

SUMMARY: This document informs the public that HUD has determined not to pursue the proposed rule published in the **Federal Register** on February 9, 2023, entitled “Affirmatively Furthering Fair Housing”. HUD will proceed to formally withdraw the rule from HUD’s upcoming Spring 2025 Unified Agenda of Regulatory and Deregulatory Actions.

ADDRESSES: Department of Housing and Urban Development, 451 7th Street SW, Room 10282, Washington, DC 20410.

DATES: The proposed rule published at 88 FR 8516, February 9, 2023, is withdrawn as of January 16, 2025.

FOR FURTHER INFORMATION CONTACT: Aaron Santa Anna, Associate General Counsel for Legislation and Regulations, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW, Room 10282, Washington, DC 20410; telephone number 202–402–5138 (this is not a tollfree number). HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

SUPPLEMENTARY INFORMATION: On February 9, 2023 (88 FR 8516), HUD published a proposed rule in the **Federal Register** entitled “Affirmatively Furthering Fair Housing” that included, among others, provisions reestablishing a formal AFFH planning process and creating an enforcement mechanism to ensure program participants comply with the duty to affirmatively further fair housing.

The Department has determined to withdraw the proposed rule at this time and to terminate this rulemaking proceeding. HUD does not intend for a final rule to be issued on this NPRM. If, in the future, HUD decides it is appropriate to issue regulations on this topic, HUD will do so through a new notice of proposed rulemaking, subject to the requirements of the Administrative Procedure Act, 5 U.S.C. 551, *et seq.* and 24 CFR part 10.

HUD’s Withdrawal of Proposed Rule

Accordingly, HUD will proceed to formally withdraw the following proposed rule from its Spring 2025 Unified Agenda of Regulatory and Deregulatory Actions: Affirmatively Furthering Fair Housing (88 FR 8516, February 9, 2023) (RIN 2529–AB05). HUD’s Unified Agenda of Regulatory and Deregulatory Actions is available on [Reginfo.gov](https://www.reginfo.gov) and can be accessed at

<https://www.reginfo.gov/public/do/eAgendaMain>.

Benjamin Klubes,
Acting General Counsel.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG–116085–23]

RIN 1545–BR00

Multi-Year Reporting Requirements for Corporate Separations and Related Transactions

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations that would require multi-year tax reporting for corporate separations and related transactions. The information to be reported under these proposed regulations would establish the taxpayer’s position that the corporate separation and related transactions qualify for nonrecognition treatment under subchapter C of the Internal Revenue Code. The proposed regulations would affect corporations and their shareholders and security holders. Proposed regulations regarding certain matters relating to corporate separations, incorporations, and reorganizations qualifying for nonrecognition of gain or loss are published elsewhere in the Proposed Rules section of this issue of the **Federal Register**.

DATES: Written or electronic comments and requests for a public hearing must be received by March 17, 2025.

ADDRESSES: Commenters are strongly encouraged to submit public comments on these proposed regulations and the related form and instructions electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (indicate IRS and REG–116085–23) by following the online instructions for submitting comments. Requests for a public hearing must be submitted as prescribed in the “Comments and Requests for a Public Hearing” section. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comments to the IRS’s public docket. Send paper

submissions to CC:PA:01:PR (REG–116085–23), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

FOR FURTHER INFORMATION CONTACT:

Concerning the proposed regulations, Barrett D. Cappadonna at (202) 317–6975 (not a toll-free number); concerning submissions of comments and requests for a hearing, contact the Publications and Regulations branch at (202) 317–6901 (not a toll-free number) or by email to publichearings@irs.gov (preferred).

SUPPLEMENTARY INFORMATION:

Authority

This document contains proposed regulations under section 355 of the Internal Revenue Code (Code) that would amend the Income Tax Regulations (26 CFR part 1) by substantially revising the information reporting requirements of § 1.355–5 (proposed regulations). The proposed regulations are issued under the express delegation of section 7805(a) of the Code, which authorizes the Secretary to “prescribe all needful rules and regulations for the enforcement of [the Code], including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue.”

