



TaxNewsFlash

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Proposed regulations: Amendments to apply entity approach to partnership loss disallowance rules under sections 267 and 707

The U.S. Treasury Department and IRS today released for publication in the Federal Register proposed regulations (REG-131756-11) that would amend existing regulations under sections 267 and 707 relating to the disallowance or deferral of deductions for losses and expenses in certain transactions with partnerships and related persons, to conform those regulations with the statutory framework which applies an entity, rather than an aggregate, view of partnerships.

The [proposed regulations](#) [PDF 210 KB] propose amendments to the existing regulations to provide that the rules are applied at the partnership level, and not the partner level. In particular, the proposed regulations would:

- Remove Treas. Reg. § 1.267(b)-1(b) and amend Treas. Reg. § 1.267(a)-1 to remove the application of Questions and Answers 2 and 3 in Treas. Reg. § 1.267(a)-2T(c)
- Amend Treas. Reg. § 1.707-1(b)

The proposed regulations are proposed to apply to tax years ending on or after the date the proposed regulations are finalized.

Comments on the proposed regulations and requests for a public hearing are due by February 26, 2024.

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