 280F(c)(2) requires a reduction to the amount of deduction allowed to the lessee of a leased passenger automobile. Pursuant to § 280F(c)(3), the reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of passenger automobiles. Under § 1.280F-7(a) of the Income Tax Regulations, this reduction requires a lessee to include in gross income an amount determined by applying a formula to the amount obtained from a table. Table 4 applies to lessees of passenger automobiles. This table shows income inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased.

### SECTION 3. SCOPE

.01 The limitations on depreciation deductions in section 4.01(2) of this revenue procedure apply to passenger automobiles, other than leased passenger automobiles, that are placed in service by the taxpayer in calendar year 2018, and continue to apply for each taxable year that the passenger automobile remains in service.

.02 The table in section 4.02 of this revenue procedure applies to leased passenger automobiles for which the lease term begins during calendar year 2018. Lessees of these passenger automobiles must use these tables to determine the inclusion amount for each taxable year during which the passenger automobile is leased. See Rev. Proc. 2013-21, 2013-12 I.R.B. 660, for passenger automobiles first leased during calendar year 2013; Rev. Proc. 2014-21, 2014-11 I.R.B. 641, as amplified and modified by section 4.03 of Rev. Proc. 2015-19, 2015-8 I.R.B. 656, for passenger automobiles first leased during calendar year 2014; Rev. Proc. 2015-19, as amplified and modified by section 4.03 of Rev. Proc. 2016-23, 2016-16 I.R.B. 581, for passenger automobiles first



leased during calendar year 2015, Rev. Proc. 2016–23 for passenger automobiles first leased during calendar year 2016, and Rev. Proc. 2017–29, 2017–14 I.R.B. 1065, for passenger automobiles first leased during calendar year 2017.

**SECTION 4. APPLICATION**

*.01 Limitations on Depreciation Deductions for Certain Automobiles.*

(1) *Amount of the inflation adjustment.* Section 280F(a), as amended by § 13202(a)(1)

of the Act, provides the limitation on depreciation for passenger automobiles placed in service during calendar year 2018. Accordingly, no adjustment for inflation applies to calendar year 2018. See § 280F(d)(7)(A), as amended by § 13202(a)(2)(B) of the Act.

(2) *Amount of the limitation.* Tables 1 through 3 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service during calendar year 2018. Use Table 1 for a passenger automobile to which the § 168(k) additional

first year depreciation deduction applies that is acquired before September 28, 2017, and placed in service during calendar year 2018; Table 2 for a passenger automobile to which the § 168(k) additional first year depreciation deduction applies that is acquired after September 27, 2017, and placed in service during calendar year 2018; and Table 3 for a passenger automobile for which no § 168(k) additional first year depreciation deduction applies.

REV. PROC. 2018–25 TABLE 1 DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED BEFORE SEPTEMBER 28, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2018 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<i>Tax Year</i>	<i>Amount</i>
1st Tax Year	\$ 16,400
2nd Tax Year	\$ 16,000
3rd Tax Year	\$ 9,600
Each Succeeding Year	\$ 5,760

REV. PROC. 2018–25 TABLE 2 DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED AFTER SEPTEMBER 27, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2018, FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<i>Tax Year</i>	<i>Amount</i>
1st Tax Year	\$ 18,000
2nd Tax Year	\$ 16,000
3rd Tax Year	\$ 9,600
Each Succeeding Year	\$ 5,760

REV. PROC. 2018–25 TABLE 3 DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES PLACED IN SERVICE DURING CALENDAR YEAR 2018 FOR WHICH NO § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<i>Tax Year</i>	<i>Amount</i>
1st Tax Year	\$ 10,000
2nd Tax Year	\$ 16,000
3rd Tax Year	\$ 9,600
Each Succeeding Year	\$ 5,760

*.02 Inclusions in Income of Lessees of Passenger Automobiles.*

A taxpayer must follow the procedures in § 1.280F–7(a) for determining the in-

come inclusion amounts for passenger automobiles first leased in calendar year 2018. In applying these procedures, lessees of passenger automobiles should use Table 4 of this revenue procedure.

