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IRS and Treasury Announce Withdrawal of Related Party Basis Shifting Regulations

Tax Talks on **April 29, 2025**

On April 17, 2025, the U.S. Internal Revenue Service (the "IRS") issued Notice 2025-23 (the "Notice"), announcing its intention to withdraw the recently released final regulations final regulationsthat classify certain partnership related party basis shifting transactions and substantially similar transactions as "transactions of interest". The Notice provides taxpayers and their material advisors with immediate relief from penalties imposed for non-compliance with the disclosure requirements under the final regulations, and effectively eliminates immediately the reporting obligations that were imposed under the final regulations.

The Notice also announced that Notice 2024-54 (in which the IRS announced its intention to publish proposed regulations on basis-shifting transactions) is withdrawn. Therefore, at the current time, no proposed regulations on this topic are anticipated. However, the Notice did not withdraw Revenue Ruling 2024-14, which states that the "economic substance" doctrine applies where a basis shifting transaction among related parties does not have economic purpose or substance.

For more information about the final regulations and examples of the common transactions they could have applied to, please see our prior blog post here.

View original.

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