

Treasury and IRS Issue Guidance to Reduce Regulatory Burdens on Taxpayers and Protect the U.S. Tax Base

October 31, 2019

WASHINGTON—The Treasury Department and Internal Revenue Service today issued guidance to taxpayers to eliminate costly documentation requirements and provide advance notice of their intent to streamline other regulations under section 385 of the Internal Revenue Code.

“The Tax Cuts and Jobs Act leveled the playing field for American businesses and finally allowed the U.S. to shift from a worldwide to a territorial system of taxation,” said Treasury Secretary Steven T. Mnuchin. “Because tax cuts made our business environment more competitive, we are now able to remove regulatory burdens that have been rendered obsolete, further reduce costs for job creators and hardworking Americans, and protect the U.S. tax base.”

The final regulations issued today follow through on the recommendations in Treasury’s [Second Report to President Trump on Identifying and Reducing Tax Regulatory Burdens](#) , issued in response to Executive Order 13789, by formally revoking the documentation rules under section 385.

The advance notice of proposed rulemaking issued today announces that Treasury intends to issue proposed regulations streamlining the other regulations under section 385. These regulations address when debt issued by corporations will be treated as stock. There will be a 90-day public comment period.

The Tax Cuts and Jobs Act addressed underlying conditions that led to many corporate inversions and the subsequent issuance of section 385 regulations. This includes substantially reducing the U.S. corporate tax rate, making the U.S. business climate more competitive, and expanding business interest expense limitations more generally. Retaining certain rules in a more streamlined form serves as a backstop to the favorable reforms enacted through the Tax Cuts and Jobs Act to prevent tax-motivated inversions and takeovers of U.S. businesses.

[Read the Removal of Section 385 Documentation Regulations](#) 

[Read the ANPRM on Distribution Rules](#) 

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