



# TaxNewsFlash

United States

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## Notice 2025-44: Intent to issue proposed regulations removing disregarded payment loss (DPL) rules

The IRS today released [Notice 2025-44](#), announcing that the Treasury Department and IRS intend to issue proposed regulations (the “future proposed regulations”) that would remove the disregarded payment loss (DPL) rules under Treas. Reg. § 1.1503(d)-1(d). The future proposed regulations would also remove recent modifications to the dual consolidated loss (DCL) rules under section 1503(d) relating to the deemed ordering rule under Treas. Reg. § 1.1503(d)-3(c)(3).

In addition, the future proposed regulations would further extend the transition relief set forth in proposed Treas. Reg. § 1.1503(d)-8(b)(12), pertaining to the application of the DCL rules under section 1503(d) to certain types of taxes covered by the so-called “GloBE Model Rules,” to apply with respect to DCLs incurred in tax years beginning before January 1, 2028. Notice 2025-44 states that the Treasury Department and IRS are of the view that an extension of the transition relief with respect to the interaction of the DCL rules and the GloBE Model Rules is appropriate to allow for further consideration of comments received in response to the 2024 proposed regulations (defined below), to allow for consideration of further developments at the OECD, and to provide taxpayers more certainty.

The future proposed regulations would be proposed to apply to tax years beginning or after January 1, 2026. However, taxpayers may rely on the rules in the notice until the date the future proposed regulations are published in the Federal Register.

Notice 2025-44 also invites comments on certain aspects of the DCL rules by October 21, 2025:

- Potential revisions to the “all or nothing” principle, taking into account administrability concerns
- Whether, and, if so, how disregarded items should be taken into account for purposes of the DCL rules (for example, in a manner similar to that set forth in Treas. Reg. § 1.904-4(f) for determining foreign branch category income)

### KPMG observation

Notice 2025-44 does not specifically address the fate of other potential changes to the DCL rules that were proposed at the same time as the DPL rules, in an extensive set of proposed regulations issued in August of 2024 (the “2024 proposed regulations”) ([read TaxNewsFlash](#)). The 2024 proposed regulations included a number of meaningful changes to the current DCL regime, for example clarifying the application of the Treas. Reg. § 1.1502-13 intercompany transaction rules in the DCL context, removing the current “inclusions on

stock” rule in Treas. Reg. § 1.1503(d)-5(c)(4)(iv), and formalizing prior IRS sub-regulatory guidance on when a “foreign use” is considered to occur after certain ownership and tax classification changes of foreign entities. Comments on these proposals were received by Treasury and the IRS in response to the 2024 proposed regulations, and presumably will be considered alongside the above-requested comments as Treasury continues to evaluate guidance in this area.

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