REV. PROC. 2018-25 TABLE 4  
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES  
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2018

<i>Fair Market Value of Passenger Automobile</i>		<i>Tax Year During Lease</i>				
<i>Over</i>	<i>Not Over</i>	<i>1<sup>st</sup></i>	<i>2<sup>nd</sup></i>	<i>3<sup>rd</sup></i>	<i>4<sup>th</sup></i>	<i>5<sup>th</sup> &amp; later</i>
\$50,000	\$51,000	1	3	5	5	6
51,000	52,000	4	9	13	16	19
52,000	53,000	7	15	22	27	31
53,000	54,000	10	21	31	37	44
54,000	55,000	12	27	40	48	56
55,000	56,000	15	33	49	59	68
56,000	57,000	18	39	58	69	81
57,000	58,000	20	45	67	80	93
58,000	59,000	23	51	76	91	105
59,000	60,000	26	57	85	101	117
60,000	62,000	30	66	98	118	135
62,000	64,000	36	78	116	139	160
64,000	66,000	41	90	134	160	185
66,000	68,000	46	102	152	181	210
68,000	70,000	52	114	169	203	235
70,000	72,000	57	126	187	225	259
72,000	74,000	63	138	205	246	284
74,000	76,000	68	150	223	267	309
76,000	78,000	74	162	241	288	333
78,000	80,000	79	174	259	310	357
80,000	85,000	89	195	290	347	401
85,000	90,000	102	225	335	400	463
90,000	95,000	116	255	379	454	525
95,000	100,000	130	285	423	508	586
100,000	110,000	150	330	491	587	679
110,000	120,000	178	390	579	695	802
120,000	130,000	205	450	669	801	926
130,000	140,000	232	510	758	908	1,049
140,000	150,000	260	570	847	1,015	1,172
150,000	160,000	287	630	936	1,122	1,296
160,000	170,000	314	691	1,024	1,230	1,419
170,000	180,000	342	750	1,114	1,336	1,543
180,000	190,000	369	810	1,204	1,442	1,666
190,000	200,000	396	871	1,292	1,550	1,789
200,000	210,000	424	930	1,382	1,656	1,913
210,000	220,000	451	991	1,470	1,764	2,036
220,000	230,000	478	1,051	1,559	1,871	2,159
230,000	240,000	505	1,111	1,649	1,977	2,283
240,000	and over	533	1,171	1,738	2,084	2,406

## SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2018.

## SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Harvey at (202) 317-7005 (not a toll-free number).

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*26 CFR 601.601 Rules and regulations. (Also, §§ 54, 54A, 54AA, 141, 142, 1397E, 1400N, 1400U-2, 6431; 1.141-12, & 1.142-2)*

## Rev. Proc. 2018-26

### SECTION 1. PURPOSE

This revenue procedure provides certain remedial actions that issuers of State and local tax-exempt bonds and other tax-advantaged bonds (as defined in § 1.150-1(b) of the Income Tax Regulations) may take to preserve the tax-advantaged status of the bonds when nonqualified uses (as defined in section 4.04 of this revenue procedure) of the bond proceeds occur.

### SECTION 2. BACKGROUND

.01 Various provisions of the Internal Revenue Code (the “Code”) provide tax benefits to facilitate lower borrowing costs for State and local governments and other qualified issuers if certain requirements are met. These benefits are in the form of a tax exemption under § 103 on the interest paid to holders of eligible State and local bonds (“tax-exempt bonds”), refundable tax credits under § 6431 payable to issuers of certain qualified bonds (“direct pay bonds”), or tax credits under § 54A and similar provisions to holders of qualified tax credit bonds (“tax credit bonds”).<sup>3</sup> Eligibility requirements for these tax benefits include prescribed uses of the proceeds of the bonds.

