



TaxNewsFlash

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Proposed regulations: Removal of final regulations identifying certain partnership basis shifting transactions as transactions of interest

The U.S. Treasury Department and IRS today released [proposed regulations](#) (REG-108921-25) that would remove final regulations identifying certain partnership related-party basis adjustment transactions and substantially similar transactions as transactions of interest (TOI), a type of reportable transaction. [Read TaxNewsFlash](#)

Treasury and the IRS in April 2025 published Notice 2025-23 announcing their intent to publish the proposed regulations released today and stating that until the proposed regulations are finalized, the IRS will waive penalties under section 6707A(a) for participants in, and under sections 6707(a) and 6708 for material advisors to, transactions identified in the basis shifting TOI regulations.

Treasury and the IRS intend that the final regulations adopting the proposed regulations will provide that participants and material advisors may treat the removal of the basis shifting TOI regulations as occurring on January 14, 2025, which is the applicability date of the basis shifting TOI regulations. Thus, participants and material advisors will be able to treat the basis shifting TOI regulations as never having taken effect.

Comments on the proposed regulations, and requests for a public hearing, are due by April 6, 2026.

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