



Tax

## Tax News & Views

September 23, 2014

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### Treasury releases inversion guidance

Fulfilling recent promises by Treasury Secretary Jacob “Jack” Lew, the Obama Administration released guidance late September 22 that Lew said “will make companies think twice” before undertaking a corporate inversion transaction.

The debate over inversions has featured heavily in tax policy discussions over the summer. Congressional Democrats introduced bills that would either change the threshold for an inversion to be respected or tighten the earnings stripping rules for inverted companies. Those bills gained little traction, and although Senate Finance Committee Chairman Ron Wyden, D-Ore., and Ranking Republican Orrin Hatch of Utah continue talks on crafting bipartisan legislation, members of Congress left Washington last week to campaign for the mid-term election without taking any action on the inversion issue. Meanwhile, Lew said that while the Administration preferred congressional action and supported a handful of Democratic legislative proposals, Treasury would address the economics of inversions through regulatory action if no legislation was forthcoming. (For prior coverage, see *Tax News & Views*, September 19, 2014.)

**URL:** [http://newsletters.usdbriefs.com/2014/Tax/TNV/140919\\_1.html](http://newsletters.usdbriefs.com/2014/Tax/TNV/140919_1.html)

### Notice 2014-52

The guidance (Notice 2014-52) announces that Treasury and the IRS will issue regulations under several code sections to address what the Administration calls “tax avoidance transactions” that would not be possible absent an inversion. A Treasury fact sheet accompanying the Notice states: “This action will significantly diminish the ability of inverted companies to escape U.S. taxation. For some companies considering mergers, today’s action will mean that inversions no longer make economic sense.”

**URL:** [http://newsletters.usdbriefs.com/2014/Tax/TNV/140923\\_1suppA.pdf](http://newsletters.usdbriefs.com/2014/Tax/TNV/140923_1suppA.pdf)

**URL:** [http://newsletters.usdbriefs.com/2014/Tax/TNV/140923\\_1suppB.pdf](http://newsletters.usdbriefs.com/2014/Tax/TNV/140923_1suppB.pdf)

The regulations will be intended to increase the effective tax rate for foreign acquirers of U.S. targets and tighten the anti-inversion rules of section 7874. According to the Notice, the regulations generally would be effective for inversion transactions completed on or after September 22, 2014. A more detailed analysis of the Notice is available in an International Tax Alert from Deloitte Tax LLP.

**URL:** <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-unitedstates-230914.pdf?id=us:em:na:tnv:eng:tax:092314>

### Hill reaction

Initial reactions from the top taxwriters on Capitol Hill were mixed, but all stressed the need for congressional action on comprehensive tax reform. Wyden said Treasury’s move reinforced the urgency of action, “but only Congress has the full range of tools to address both the immediate problem and ensure U.S. businesses continue to be competitive in the global

economy.” Hatch echoed Wyden’s comments about the need for tax reform and said he would study the Administration’s proposal. However, he reiterated his stance on the principles that should guide Congress’s approach to inversions. (For details on prior statements from Senators Wyden and Hatch, see *Tax News & Views*, Vol. 15, No. 31, September 12, 2014.) URL: [http://newsletters.usdbriefs.com/2014/Tax/TNV/140912\\_1.html](http://newsletters.usdbriefs.com/2014/Tax/TNV/140912_1.html)

House Ways and Means Chairman Dave Camp, R-Mich., was more critical and called on the Administration to get serious about tax reform. “A few campaign style speeches and stopgap measures from Treasury won’t [address inversions] – it hasn’t worked in the past, and even Secretary Lew admits the only real solution is tax reform. I fear this Administration is only interested in doing the bare minimum – just enough to say they care,” Camp said.

— Jon Almeras  
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#### **Have a question?**

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