



TaxNewsFlash

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Notice 2017-55: Hurricane-related relief from section 956(c) “United States property” designation for CFCs

The IRS today released an advance version of Notice 2017-55 providing relief from the application of rules for “United States property” when controlled foreign corporations (CFCs) need to move the property—that is, “section 1221(a)(1) property”—because of the damage caused by recent hurricanes.

Section 956(c) defines “United States property” generally to include tangible property located in the United States.

Because of damage caused by Hurricane Irma and Hurricane Maria—including damage in the Commonwealth of Puerto Rico and the U.S. Virgin Islands—CFCs may need to transport property described in section 1221(a)(1) and that is located in affected areas to the United States for safekeeping.

Notice 2017-55 [PDF 11 KB] provides relief for eligible section 1221(a)(1) property that would otherwise constitute “United States property.” The IRS notice explains that:

- Damage caused by Hurricane Irma and Hurricane Maria has imperiled section 1221(a)(1) property located in affected areas.
- To facilitate safekeeping of this section 1221(a)(1) property, for purposes of section 956, a CFC will not be treated as holding “United States property” as a result of holding section 1221(a)(1) property located in the United States, if:
 - Such section 1221(a)(1) property was located, on or before September 5, 2017, in an area identified by the Federal Emergency Management Agency (FEMA) as subject to a major disaster or emergency declaration, and
 - Such section 1221(a)(1) property was transported to the United States for temporary storage for safekeeping in anticipation of, or as a result of, Hurricane Irma.

Similar relief is provided with respect to Hurricane Maria. For purposes of section 956, a CFC will not be treated as holding "United States property" as a result of holding section 1221(a)(1) property located in the United States, if:

- Such section 1221(a)(1) property was located, on or before September 17, 2017, in an area identified by FEMA as subject to a major disaster or emergency declaration, and
- Such section 1221(a)(1) property was transported to the United States for temporary storage for safekeeping in anticipation of, or as a result of, Hurricane Maria.

The relief provided by Notice 2017-55 applies only to tax year quarters of a CFC ending on or after September 5, 2017, and on or before January 31, 2018.

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