



TaxNewsFlash

United States

No. 2024-467
December 10, 2024

Final and proposed regulations: Taxable income or loss and foreign currency gain or loss with respect to a QBU

The U.S. Treasury Department and IRS today released final and proposed regulations relating to the determination under section 987 of taxable income or loss and foreign currency gain or loss with respect to a qualified business unit (QBU).

The [final regulations](#) (T.D. 10016) (89 pages) adopt proposed regulations issued in November 2023, with certain revisions in response to comments received on those proposed regulations, as well as comments received on proposed regulations issued in December 2016 for which the Treasury Department and IRS reopened the comment period.

The final regulations retain the basic approach and structure of those proposed regulations, and include:

- An election to treat all items of a QBU as marked items (subject to a loss suspension rule)
- An election to recognize all foreign currency gain or loss with respect to a QBU on an annual basis
- A new transition rule

The final regulations are effective December 10, 2024, and generally apply to tax years beginning after December 31, 2024.

The [proposed regulations](#) (REG-117213-24) include an election that is intended to reduce the compliance burden of accounting for certain disregarded transactions between a QBU and its owner.

The proposed regulations are proposed to apply to tax years beginning after the date the proposed regulations are finalized. However, for tax years in which the final regulations issued today apply, taxpayers may rely on the proposed regulations, as well as on parts of the proposed regulations issued in December 2016 that have not been finalized or withdrawn (i.e., rules regarding QBUs with the U.S. dollar as their functional currency and rules requiring the deferral of certain section 988 loss that arises with respect to related-party loans), provided the taxpayer and each member of its consolidated group and section 987 electing group, as applicable, consistently follow such proposed regulations in their entirety and in a consistent manner.

The proposed regulations also include requests for comments relating to the treatment of partnerships and controlled foreign corporations (CFCs).

Comments on the proposed regulations and requests for a public hearing are due by March 11, 2025.

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