

CONTENTS

- 1. Court Reconsiders Holding That Warrants Created Second Class of Stock**
(Santa Clara Valley Housing v. U. S.; USDC N CA; No. 3:08-cv-05097; 1/18/2012)
A U.S. district court reconsidered its holding that warrants issued by a company to shareholders created a second class of stock that terminated the company's S corporation status, finding that triable issues of material fact exist as to whether the safe harbor provision of reg. section 1.1361-1(l)(4)(iii)(C) was satisfied.
- 2. No Charitable Deduction for House Donated to Fire Department**
(Theodore Rolfs et al. v. Comm.; CA 7; No. 11-2078; 2/8/2012)
The Seventh Circuit affirmed a Tax Court decision that upheld the IRS's disallowance of a couple's charitable contribution deduction for their donation of a house to a local fire department for use in a training exercise because the couple failed to show that the value of the house exceeded the benefit they received in return.
- 3. No Reconciliation Required to Reconcile Forms 1099-K and Gross Receipts**
(Tax Notes Today; Article by Shamik Trivedi; 2/10/2012)
In an apparent change of course, the IRS will not require reconciliation of gross receipts and merchant card transactions on Forms 1120, "U.S. Corporate Income Tax Return," and other business income tax forms, according to a February 9 letter sent to the National Federation of Independent Business.
- 4. Final Foreign Tax Credit Regs on Definition of Taxpayer**
(T.D. 9576; 2/9/2012)
The IRS has issued final regulations that provide guidance for determining the taxpayer with legal liability to pay foreign income tax for purposes of the foreign tax credit.
- 5. Guidance on Expanded Veterans Tax Credit**
(Notice 2012-13; 2012-9 IRB 1; 2/9/2012)
The IRS has issued guidance on a recently expanded work opportunity tax credit for hiring qualified veterans.

6. Parsonage Allowance Exclusion Applies to One Home Only

(Commissioner v. Philip A. Driscoll et ux.; CA 11; No. 11-12454; 2/8/2012)

The Eleventh Circuit reversed a Tax Court decision that allowed a minister to exclude from income the parsonage allowance he received to maintain a second home under section 107(2), finding that the exclusion should be construed narrowly and the use of "a home" in the statute demonstrates Congress's intent that the exclusion apply to a single home.

7. Life Insurance Company Entitled to Deduct Guaranteed Dividends in Year Resolution Passed

(Massachusetts Mutual Life Ins. Co. v. U. S.; Ct Fd Clms; No. 07-648T; 1/30/2012)

The Court of Federal Claims, in an insurance company's tax refund suit, held that the company may deduct guaranteed minimum policy holder dividends in the year that the board of directors made its resolution to pay the dividends during the following year, finding that the three prongs of the all-events test for accrual were met.

CONSIDER APPARENT CONFLICT WITH . . .

Court Grants Government Summary Judgment in Insurance Company Refund Suit

(New York Life Insurance Co. v. U. S.; USDC S NY; No. 1:10-cv-04701; 4/19/2011)

A U.S. district court has granted the government's motion to dismiss an insurance company's refund action, finding that dividends credited to its policyholders in December were not deductible until January because the section 811(a)(1) "all events" test had not been satisfied.

8. PBGC Provides Penalty Relief for Some Delinquent Pension Plans

(77 F.R. 6675; 2/9/2012)

The Pension Benefit Guaranty Corporation has announced that it will provide a one-month window for covered pension plans that have never paid required premiums to pay delinquent premiums without being penalized.