.02 For some types of tax-advantaged bonds, existing regulations provide remedial actions to cure certain nonqualified uses. For example, for tax-exempt governmental bonds (as defined in § 1.150-1(b)), § 1.141-12 provides remedial actions (including bond redemption or defeasance, alternative qualified use of disposition proceeds, and alternative qualified use of facilities) to cure violations of the private business use and private loan restrictions under § 141. Similarly, for certain types of tax-exempt private activity bonds (as defined in § 141), § 1.142-2 provides remedial actions (including bond redemption or defeasance) to cure violations of particular requirements for qualified private activity bonds under §§ 142, 144, and 147. In addition, for qualified zone academy bonds (“QZABs”) as defined in § 1397E, § 1.1397E-1(h)(8) provides remedial actions (including bond redemption or defeasance and alternative qualified use of disposition proceeds) to cure violations of requirements for QZABs under § 1397E.

.03 The existing remedial actions for tax-exempt governmental bonds do not include a remedial action to cure the nonqualified uses that generally result from longer-term leases of financed property to private businesses, other than the remedial action of bond redemption or defeasance. Taxpayers have recommended adding a remedial action for this purpose similar to the existing remedial action that allows curing nonqualified uses that result from sales of financed property to private businesses through alternative qualified uses of the disposition proceeds of those sales. Section 1.141-12(h) permits the Commissioner, by publication in the Internal Revenue Bulletin, to provide additional remedial actions for purposes of the private business use and private loan restrictions. Section 5 of this revenue procedure provides such a remedial action.

.04 For direct pay bonds, no existing remedial action allows adjustment of the refundable Federal tax credit for nonqualified uses. Such a remedial action would provide a simple and administrable method of preserving the tax-advantaged status of direct pay bonds. Section 6 of

this revenue procedure provides this remedial action.

.05 Finally, for certain types of tax credit bonds and for direct pay bonds, none of the existing remedial actions described in section 2.02 of this revenue procedure are available. Extending the availability of existing remedial actions to these types of bonds would allow issuers similarly to cure nonqualified uses of these bonds. Section 7 of this revenue procedure provides remedial actions for these bonds.

### SECTION 3. SCOPE

This revenue procedure applies to tax-advantaged bonds to allow issuers to take certain remedial actions to protect the tax-advantaged status of the bonds when nonqualified uses of bond proceeds occur if the requirements of particular remedial actions under this revenue procedure are met.

### SECTION 4. DEFINITIONS

The definitions in this section 4 apply for purposes of this revenue procedure.

.01 *Applicable Code section* means the Code section that sets forth the qualification requirements for a particular type of bond.

.02 *Defeasance escrow* means an irrevocable escrow established to redeem nonqualified bonds on the earliest call date after the date on which a nonqualified use occurs in an amount that, together with investment earnings, is sufficient to pay all the principal of, interest on, and call premium, if any, on the nonqualified bonds from the date the escrow is established to that call date. No amount in a defeasance escrow may be invested in an investment the obligor of which is a user (or a related party (as defined in § 1.150-1(b)) to a user) of proceeds of the bonds. All purchases or sales of investments in a defeasance escrow must be made at the fair market value of the investment within the meaning of § 1.148-5(d)(6).

.03 *Disposition proceeds* means, except as otherwise provided in this section 4.03, disposition proceeds (as defined in § 1.141-12(c)(1)), plus investment earn-

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<sup>3</sup>Public Law No. 115-97, § 13404, 131 Stat. 2138 (2017), repealed the Code provisions related to tax credit bonds and direct pay bonds effective for bonds issued after December 31, 2017. References in this revenue procedure to these Code sections refer to those sections as in effect prior to repeal.

ings on those amounts. For property financed with different sources of funding, disposition proceeds are allocated among the sources under § 1.141–12(c)(3). For purposes of section 5 of this revenue procedure, the definition of disposition proceeds in § 1.141–12(c)(1) applies.

