



TaxNewsFlash

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Proposed regulations: Guidance on corporate separations, incorporations, and reorganizations qualifying for nonrecognition of gain or loss

The U.S. Treasury Department and IRS today released [proposed regulations](#) (REG-112261-24) regarding certain matters relating to corporate separations, incorporations, and reorganizations qualifying, in whole or in part, for nonrecognition of gain or loss. The matters addressed include:

- Distributions and retentions of controlled corporation stock
- Assumptions of liabilities by controlled corporations
- Exchanges of property between distributing corporations and controlled corporations
- Distributions and transfers of consideration to distributing corporation shareholders and creditors

The proposed regulations are proposed to apply to transactions occurring after the date of the proposed regulations are finalized, but only if the earliest of the following dates with respect to the transaction occurs after such date: (1) the date of the first public announcement; (2) the date of entry by the taxpayer into a written agreement; (3) the date of approval by the board of directors of the taxpayer; (4) the date of a court order (or a plan confirmed, or a sale approved, by order of a court) in a title 11 or similar case, only if the taxpayer was a debtor in a case before such court; or (5) the date a ruling request is submitted to the IRS.

In addition, the following revenue rulings are proposed to be obsoleted for transactions occurring after such date: Rev. Rul. 2007-8; Rev. Rul. 95-74; Rev. Rul. 79-258; Rev. Rul. 75-469; Rev. Rul. 75-321; Rev. Rul. 57-518.

The Treasury Department and IRS also today released [proposed regulations](#) (REG-116085-23) that would require multi-year tax reporting for corporate separations and related transactions. The information to be reported under the proposed regulations would establish the taxpayer's position that the corporate separation and related transactions qualify for nonrecognition treatment.

Comments on both sets of proposed regulations and requests for a public hearing are due by March 17, 2025.

As described in a related IRS release—[IR-2025-11](#) (January 13, 2025)—in connection with this proposed guidance, the IRS released a draft version of new [Form 7216, Multi-Year Transaction Reporting](#). Filers of the new form generally would include the distributing corporation, the controlled corporation, and certain significant shareholders or security holders of the distributing corporation. The new proposed reporting requirements are intended to enable the Treasury Department and IRS to provide increased transactional flexibility, including addressing retentions of controlled corporation stock, monetization transactions, and several other significant issues that arise from multi-year transactions.

The IRS also states that it intends to follow the proposed regulations when it issues private letter rulings about certain corporate separations, and it plans to issue an update to Rev. Proc. 2024-24 to incorporate the proposed regulations into the procedures for requesting such private letter rulings.

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