Background

I. Overview of Section 355

Section 355(a)(1) provides that, if certain requirements are met, a distribution of stock, or stock and securities, of one or more controlled corporations by a distributing corporation to the distributing corporation’s shareholders, or to the distributing corporation’s shareholders and security holders, may be received by the distributees without the distributees recognizing gain or loss or including any amount in income (section 355 transaction). Section 355(c) generally provides that no gain or loss is recognized to a distributing corporation upon a distribution of qualified property that is not in pursuance of a plan of reorganization (section 355(c) distribution). Section 355(c)(2)(B) defines “qualified property” as any stock or securities in a controlled corporation. If, in addition to the distribution of qualified property, the distributing corporation distributes other property in the section 355 transaction and the fair market value of that other property exceeds the distributing corporation’s adjusted basis in that other property, gain is recognized to the distributing

corporation as if the property were sold to the distributee at its fair market value. See section 355(c)(2)(A).

Taxpayers also may carry out a section 355 transaction as part of a transaction that qualifies as a reorganization under section 368(a)(1)(D) or (G) of the Code and to which neither section 354 of the Code nor so much of section 356 of the Code as relates to section 354 applies (divisive reorganization). A transfer by a distributing corporation of part of its assets to a controlled corporation is a divisive reorganization if, immediately after the transfer, one or more of the distributing corporation's shareholders (including persons who were shareholders immediately before the transfer) have control (as defined in section 368(c)) of the controlled corporation and if, pursuant to the plan of reorganization, stock or securities of the controlled corporation are distributed in a transaction that qualifies under section 355.

Section 361(c) of the Code generally provides that no gain or loss is recognized to a distributing corporation upon a distribution of qualified property in pursuance of a plan of reorganization. Section 361(c)(2)(B) defines "qualified property" as (i) any stock, right to acquire stock, or obligation (including a security) of the distributing corporation, or (ii) any stock, right to acquire stock, or obligation (including a security) of a controlled corporation received by the distributing corporation as part of the divisive reorganization. If, in addition to the distribution of qualified property, the distributing corporation distributes other property as part of a divisive reorganization and the fair market value of that other property exceeds the distributing corporation's adjusted basis in that other property, gain is recognized to the distributing corporation as if the property were sold to the distributee at its fair market value. See section 361(c)(2)(A).

II. Current Reporting Requirements for Section 355 Transactions

Section 1.355-5(a)(1) currently requires the distributing corporation to report a section 355 transaction to the IRS by including a statement with the distributing corporation's Federal income tax return for the year of the section 355 transaction (§ 1.355-5(a) statement). The § 1.355-5(a) statement must include: (i) the name and employer identification number (if any) of the controlled corporation; (ii) the name and taxpayer identification number (if any) of every "significant distributee" (as defined in § 1.355-5(c)(1)); (iii) the date of the section 355

transaction; (iv) the aggregate fair market value and basis, determined immediately before the section 355 transaction, of the stock, securities, or other property (including money) distributed by the distributing corporation; and (v) the date and control number of any private letter ruling(s) issued by the IRS in connection with the section 355 transaction.

If the distributing corporation is a controlled foreign corporation within the meaning of section 957 of the Code (CFC), each United States shareholder (within the meaning of section 951(b) of the Code) with respect to the CFC must include a § 1.355-5(a) statement on or with its return. See § 1.355-5(a)(1). If the distributing corporation transfers assets to a controlled corporation in a transaction described in a divisive reorganization, then the distributing corporation (or, if the distributing corporation is a CFC, each United States shareholder) also must include the statement required by § 1.368-3(a) on or with its return for the year of the section 355 transaction. See § 1.355-5(a)(2).

Section 1.355-5(b) currently imposes requirements similar to those in § 1.355-5(a) upon significant distributees. More specifically, § 1.355-5(b)(1) requires every significant distributee to include a statement on or with the significant distributee's return for the year in which the section 355 transaction is received (§ 1.355-5(b) statement). The § 1.355-5(b) statement must include: (i) the names and employer identification numbers (if any) of the distributing and controlled corporations; (ii) the date of the section 355 transaction; (iii) the aggregate basis, determined immediately before the section 355 transaction, of any stock or securities transferred by the significant distributee in the transaction; and (iv) the aggregate fair market value, determined immediately before the section 355 transaction, of the stock, securities, or other property (including money) received by the significant distributee in the section 355 transaction. If a significant distributee is a CFC, each United States shareholder with respect to the CFC must include this statement on or with the United States shareholder's return.

