



TaxNewsFlash

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Notice 2018-57: Regulations under section 987, one-year deferral of effective date

The IRS today released an advance version of Notice 2018-57 announcing that the U.S. Treasury Department and IRS intend to amend the regulations under section 987 to defer the applicability date of the final regulations under section 987, as well as certain related final and temporary regulations, by one additional year.

Read [Notice 2018-57](#) [PDF 37 KB]

In December 2016, Treasury and the IRS released three sets of regulations—final, temporary, and proposed regulations—concerning the taxable income or loss of a taxpayer with respect to a “qualified business unit” (QBU) subject to section 987. Read [TaxNewsFlash](#)

Subsequently, the final regulations under section 987 were identified by Notice 2017-38 as “significant tax regulations” requiring additional review pursuant to Executive Order 13789. As part of that review, today’s notice states that Treasury and the IRS are considering changes to the final regulations that would allow taxpayers to elect to apply alternative rules for transitioning to the final regulations and alternative rules for determining section 987 gain or loss.

Notice 2018-57 provides that the final regulations and related temporary regulations will apply to tax years beginning on or after the date that is three years after the first day of the first tax year following December 7, 2016 (the amended applicability date). Thus, following the amendments, for a taxpayer whose first tax year after December 7, 2016, began on January 1, 2017, the final regulations would apply for the tax year beginning on January 1, 2020. A taxpayer may elect to apply the final regulations and the related temporary regulations to a tax year beginning after December 7, 2016 (subject to certain conditions) and before the amended applicability date.

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