



TaxNewsFlash

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Proposed regulations withdrawn: Guidance on corporate separations, incorporations, and reorganizations qualifying for nonrecognition of gain or loss

The U.S. Treasury Department and IRS today released a [document](#) withdrawing two sets of proposed regulations published in the Federal Register on January 16, 2025, regarding corporate separations, incorporations, and reorganizations qualifying, in whole or in part, for nonrecognition of gain or loss ([read TaxNewsFlash](#)):

- Proposed regulations (REG-112261-24) concerning various matters related to tax-free corporate separations, incorporations, and reorganizations, including:
 - 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
- Proposed regulations (REG-116085-23) requiring multi-year tax reporting for corporate separations and related transactions

The document states that the Treasury Department and IRS are withdrawing the proposed regulations because they have received several comments in response to the proposed regulations that generally were critical of the proposed guidance.

The proposed regulations will be withdrawn as of the date the document is published in the Federal Register, which is scheduled to be September 30, 2025.

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