

Reg. Section 301.7701-2T(c)(2)(iv)(C)(2)

Business entities; definitions


(a) through (c)(2)(iv)(C)(1) [Reserved]. For further guidance, see §301.7701-2(a) through (c)(2)(iv)(C)(1).

(c)

(2)

(iv)

(C)



(2) Section 301.7701-2(c)(2)(i) applies to taxes imposed under subtitle A, including Chapter 2-Tax on Self-Employment Income. Thus, an entity that is treated in the same manner as a sole proprietorship under §301.7701-2(a) is not treated as a corporation for purposes of employing its owner; instead, the entity is disregarded as an entity separate from its owner for this purpose and is not the employer of its owner. The owner will be subject to self-employment tax on self-employment income with respect to the entity's activities. Also, if a partnership is the owner of an entity that is disregarded as an entity separate from its owner for any purpose under §301.7701-2, the entity is not treated as a corporation for purposes of employing a partner of the partnership that owns the entity; instead, the entity is disregarded as an entity separate from the partnership for this purpose and is not the employer of any partner of the partnership that owns the entity. A partner of a partnership that owns an entity that is disregarded as an entity separate from its owner for any purpose under §301.7701-2 is subject to the same self-employment tax rules as a partner of a partnership that does not own an entity that is disregarded as an entity separate from its owner for any purpose under §301.7701-2.

(D) through (e)(7) [Reserved]. For further guidance, see §301.7701-2(c)(2)(iv)(D) through (e)(7).

(8)

(i) Effective/applicability date. Paragraph (c)(2)(iv)(C)(2) of this section applies on the later of-

(A) August 1, 2016, or

(B) The first day of the latest-starting plan year following May 4, 2016, of an affected plan (based on the plans adopted before, and the plan years in effect as of, May 4, 2016) sponsored by an entity that is disregarded as an entity separate from its owner for any purpose under §301.7701-2. For rules that apply before the applicability date of these regulations, see 26 CFR part 301 revised as of April 1, 2016. For these purposes-

(1) An affected plan includes any qualified plan, health plan, or section 125 cafeteria plan if the plan benefits participants whose employment status is affected by paragraph (c)(2)(iv)(C)(2),

(2) A qualified plan means a plan, contract, pension, or trust described in paragraph (A) or (B) of section 219(g)(5) (other than paragraph (A)(iii)), and

(3) A health plan means an arrangement described under §1.105-5 of this chapter.

(ii) Expiration date. The applicability of paragraph (c)(2)(iv)(C)(2) of this section expires on or before May 3, 2019, or such earlier date as may be determined under amendments to the regulations issued after May 3, 2016.