



August 16, 2024

Internal Revenue Service
CC:PA:01:PR (Notice 2024-54)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, D.C., 20044

RE: Notice 2024-54 and Notice of Proposed Rulemaking REG-124593-23

To the Internal Revenue Service,

The Taxpayers Protection Alliance (TPA) is a non-profit, non-partisan organization dedicated to educating the public through research, analysis, and the dissemination of information on the government's effects on the economy.

On behalf of the millions of taxpayers and consumers TPA represents, we write today to express our concern with the proposed regulations regarding partnership "basis-shifting" transactions in Notice 2024-54 and Notice of Proposed Rulemaking REG-124593-23.

Background

The proposed rules would suspend and disallow certain basis adjustment transactions and benefits for related parties and partnerships. The guidance would also implement reporting requirements for four types of "basis-shifting" transactions identified as "transactions of interest." Businesses would face financial penalties for failure to comply with these complex new measures. The effects of these changes would increase risk and compliance costs for the entrepreneurs and taxpayers that make up the targeted business partnerships.

Concerns for Taxpayers

Unclear & Burdensome Rules – Multiple aspects of the proposed regulations would create uncertainty for businesses and significantly impact their ability to operate. The proposed changes to the allowable transactions would mean upheaval for many partnerships and their existing agreements, forcing many to restructure or shut down.

Likewise, the reporting requirements would be unsustainable for many small partnerships since they impact common activities and require meticulous tracking. In some cases, businesses would be forced to track and report individual transactions for up to 15 years. The inclusion of "substantially similar" transactions as reportable transactions also adds a layer of difficulty for businesses' compliance efforts, as there is no clear definition for what these transactions specifically entail.

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Meeting all these requirements would demand extensive resources and, in some cases, businesses would have to hire outside help to manage the burden. In short, the complexity of these rules would drive up compliance costs and discourage business growth at a time when it is badly needed. These rules could even prevent new partnerships from forming due to the new costs and associated risks.

Lack of Legal Authority – The IRS likely lacks the authority to act in this way. Major changes to “basis-shifting” activity must go through Congress. Lawmakers have considered similar changes before but thus far have declined to act. Additionally, recent Supreme Court decisions in *Loper Bright Enterprises v. Raimondo* and *Corner Post, Inc. v. Board of Governors of the Federal Reserve System* open the door to new challenges against regulatory overreach by federal agencies. As such, the IRS should not move forward with any rules go beyond congressional intent. Such rules are likely to fall in court.

Tax Uncertainty & Economic Impact – Tax uncertainty has a profoundly negative impact on the economy. Businesses face added challenges in making investment decisions and planning for the future when tax policy is unclear and overly confusing. This uncertainty leads to reduced investment, fewer job opportunities, and diminished economic activity, as companies hesitate to expand or hire due to fears of unpredictable tax burdens and regulatory changes.

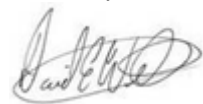
TPA’s [recent survey](#) of business leaders highlights that more than 75 percent of businesses are grappling with tax uncertainty, which is exacerbated by proposed tax policy changes from the Biden administration. This uncertainty has a clear effect on businesses’ ability to take necessary risks and expand their operations. TPA found that lowering the levels of tax uncertainty in the U.S. can create at least 2.6 million new jobs across the country.

The recent proposals from the IRS exemplify the kind of dramatic policy changes businesses are concerned about. Stability and predictability in tax policy are crucial for economic growth, and lawmakers – not bureaucrats – need to work together to implement well-thought-out, long-term solutions to reduce uncertainty and foster a conducive environment for American businesses.

Conclusion

TPA believes that the proposed regulations, as now written, will harm American businesses and taxpayers. The downstream effects would spell trouble for business partnerships across the country that act as a key source of hiring and innovation in industries ranging from agriculture to energy to manufacturing. Targeting businesses with ill-conceived and unclear rules as they attempt to recover from persistent inflation and supply-chain constraints would be a misguided overreach that would harm economic growth for years to come.

Sincerely,



David Williams
President