Section 1.355-5(d) currently imposes substantiation requirements. More specifically, § 1.355-5(d) requires taxpayers to retain their permanent records (specifically including information regarding the amount, basis, and fair market value of all property distributed or exchanged in the section 355 transaction, and relevant facts regarding any liabilities assumed or extinguished as part of the section 355

transaction) and make those records available to any authorized IRS officers and employees. See § 1.6001-1(e).

Explanation of Provisions

The Treasury Department and the IRS are of the view that enhancing the reporting requirements for section 355 transactions would improve the IRS's ability to administer section 355 (and related provisions of the Code) to ensure that transactions intended to qualify under section 355 (and such related provisions) satisfy the requirements for nonrecognition treatment. Accordingly, these proposed regulations would revise § 1.355-5 to require all covered filers, as defined in proposed § 1.355-5(b)(1), to file with the IRS an annual report with regard to each section 355 transaction (Form 7216, *Multi-Year Reporting Related to Section 355 Transactions*) that would be attached to the covered filer's Federal income tax return.

For purposes of the proposed regulations, the term "section 355 transaction" includes both divisive reorganizations and section 355(c) distributions. The term "covered filer" would include, with regard to any section 355 transaction: (i) a distributing corporation or a person that, immediately before the first distribution, was a United States shareholder (within the meaning of section 951(b)) with respect to a controlled foreign corporation (within the meaning of section 957 of the Code, but determined without applying subparagraphs (A), (B), and (C) of section 318(a)(3) of the Code) that is the distributing corporation; (ii) a controlled corporation or a person that, immediately before the first distribution, was a United States shareholder with respect to a controlled foreign corporation that is the controlled corporation; (iii) a significant distributee or a person that, immediately before the first distribution, was a United States shareholder with respect to a controlled foreign corporation that is a significant distributee; or (iv) any other person required by the Commissioner of Internal Revenue (Commissioner) to file Form 7216 (or any successor form) in instructions, guidance, or publications published in the Internal Revenue Bulletin (see §§ 601.601(d)(2) and 601.602 of this chapter). The term "covered filer" also would include any successor (within the meaning of section 381(a) of the Code) to an entity described in the preceding sentence. The proposed regulations also would revise the definition of a "significant distributee" in current § 1.355-5(c)(1)(i) by raising the ownership threshold for

non-publicly traded stock from one percent to five percent.

However, the term “covered filer” would be defined to encompass solely taxpayers required to file certain specified Federal income tax returns. These returns would be limited to: (i) Form 1040, *U.S. Individual Income Tax Return*; (ii) Form 1040–NR, *U.S. Nonresident Alien Income Tax Return*; (iii) Form 1065, *U.S. Return of Partnership Income*; (iv) Form 1120, *U.S. Corporation Income Tax Return*; (v) Form 1120–F, *U.S. Income Tax Return of a Foreign Corporation*; (vi) Form 1120–S, *U.S. Income Tax Return for an S Corporation*; and (vii) any other form listed in instructions, guidance, or publications published in the Internal Revenue Bulletin (see §§ 601.601(d)(2) and 601.602 of this chapter). Accordingly, a taxpayer that is not required to file one of these specified Federal income tax returns (such as an estate, a trust, or a regulated investment company (as defined in section 851(a) of the Code)) would not be required to file Form 7216. The Treasury Department and the IRS request comments as to whether taxpayers required to file additional types of Federal income tax returns should be required to file Form 7216.

Each covered filer would be required to file Form 7216 with regard to each section 355 transaction for the required reporting period. For this purpose, the term “required reporting period” would mean the period (i) beginning in the covered filer’s taxable year in which the first distribution occurs, and (ii) ending in the fifth taxable year of the covered filer after the taxable year in which the control distribution occurs. The five-year required reporting period would apply to a covered filer (or its successor) even in cases where the covered filer (or its successor) ceases to be a United States shareholder with respect to a relevant corporation and is no longer required to file Form 5471, *Information Return of U.S. Persons With Respect To Certain Foreign Corporations*, with respect to such corporation.

Consistent with current § 1.355–5(d), the proposed regulations would require that, under § 1.6001–1(e), a covered filer must retain its permanent books and records and make those books and records available for inspection by any authorized IRS officers and employees. In addition, the proposed regulations would provide that, in connection with the section 355 transaction, the covered filer’s books and records, as relevant to the section 355 transaction, will be considered to be complete and accurate if they contain all information necessary to document and substantiate

satisfaction of the requirements under section 355.

