



TaxNewsFlash

United States



No. 2023-470
December 27, 2023

Proposed regulations: Guidance on bad debt deductions for regulated financial companies and members of regulated financial groups

The U.S. Treasury Department and IRS today released proposed regulations (REG-121010-17) that would update the standard under Treas. Reg. § 1.166-2 for determining when a debt instrument held by a regulated financial company or a member of a regulated financial group will be conclusively presumed to be worthless.

The [proposed regulations](#) [PDF 270 KB] are proposed to apply to charge-offs made by a regulated financial company or a member of a regulated financial group on its applicable financial statement that occur in tax years ending on or after the date the proposed rules are published as final regulations in the Federal Register. However, under proposed Treas. Reg. § 1.166-2(d)(5), a regulated financial company or a member of a regulated financial group may choose to apply the final regulations, once published in the Federal Register, to charge-offs made on its applicable financial statement that occur in tax years ending on or after December 28, 2023.

Comments on the proposed regulations and requests for a public hearing must be received by February 26, 2024.

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