



TaxNewsFlash

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Proposed regulations withdrawn: Exclusion from gross income of PTEP and related basis adjustments

The U.S. Treasury Department and IRS today released for publication in the Federal Register a “withdrawal of notice of proposed rulemaking” concerning the exclusion from gross income of previously taxed earnings and profits (PTEP) under section 959 and related basis adjustments under section 961.

Background

A notice of proposed rulemaking in August 2006 was published in the Federal Register relating to the exclusion from gross income of previously taxed earnings and profits under section 959 and related basis adjustments under section 961.

Treasury and the IRS in December 2018 issued Notice 2019-01, which announced an intent to withdraw the 2006 proposed regulations and issue a new notice of proposed rulemaking under sections 959 and 961. Read [TaxNewsFlash](#)

Withdrawal of notice of proposed rulemaking

Today’s [withdrawal of notice of proposed rulemaking](#) [PDF 193 KB] withdraws the 2006 proposed regulations that were never finalized, were prospective in application and never went into effect, and did not indicate that taxpayers could rely on them.

Withdrawing the proposed regulations aims to prevent possible abuse or other misuse of them—such as using them to make inappropriate basis adjustments in certain stock acquisitions to which section 304(a)(1) applies—while Treasury and the IRS continue to develop new proposed regulations.

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