.04 *Nonqualified use* means a failure to spend proceeds of tax-advantaged bonds within any required expenditure period specified in the applicable Code section and any use of expended proceeds of tax-advantaged bonds for a purpose other than a qualified use (as defined in section 4.06 of this revenue procedure). A nonqualified use under § 141 occurs on the date of the deliberate action (as defined in § 1.141–2(d)(3)). For dates on which other nonqualified uses occur, see section 7.03 of this revenue procedure.

.05 *Nonqualified bonds* means the portion of the outstanding bonds in an amount that, if the remaining bonds were issued on the date on which nonqualified use of proceeds occurs, the proceeds of the remaining bonds would be used in a timely manner for a qualified use. Allocations of nonqualified bonds are made in accordance with § 1.142–2(e).

.06 *Qualified use* means a use required or permitted by the applicable Code section. For example, qualified uses include a qualified purpose under § 54A(d)(2)(C) for tax credit bonds under § 54A, capital expenditures for direct pay build America bonds under § 54AA(g), and a prescribed amount of governmental use for tax-exempt governmental bonds under § 141 and build America bonds under § 54AA.

## **SECTION 5. REMEDIAL ACTION FOR ELIGIBLE LEASES OF PROPERTY FINANCED WITH TAX-ADVANTAGED BONDS SUBJECT TO § 141 OR § 145(a)**

.01 *Modified alternative use of disposition proceeds remedy for eligible leases.* In the case of a deliberate action (as defined in § 1.141–2(d)(3)) that consists of an eligible lease (as defined in section 5.02 of this revenue procedure) to a non-governmental person (as defined in § 1.141–1(b)) of property financed with tax-advantaged bonds subject to the private activity bond restrictions under § 141 or § 145(a), provided the requirements of

§ 1.141–12(a) are met, the issuer may cure the nonqualified use resulting from the lease by applying the alternative use of disposition proceeds remedial action under § 1.141–12(e) in the same manner as to a disposition with the following modifications—

- (1) Treating the eligible lease as a disposition for which the consideration is exclusively cash;
- (2) Treating funds (excluding proceeds of tax-advantaged bonds) in an amount equal to the lease amount (as defined in section 5.03 of this revenue procedure) as disposition proceeds;
- (3) Treating the leased property as transferred property; and
- (4) Allocating proceeds of the issue that, under § 1.141–12(c)(2), are allocable to the funds treated as disposition proceeds, to those funds during the term of the lease only (and to the leased property thereafter).

.02 *Eligible lease.* A lease is an eligible lease if—

- (1) The consideration for the lease consists exclusively of cash lease payments (regardless of when paid) that are not financed with proceeds of another issue of tax-advantaged bonds; and
- (2) The term of the lease—
  - (a) Is at least equal to the lesser of 20 years or 75 percent of the weighted average reasonably expected economic life of the leased property (determined in the same manner as under section 147(b)) as of the start of the term of the lease; or
  - (b) Runs through the end of the measurement period (as defined in § 1.141–3(g)(2)) during which the private business use restrictions are measured for compliance under section 141.

.03 *Lease amount.* The lease amount is an amount equal to the present value of all of the lease payments required to be made under the lease. For this purpose, present value is determined as of the start of the term of the lease by using the yield on the issue as of the start of the term of the lease as the discount rate.

## **SECTION 6. REMEDIAL ACTION FOR DIRECT PAY BONDS TO REDUCE THE REFUNDABLE FEDERAL TAX CREDIT**

In the case of direct pay bonds, an issuer may cure a nonqualified use by reducing the amount of the refundable Federal tax credit to eliminate the amount allocable to the nonqualified bonds. Further, the issuer must treat any disposition proceeds as described in section 7.02(3) of this revenue procedure. To effect this remedial action, beginning with the first Form 8038–CP (Return for Credit Payment to Issuers of Qualified Bonds) or successor form filed for any interest payment date for the bonds after the nonqualified use occurs, the issuer, in reporting the amount of the interest payable, must exclude the portion of that interest allocable to the nonqualified bonds that accrues on or after the date of the nonqualified use. For the first such Form 8038–CP (or successor form), the issuer must print or type across the top of the form “Remedial Action under Section 6 of Rev. Proc. 2018–26” and attach the required explanation for the difference in scheduled credit payment. The explanation must state that a nonqualified use occurred and the date of the nonqualified use and include a revised debt service schedule reflecting the exclusion of amounts allocable to the nonqualified bonds beginning with the date of the nonqualified use.

