



March 29, 2018

Tax Provisions Included in Federal Spending Bill

INTERNAL REVENUE SERVICE, TAX, TAX REFORM
BY KIRK MITCHELL

On Friday March 23, Congress passed the Consolidated Appropriations Act, 2018, H.R. 1625 (the Act), a \$1.3 trillion spending bill designed to keep the government open for business for the remainder of the budget year ending September 30. In addition to providing support for various programs and operations, the 2,232-page bill contains a number of tax-related provisions, including funding for the IRS and technical corrections to a number of pieces of tax legislation.

The bill appropriates slightly more than \$11 billion to the IRS for taxpayer services, enforcement activities, and operations. Included is an allocation of \$320 million that will enable the agency to carry out changes made necessary by the Tax Cuts and Jobs Act (TCJA), although a spending plan must be submitted to the House and Senate appropriations committees before those funds can be used.

The Act amends the low-income housing credit by adding an average income test to IRC Section 42(g), while providing a 12.5% increase in annual allocations to the State Housing Credit Ceiling for four years beginning in 2018. It also modifies a provision in the TCJA favoring farmer-owned cooperatives over traditional agriculture corporations by providing a larger benefit to cooperatives under the Section 199A 20% deduction provision. Some lawmakers argued that without a fix this provision could disrupt the farm economy. The Act retroactively revises previous law by providing a 9% deduction of qualifying income for specified agricultural cooperatives and eliminating the 20% deduction for cooperative dividends.

This was the only provision that corrected TCJA drafting errors, thereby leaving untouched the need to address the failure to provide for a 15-year recovery period for qualified improvement property placed in service after December 31, 2017. At this time, it appears technical corrections related to the TCJA will be in limbo until after the 2018 elections.

The Act does contain technical tax corrections to earlier actions like the PATH Act of 2015, the Bipartisan Budget Act of 2015 and other legislation dating back as far as the American Jobs Creation Act of 2004. The new provisions may be cited as the Tax Technical Corrections Act of 2018, and include changes to the new centralized partnership audit regime introduced in 2015 that became generally effective this year. New rules include:

- A new definition for a partnership audit adjustment;
- Additional rules for determining imputed underpayments;
- Alternative procedures for filing amended returns for purposes of modifying imputed underpayments;

- Additional rules for the treatment of pass-through partners in tiered structures;
- Rules relating to the failure of a partnership to pay the imputed underpayment; and
- A requirement that pass-through partners in tiered structures file a partnership adjustment tracking report with the IRS if they receive a statement from the IRS under Internal Revenue Code Section 6226(a)(2) as part of a partnership audit.

If you have questions about the Act, the TCJA or other tax related issues, [please contact Schneider Downs](#). To view similar articles, visit the [Our Thoughts On](#) blog.

You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at contactSD@schneiderdowns.com.

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2024 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).