The proposed regulations would significantly enhance the IRS’s ability to identify section 355 transactions that pose the highest risk of potential Federal income tax noncompliance and abuse. These proposed regulations also would help effectuate a broader effort by the Treasury Department and the IRS to close the portion of the Federal tax gap (that is, the difference between all Federal taxes that are owed and those that are collected) due to such potential noncompliance and abuse.

Because the enhanced reporting requirements in these proposed regulations would augment the IRS’s ability to identify section 355 transactions with the highest risk of potential noncompliance and abuse, the Treasury Department and the IRS are of the view that additional flexibility can be provided in the substantive rules applicable to section 355 transactions (for example, by affording taxpayers additional time to carry out a plan of distribution). Proposed regulations that would provide guidance regarding certain matters relating to corporate separations, incorporations, and reorganizations qualifying, in whole or in part, for nonrecognition of gain or loss are published elsewhere in the Proposed Rules section of this issue of the **Federal Register**.

The proposed reporting requirements would apply to all types of section 355 transactions with a covered filer. Specifically, the proposed regulations would apply to (i) section 355 transactions within an affiliated group (as defined in section 1504(a)(1) of the Code, without regard to the exceptions in section 1504(b)) (internal section 355 transaction), and (ii) section 355 transactions in which stock or securities of a controlled corporation are distributed to a distributing corporation shareholder or security holder that is not a member of the distributing corporation’s affiliated group (external section 355 transaction). To reflect the differences between internal section 355 transactions and external section 355 transactions (including the different statutory requirements and potential for Federal income tax noncompliance or abuse), the proposed regulations would impose, through the annual Form 7216, different reporting requirements for each type of section 355 transaction.

These proposed regulations are consistent with the recommendations set forth in the Treasury Inspector General for Tax Administration (TIGTA) report titled “A Strategy Is Needed to Assess the Compliance of Corporate Mergers and Acquisitions With Federal

Tax Requirements,” Ref. No. 2019–30–050 (Sept. 5, 2019). In that report, TIGTA recommended that the Commissioner determine whether merger and acquisition (M&A) tax forms, and information provided on those forms, could be used as a compliance tool within a larger strategy to assess risk and ensure that corporate M&A transactions are compliant with the Code. These proposed regulations would enable the IRS to collect information on section 355 transactions from taxpayers engaging in those transactions and utilize that information to identify potential noncompliance with section 355 and other related provisions of the Code.

Special Analyses

I. Regulatory Planning and Review

Pursuant to the Memorandum of Agreement, Review of Treasury Regulations under Executive Order 12866 (June 9, 2023), tax regulatory actions issued by the IRS are not subject to the requirements of section 6 of Executive Order 12866, as amended. Therefore, a regulatory impact assessment is not required.

II. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) (PRA) requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. A Federal agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

The collections of information in these proposed regulations contain reporting and recordkeeping requirements that are necessary to identify potential noncompliance with the requirements of section 355 and related sections of the Code. These collections of information generally would be used by the IRS for tax compliance purposes and by taxpayers to facilitate proper reporting and compliance.

The recordkeeping requirements within this proposed regulation are considered general tax records under § 1.6001–1. These records are required for the IRS to validate that taxpayers have met the requirements under section 355 and related sections of the Code. For PRA purposes, general tax records are already approved by OMB under control numbers 1545–0123 for

business filers and 1545–0074 for individual filers.

The reporting requirements outlined in § 1.355–5 will be covered within the form and instructions for IRS Form 7216 (or any successor form). This form will be approved under 1545–0123 for business filers and 1545–0074 for individual filers. The IRS will be submitting the form to OMB for approval under these OMB control numbers in accordance with the PRA procedures in 5 CFR 1320.10.

III. Regulatory Flexibility Act

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that these proposed regulations would not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that these proposed regulations primarily would affect corporations that are publicly traded corporations, which tend to be larger businesses. Specifically, the Research, Applied Analytics, and Statistics Division of the IRS estimates that approximately 110 small businesses with gross receipts under \$25 million would be subject to collection of information in these regulations annually. In addition, the collection of information in these proposed regulations is an incremental, additional obligation on small entities to a currently existing collection of information. Moreover, the economic impact of these proposed regulations will not be significant.