## **SECTION 7. CERTAIN GENERAL REMEDIAL ACTIONS FOR TAX-ADVANTAGED BONDS**

.01 *In general.* In the case of tax-credit bonds or direct pay bonds, except as otherwise provided in section 7.06 of this revenue procedure, an issuer may cure a nonqualified use by taking a remedial action of redemption or defeasance of nonqualified bonds under section 7.02 of this revenue procedure or alternative use of disposition proceeds under section 7.05 of this revenue procedure. In the case of tax-exempt bonds, issuers may apply section 7.02(2) of this revenue procedure to defeasance escrows established under § 1.141–12(d) or § 1.142–2(c).

.02 *Redemption or defeasance of nonqualified bonds.* The requirements for redemption or defeasance of nonqualified



bonds under this section 7.02 are met if the issuer complies with sections 7.02 (1), (2), and (3).

(1) *Amount and timing of redemption or defeasance.* Within 90 days after the date on which the nonqualified use occurs, the issuer redeems the nonqualified bonds of the issue or establishes a defeasance escrow for any nonqualified bonds that are not so redeemed.

(2) *Yield restriction or rebate requirement.* The issuer either restricts the investments in the defeasance escrow to investments that are not higher yielding investments (as defined in § 148(b)) or the issuer makes rebate payments to the United States, at the same time and in the same manner as arbitrage rebate amounts are required to be paid, in amounts equal to any earnings on investments in the defeasance escrow that are higher than the yield on the issue with respect to which the defeasance escrow was established. For this purpose, the first computation period begins on the date on which the defeasance escrow is established. Further, for purposes of this section 7.02(2), § 148 and the regulations thereunder (as modified by the applicable Code section and this section 7.02(2)) apply, and compliance with the rebate requirement in this section 7.02(2) is treated as satisfying applicable arbitrage investment restrictions under § 148 for the defeasance escrow.

(3) *Treatment of disposition proceeds.* The issuer treats the disposition proceeds as gross proceeds for purposes of § 148 as modified by the applicable Code section (the arbitrage requirements) and as proceeds for purposes of the applicable Code section. For purposes of applying the temporary period and spending exceptions to the arbitrage requirements, the issuer may treat the date of the receipt of the disposition proceeds as if it were the issue date of the nonqualified bonds and disregard

the receipt of disposition proceeds for the spending exceptions under § 1.148-7 for which the requirements were met before the receipt of the disposition proceeds.

.03 *When a nonqualified use occurs.* For unspent proceeds of bonds, a nonqualified use occurs on the earlier of the first date on which the issuer fails to have a reasonable expectation to spend the proceeds for a qualified use (within the required expenditure period, if any) or the last day of the required expenditure period, if any. For proceeds of bonds that have been spent, a nonqualified use occurs on the first date on which an action causes proceeds to be used for other than a qualified use.

.04 *Reissuance.* For purposes of determining whether the establishment of a defeasance escrow under section 7.02 of this revenue procedure results in an exchange under § 1.1001-1(a), the defeased bonds are treated as tax-exempt bonds for purposes of § 1.1001-3(e)(5)(ii)(B)(1).

