



TaxNewsFlash

United States

No. 2017-002
January 3, 2017

Annual revenue procedures for 2017

The IRS has posted the first edition of the Internal Revenue Bulletin for 2017 (IRB 2017-1, dated January 3, 2017) providing text of “annual revenue procedures” for 2017.

Today’s edition of the Internal Revenue Bulletin—[IRB 2017-1](#) [PDF 929 KB]—provides in 278 pages, the text of the following six annual revenue procedures.

- Rev. Proc. 2017-1 - Letter rulings, information letters, and determination letters
- Rev. Proc. 2017-2 - Technical advice
- Rev. Proc. 2017-3 - Areas in which rulings will not be issued (domestic area)
- Rev. Proc. 2017-4 - Determination letters and letter rulings (tax-exempt and government entities, employee plans)
- Rev. Proc. 2017-5 - Determination letters (exempt organizations)
- Rev. Proc. 2017-7 - Areas in which rulings will not be issued (international area)

KPMG observation

Unlike past years’ annual revenue procedures, the IRS has merged guidance and procedures for issuing determination letters and letter rulings on issues under the jurisdiction of the Commissioner, Tax Exempt and Government Entities Division into two revenue procedures:

- Rev. Proc. 2017-4 for the Employee Plans Rulings and Agreements Office (previously, Rev. Proc. 2016-4, Rev. Proc. 2016-6, and Rev. Proc. 2016-8); and

- Rev. Proc. 2017-5 for the Director, Exempt Organizations Rulings and Agreements (previously, Rev. Proc. 2016-4, Rev. Proc. 2016-5, Rev. Proc. 2016-8, and Rev. Proc. 2016-10)

Also, the IRS did not release Rev. Proc. 2017-6 with today's IRB, and it is not clear whether the IRS will issue a Rev. Proc. 2017-6 or whether this number has been reserved.

Changes for 2017 in Rev. Proc. 2017-1

There are changes in Rev. Proc. 2017-1 when compared to the guidance provided by the revenue procedure issued for 2016. For instance, there are changes to the schedule of user fees. The new fees are listed in Appendix A to Rev. Proc. 2017-1 for taxpayer requests for letter rulings, closing agreements, and determination letters.

For requests received after February 1, 2017, the user fee for filing:

- Form 1128, Application to Adopt, Change, or Retain a Tax Year, and requests made on Part II of Form 2553, Application to Adopt, Change, or Retain a Tax Year, will be increased to \$5,800 (up from \$4,200)
- Requests for extension to file Form 1128 or Form 8716, Election To Have a Tax Year Other Than a Required Tax Year will be increased to \$5,400 (up from \$3,700)
- Form 3115, Application for Change in Accounting Method (non-automatic) will be increased to \$9,500 (up from \$8,600)
- Letter ruling requests for extension of time to file Form 3115 will be increased to \$10,000 (up from \$9,100)
- Letter ruling requests for "section 9100 relief" under Reg. section 301.9100-3 will be increased to \$10,000 (up from \$9,800)
- Other ruling requests will be \$28,300 (no change from the user fee for 2016)

Other changes in Rev. Proc. 2017-1 reflect that letter rulings may be subject to the exchange of information provisions under U.S. tax treaties or tax information exchange agreements. Also, in requesting a pre-submission conference, taxpayers generally must submit a statement of whether an issue is one that is ordinarily one for which a letter ruling is issued and a draft of the letter ruling request or other detailed information explaining the proposed transaction, issue, and legal analysis. There are clarifications as to when the reduced user fee for "substantially identical letter rulings" applies and on how to calculate the gross income of S corporations.

Changes for 2017 in Rev. Proc. 2017-2

Among the changes concerning technical advice, as appearing in Rev. Proc. 2017-2, is an amendment to allow taxpayers 10 calendar days to respond to a field office memorandum.

Changes for 2017 in Rev. Proc. 2017-3

Rev. Proc. 2017-3 provides a revised list of areas under the jurisdiction of the various Chief Counsel offices and for which the IRS will not issue letter rulings or determination letters. For instance, there are nine changes listed, including one regarding the definition of a “significant issue” for purposes of sections 332, 351, 355, 368, and 1036.

Changes for 2017 in Rev. Proc. 2017-4

Rev. Proc. 2017-4 gathers and consolidates the procedures related to employment plan rulings and agreements (for 2016, these were provided in Rev. Proc. 2016-4, Rev. Proc. 2016-6, and Rev. Proc. 2016-8). In addition, Rev. Proc. 2017-4 includes changes relating to:

- Procedures for requesting determination letters to reflect the elimination of the five-year remedial amendment cycle for individually designed plans
- Employers may request determination letters on whether covered employees are “leased employees”
- Requests as to whether a plan sponsor is part of an affiliated service group
- Procedures for requesting a minimum funding waiver
- Procedures for requesting determination letters on partial terminations issued to individually designed plans

Changes for 2017 in Rev. Proc. 2017-5

Rev. Proc. 2017-5 gathers and consolidates the procedures for issuing determination letters on issues under the jurisdiction of Director, Exempt Organizations Rulings and Agreements (for 2016, these were provided in Rev. Proc. 2016-4, Rev. Proc. 2016-5, Rev. Proc. 2016-8, and Rev. Proc. 2016-10). In addition, Rev. Proc. 2017-4 includes changes relating to:

- Revisions to reflect the extension of declaratory judgment rights under section 7428 to organizations described in section 501(c) and section 501(d)
- Revisions to reflect that the IRS generally will not issue a determination letter regarding an organization currently recognized as described in section 501(c)(3) that is seeking a determination letter recognizing the organization as described in a different Code section
- Removal of procedures for a nonexempt charitable trust described in section 4947(a)(1) to seek a determination that it is described in section 509(a)(3) through a letter request because such requests are to be submitted on Form 8940

- Revisions to reflect that the IRS will not accept for processing a Form 1023-EZ from an organization if it has any application for recognition of tax-exempt status pending with the IRS
- Additions to the Form 1023-EZ ineligible organization list to include agricultural research organizations described in section 170(b)(1)(A)(ix) and organizations that are currently or were previously exempt under another subsection of section 501(c)
- Revisions to reflect that the IRS may issue a proposed adverse determination letter if an organization fails to respond to the IRS's request for additional information
- Modifications to the procedures for requesting section 7805(b) relief (limiting retroactive revocation or modification of a determination letter) to reflect delegation of authority to the Division Counsel

Changes for 2017 in Rev. Proc. 2017-7

The IRS reported that Rev. Proc. 2017-7, concerning the “no ruling” areas under the jurisdiction of the Associate Chief Counsel (International), reflects the removal of obsolete provisions and no other changes (except re-numbering to reflect the removal of the obsolete provisions).

The information contained in TaxNewsFlash is not intended to be “written advice concerning one or more Federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader’s knowledge on the matters addressed therein, and is not intended to be applied to any specific reader’s particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG’s Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)