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Senate Finance Committee Republicans identify issues for technical corrections, regulatory guidance for new tax law

The U.S. Senate Finance Committee today released text of a letter that the Finance Committee Chairman Orrin Hatch (R-UT) and 12 other Republican members of the committee sent to the Treasury and IRS, identifying issues in the new tax law (Pub. L. No. 115-97, enacted December 22, 2017) that require technical corrections legislation or regulatory guidance. The purpose of the letter, according to the senators, was to clarify congressional intent. Only one Republican member of the Finance Committee did not sign the letter.

The [letter](#) [PDF 538 KB] focuses on three provisions of the new tax law—depreciation of qualified improvement property, the effective date of net operating loss (NOL) deduction changes, and the deduction of legal fees in connection with sexual misconduct settlements, as follows:

- **Qualified improvement property cost recovery.** With regard to qualified leasehold improvement property, the letter indicates that the senators have identified a technical correction necessary to reflect the congressional intent to provide a 15-year MACRS recovery period and a 20-year ADS recovery period for qualified improvement property.
- **NOL deduction.** The letter states that a technical correction has been identified concerning the rules that govern the deduction of NOLs. It was the congressional intent of the new tax law that the NOL carryforward and carryback modifications would be effective for NOLs arising in tax years beginning after December 31, 2017 (and not tax years ending after December 31, 2017).
- **Settlements of harassment, abuse.** The letter indicates that a technical correction has been identified as necessary to reflect congressional intent relating to the deductibility of attorney's fees incurred with regard to certain sexual harassment or sexual abuse issues

As noted in a related [Finance Committee release](#), the committee is continuing an on-going review to identify other instances where the language as enacted may require regulatory guidance or technical corrections to reflect the intent of the Congress. After this review, the Finance Committee members stated that they intend to introduce technical corrections legislation to address identified items.

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