Therefore, these proposed regulations would not create significant additional obligations for, or impose any meaningful economic impact on, a substantial number of small entities. Accordingly, the Secretary certifies that the proposed regulations would not have a significant economic impact on a substantial number of small entities and a regulatory flexibility analysis is not required.

Pursuant to section 7805(f) of the Code, the proposed regulations have been submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on its impact on small business.

IV. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 (UMRA) requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of \$100 million in 1995 dollars, updated annually for inflation. These proposed

regulations do not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector, in excess of that threshold.

V. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. This proposed rule does not have federalism implications and does not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive order.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in the preamble under the **ADDRESSES** heading. The Treasury Department and the IRS request comments on all aspects of the proposed regulations. All commenters are strongly encouraged to submit comments electronically. The Treasury Department and the IRS will publish for public availability any comment submitted electronically or on paper to its public docket on <https://www.regulations.gov>.

A public hearing will be scheduled if requested in writing by any person who timely submits electronic or written comments. Requests for a public hearing also are encouraged to be made electronically. If a public hearing is scheduled, notice of the date and time for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these proposed regulations is Barrett D. Cappadonna of the Office of Associate Chief Counsel (Corporate). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, the Treasury Department and the IRS propose to amend 26 CFR part 1 as follows:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *
* * * * *

■ **Par. 2.** Section 1.355–5 is revised to read as follows:

§ 1.355–5 Information reporting and record retention requirements.

(a) *Reporting of transaction information*—(1) *Annual reporting form*—(i) *In general.* For each taxable year of the required reporting period, a covered filer must file annually with the IRS a complete and accurate Form 7216, *Multi-Year Reporting Related to Section 355 Transactions* (or as provided in publications, forms, instructions, or other guidance), with regard to a section 355 transaction.

(ii) *Manner of filing form.* A covered filer must file Form 7216 (or any successor form)—

(A) With the specified Federal income tax return of the covered filer for the taxable year (see section 6011 of the Code and § 1.6011–1); and

(B) In the manner prescribed by the Commissioner in instructions, guidance, or publications published in the Internal Revenue Bulletin (see §§ 601.601(d)(2) and 601.602 of this chapter).

(2) [Reserved]

(3) [Reserved]

(b) *Definitions.* The following definitions apply for purposes of this section:

(1) *Covered filer*—(i) *In general.* The term *covered filer* means a taxpayer that is required to file a specified Federal income tax return and that is—

(A) A distributing corporation or a person that, immediately before the first distribution, was a United States shareholder (within the meaning of section 951(b) of the Code) with respect to a controlled foreign corporation (within the meaning of section 957 of the Code, but determined without applying subparagraphs (A), (B), and (C) of section 318(a)(3)) that is the distributing corporation;

(B) A controlled corporation or a person that, immediately before the first distribution, was a United States shareholder with respect to a controlled foreign corporation that is the controlled corporation;

(C) A significant distributee or a person that, immediately before the first distribution, was a United States shareholder with respect to a controlled foreign corporation that is a significant distributee; or

(D) Any other person required by the Commissioner to file Form 7216 (or any

successor form) in accordance with instructions, guidance, or publications published in the Internal Revenue Bulletin (see §§ 601.601(d)(2) and 601.602 of this chapter).

(ii) *Successors*. The term *covered filer* includes any successor (within the meaning of section 381(a) of the Code) to an entity described in paragraph (b)(1)(i) of this section.

(2) *Required reporting period*. The term *required reporting period* means the period—

(i) Beginning in the taxable year of the covered filer during which the first distribution occurs; and

(ii) Ending in the fifth taxable year of the covered filer after the taxable year in which the control distribution occurs.

(3) *Significant distributee*. The term *significant distributee* means:

(i) A holder of stock of a distributing corporation that—

(A) Receives stock of a controlled corporation in a section 355 transaction; and

(B) Owned at least five percent (by vote or value) of the total outstanding stock of the distributing corporation immediately before the first distribution.

(ii) A holder of securities of a distributing corporation that—

(A) Receives stock or securities of a controlled corporation in a section 355 transaction; and

(B) Owned securities in the distributing corporation with a basis of at least \$1,000,000 immediately before the first distribution.

