



TaxNewsFlash

United States

No. 2024-493
December 27, 2024

Final and proposed regulations: Amendments to consolidated return regulations to reflect statutory changes, modernize language, and enhance clarity

The U.S. Treasury Department and IRS today released final and proposed regulations amending the regulations applicable to affiliated groups of corporations that file consolidated federal income tax returns—to reflect statutory changes, update language to remove antiquated or regressive terminology, and enhance clarity.

The [final regulations](#) (T.D. 10018) adopt proposed regulations issued in August 2023 with relatively minor changes in response to the comments received. The final regulations also withdraw certain temporary regulations that no longer have practical applicability to taxpayers or have been replaced by the final regulations.

The final regulations issued under section 1502 apply to consolidated return years for which the due date of the return (without regard to extensions) is after the date the final regulations are published in the Federal Register, which is scheduled to be December 30, 2024. Treas. Reg. § 1.52-1(c)(1) applies to tax years beginning on or after January 1, 2025, and Treas. Reg. § 1.414(c)-2(b)(1) applies to plan years beginning on or after January 1, 2025. The amendments to Treas. Reg. §§ 1.1552-1(g), 1.1562-1(e), 1.1563-2(d), and 1.1563-3(e) apply to tax years beginning after the date the final regulations are published in the Federal Register, which again is scheduled to be December 30, 2024.

The [proposed regulations](#) (REG-134420-10) would modify the consolidated return regulations to clarify that, in the case of certain transfers between members of a consolidated group, a transferee's assumption of certain liabilities will not reduce the transferor's basis in the transferee's stock received in the transfer.

The preamble to the proposed regulations explains that the proposed regulations repropose in modified form previously withdrawn proposed consolidated section 357(c) regulations, to reflect the Treasury Department's and IRS's view regarding the appropriate timing for the single basis reduction for an assumed section 357(c)(3)(A) liability, specifically to clarify that a front-end adjustment approach is not required and a back-end adjustment is appropriate.

The proposed regulations are proposed to apply to consolidated return years for which the due date of the return (without regard to extensions) is after the date the proposed regulations are finalized.

Comments on the proposed regulations and requests for a public hearing are due by the date that is 90 days after the date the proposed regulations are published in the Federal Register, which is also scheduled to be December 30, 2024.

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