

TaxNewsFlash

United States

No. 2025-049
January 21, 2025

Relationship between arm's length standard and specific period adjustment rules in section 482 regulations (Chief Counsel legal advice memorandum)

The IRS publicly released a legal advice memorandum* (from the Office of Chief Counsel) addressing the relationship between the general arm's length standard in Treas. Reg. § 1.482-1(b)(1) and the specific periodic adjustment rules in Treas. Reg. §§ 1.482-4(f)(2) and 1.482-7(i)(6).

The IRS concludes in two scenarios—one involving a license of intangible property and another involving a platform contribution—that the taxpayer could not overcome a periodic adjustment by invoking the general arm's length standard or contending that the transfer pricing method it selected and applied satisfied the best method rule of Treas. Reg. § 1.482-1(c).

Read [AM 2025-001](#) (release date of January 17, 2025, and dated January 15, 2025), which clarifies and updates advice provided in AM 2007-007.

* Legal advice memoranda are signed by executives in the National Office of the Office of Chief Counsel and issued to Internal Revenue Service personnel who are national program executives and managers. The memos are issued to assist IRS personnel in administering their programs by providing authoritative legal opinions on certain matters, such as industry-wide issues. The memos cannot be used or cited as precedent.

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