.05 *Alternative use of disposition proceeds.* The requirements for alternative use of disposition proceeds under this section 7.05 are met if—

(1) *Disposition for cash.* The nonqualified use consists of a disposition for which the consideration is exclusively cash;

(2) *Reasonably expected use of disposition proceeds.* The issuer reasonably expects to spend the disposition proceeds within two years after the date of the disposition on alternative qualified uses or, to the extent the issuer does not expect to so spend the disposition proceeds, the issuer takes a remedial action under section 7.02 of this revenue procedure for such disposition proceeds within 90 days after the date of disposition;

(3) *Unspent disposition proceeds.* If the issuer fails to spend all of the disposition proceeds that it reasonably expected to spend within the prescribed two-year

period in the manner described in section 7.05(2) of this revenue procedure, the issuer takes a remedial action under section 7.02 of this revenue procedure for the remaining disposition proceeds within 90 days after the end of that two-year period; and

(4) *Treatment of disposition proceeds.* The issuer treats the disposition proceeds as described in section 7.02(3) of this revenue procedure.

.06 *Certain special rules on applicability.* For QZABs under § 1397E, the remedial actions under § 1.1397E-1(h)(8) apply in lieu of this section 7. For tax-advantaged bonds subject to § 141, the remedial action provisions under § 1.141-12 apply in lieu of this section 7 for purposes of curing violations of the private business use and private loan restrictions; however, for defeasance escrows established under § 1.141-12(d), section 7.04 of this revenue procedure applies and issuers may apply section 7.02(2) of this revenue procedure.

## SECTION 8. EFFECTIVE DATE

This revenue procedure applies to a nonqualified use that occurs on or after April 11, 2018, and may be applied to a nonqualified use that occurs before April 11, 2018.

## SECTION 9. DRAFTING INFORMATION

The principal authors of this revenue procedure are Timothy L. Jones, Johanna Som de Cerff, and Zoran Stojanovic of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Zoran Stojanovic at 202-317-6980 (not a toll-free number).



# Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the sub-

stance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

## Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.  
Acq.—Acquiescence.  
B—Individual.  
BE—Beneficiary.  
BK—Bank.  
B.T.A.—Board of Tax Appeals.  
C—Individual.  
C.B.—Cumulative Bulletin.  
CFR—Code of Federal Regulations.  
CI—City.  
COOP—Cooperative.  
Ct.D.—Court Decision.  
CY—County.  
D—Decedent.  
DC—Dummy Corporation.  
DE—Donee.  
Del. Order—Delegation Order.  
DISC—Domestic International Sales Corporation.  
DR—Donor.  
E—Estate.  
EE—Employee.  
E.O.—Executive Order.  
ER—Employer.

ERISA—Employee Retirement Income Security Act.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FICA—Federal Insurance Contributions Act.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
F.R.—Federal Register.  
FUTA—Federal Unemployment Tax Act.  
FX—Foreign corporation.  
G.C.M.—Chief Counsel’s Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
I.R.B.—Internal Revenue Bulletin.  
LE—Lessee.  
LP—Limited Partner.  
LR—Lessor.  
M—Minor.  
Nonacq.—Nonacquiescence.  
O—Organization.  
P—Parent Corporation.  
PHC—Personal Holding Company.  
PO—Possession of the U.S.  
PR—Partner.  
PRS—Partnership.

PTE—Prohibited Transaction Exemption.  
Pub. L.—Public Law.  
REIT—Real Estate Investment Trust.  
Rev. Proc.—Revenue Procedure.  
Rev. Rul.—Revenue Ruling.  
S—Subsidiary.  
S.P.R.—Statement of Procedural Rules.  
Stat.—Statutes at Large.  
T—Target Corporation.  
T.C.—Tax Court.  
T.D.—Treasury Decision.  
TFE—Transferee.  
TFR—Transferor.  
T.I.R.—Technical Information Release.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
U.S.C.—United States Code.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.

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<sup>1</sup>A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2017–27 through 2017–52 is in Internal Revenue Bulletin 2017–52, dated December 27, 2017.

## **Finding List of Current Actions on Previously Published Items<sup>1</sup>**

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<sup>1</sup>A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2017-27 through 2017-52 is in Internal Revenue Bulletin 2017-52, dated December 27, 2017.

# Internal Revenue Service

Washington, DC 20224

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## INTERNAL REVENUE BULLETIN

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at [www.irs.gov/irb/](http://www.irs.gov/irb/).

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