



TaxNewsFlash

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IRS acquiesces to result in Tax Court decision finding extraordinary disposition rules under section 245A temporary regulations to be invalid

The IRS released [AOD 2026-2](#) indicating its acquiescence in the result of the U.S. Tax Court's [decision](#) in *Siemens Medical Solutions USA, Inc. v. Commissioner*, 167 T.C. No. 5 (July 15, 2026), in which the Tax Court found that the extraordinary disposition (ED) rules under Treas. Reg. § 1.245A-5T were invalid because they were in direct conflict with the plain and unambiguous text of section 245A.

The IRS indicated that it will acquiesce in the result in *Siemens* decision in disposing of other cases, irrespective of which version of the ED rules apply (i.e., either the version in the temporary or final regulations).

However, the IRS also stated that it disagrees with the reasoning of the decision, including to the extent it implies that broadly worded delegations like those in sections 245A(g) and 7805(a) do not include authority for narrowly tailored anti-abuse rules that preserve Congress's intent. The IRS also disagrees with the reasoning of the opinion to the extent it relies on *Varian Med. Sys., Inc. & Subs. v. Commissioner*, 163 T.C. 76 (2024).

In addition, the IRS stated that when applicable, it will continue to assert the portions of the temporary and final regulations that are not affected by the decision, including the extraordinary reduction rules in Treas. Reg. §§ 1.245A-5T(e) and (f) and 1.245A-5(e) and (f) and the anti-abuse rule in Treas. Reg. §§ 1.245A-5T(h) and 1.245A-5(h). The IRS will also continue to defend the procedural validity of the temporary regulations.

The IRS also noted that transactions to which the ED rules would apply remain subject to scrutiny under other applicable tax rules, including judicial doctrines such as the economic substance and substance-over-form doctrines.

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