(4) *Specified Federal income tax return*. The term *specified Federal income tax return* means—

(i) Form 1040, *U.S. Individual Income Tax Return*;

(ii) Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*;

(iii) Form 1065, *U.S. Return of Partnership Income*;

(iv) Form 1120, *U.S. Corporation Income Tax Return*;

(v) Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*;

(vi) Form 1120-S, *U.S. Income Tax Return for an S Corporation*; or

(vii) Any other form listed in instructions, guidance, or publications published in the Internal Revenue Bulletin (see §§ 601.601(d)(2) and 601.602 of this chapter).

(c) *Substantiation information*. Under § 1.6001-1(e), a covered filer must retain its permanent books and records and make those books and records available for inspection by any authorized IRS officers and employees. In connection with the section 355 transaction, the covered filer's books and records, as relevant to the section 355 transaction,

will be considered to be complete and accurate if they contain all information necessary to document and substantiate satisfaction of the requirements under section 355.

(d) *Applicability date*—(1) *In general*. Except as provided in paragraph (d)(2) of this section, the rules of this section apply to taxable years ending after [date of publication of final regulations in the **Federal Register**] with respect to section 355 transactions occurring after January 16, 2025. For rules applicable to prior taxable years, see § 1.355-5 as in effect and contained in 26 CFR part 1, as revised April 1, 2024.

(2) [Reserved]

Douglas W. O'Donnell,
Deputy Commissioner.

[FR Doc. 2025-00312 Filed 1-13-25; 4:15 pm]

BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-118988-22]

RIN 1545-BQ87

Certain Employee Remuneration in Excess of \$1,000,000 Under Internal Revenue Code Section 162(m)

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document sets forth proposed regulations under section 162(m) of the Internal Revenue Code, which limits the deduction for certain employee remuneration in excess of \$1,000,000 for Federal income tax purposes. These proposed regulations implement the amendments made to section 162(m) by the American Rescue Plan Act of 2021. These proposed regulations would affect publicly held corporations.

DATES: Written or electronic comments and requests for a public hearing must be received by March 17, 2025.

ADDRESSES: Commenters are strongly encouraged to submit public comments electronically. Submit electronic submissions via the Federal eRulemaking Portal at www.regulations.gov (indicate IRS and REG-118988-22) by following the online instructions for submitting comments. Requests for a public hearing must be submitted as prescribed in the “Comments and Requests for a Public Hearing” section of this preamble. Once submitted to the Federal eRulemaking

Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comments submitted to the IRS's public docket. Send paper submissions to: CC:PA:01:PR (REG-118988-22), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

FOR FURTHER INFORMATION CONTACT:

Concerning the proposed regulations, Ilya Enkishev at (202) 317-5600; concerning submissions of comments and/or requests for a public hearing, contact the Publications and Regulations Section of the Office of Associate Chief Counsel (Procedure and Administration) by email at publichearings@irs.gov (preferred) or by telephone at (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Authority

These proposed regulations are issued under the express delegation of authority under section 7805 of the Code. Section 7805(a) directs the Secretary of the Treasury or her delegate to prescribe all needful rules and regulations for the enforcement of the Code, including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue.

Background

This document sets forth proposed amendments to the Income Tax Regulations (26 CFR part 1) under section 162(m). Section 162(m)(1) disallows a deduction by any publicly held corporation for applicable employee remuneration that is otherwise deductible with respect to any covered employee to the extent that such remuneration for the taxable year exceeds \$1,000,000.¹ Section 162(m) was added to the Internal Revenue Code (Code) by section 13211(a) of the Omnibus Budget Reconciliation Act of 1993 (Pub. L. 103-66, 107 Stat. 312, 469). Proposed regulations under section 162(m) were published in the **Federal Register** by the Treasury Department and the IRS on December 20, 1993 (58 FR 66310) (1993 proposed regulations). On December 2, 1994, the Treasury Department and the IRS published in the **Federal Register** amendments to the proposed regulations (59 FR 61884) (1994 proposed regulations). On December 20, 1995, the Treasury Department and the

¹ As a result, for example, such disallowed amounts generally may not be capitalized. See §§ 1.263(a)-1(b) and 1.263A-1(c)(2).