

## Deloitte Tax looks at more year-end guidance from Treasury, IRS

New alerts from Deloitte Tax LLP discuss guidance from the Treasury Department and the Internal Revenue Service on cloud transaction regulations, disregarded payment losses, and spinoff transaction and reporting requirements.

### Treasury and IRS release proposed cloud transaction sourcing regulations

On January 14, 2025, the Treasury Department and the IRS published proposed regulations providing specific rules for determining the source of income from cloud transactions for purposes of the international provisions of the Internal Revenue Code. These proposed regulations, which build upon the regulations addressing cloud transactions and are intended to clarify the sourcing of such income, are proposed to apply to taxable years beginning on or after the date the final regulations are published in the Federal Register.

Details of the new guidance are provided in a new alert from Deloitte Tax LLP.

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-16-january-2025.pdf>

### Final digital content and cloud transaction regulations issued

On January 14, 2025, the Treasury Department and the IRS published final regulations addressing the classification of transactions involving digital content and cloud transactions. This guidance refines the existing rules for digital content and introduce new rules for cloud transactions. The final regulations apply to taxable years beginning on or after January 14, 2025; taxpayers may elect early application if certain conditions are met.

Details of the new guidance are provided in a new alert from Deloitte Tax LLP.

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-15-january-2025.pdf>

### Final regulations address disregarded payment loss and dual consolidation loss rules

On January 14, 2025, the IRS and Treasury Department published regulations to finalize certain provisions of the August 2024 proposed regulations that relate to disregarded payment losses (DPLs), including portions that are also relevant for dual consolidated losses (DCLs). The final DPL regulations do not finalize all provisions of the proposed DCL/DPL regulations; certain provisions remain outstanding as proposed rules with retroactive effective dates. Most of the final DPL regulations have a delayed applicability date.

Details of the new guidance are provided in a new alert from Deloitte Tax LLP.

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-16a-january-2025.pdf>

## Treasury and IRS issue guidance on spinoff transactions and reporting requirements

Deloitte Tax LLP provides a short summary of the proposed regulations on spinoff transactions and related multi-year reporting requirements that can be shared with clients in the following message.

On January 13, 2025, Treasury and the IRS issued two sets of proposed regulations providing guidelines for spinoff transactions under section 355 and related reporting requirements. The proposed regulations follow Notice 2024-38 and Rev. Proc. 2024-24, both issued on May 1, 2024.

The first set of proposed regulations (REG-112261-24) address certain matters relating to corporate separations, incorporations, and reorganizations that qualify, in whole or in part, for nonrecognition of gain or loss. Specifically, these proposed regulations address distributions and retentions of controlled corporation stock, assumptions of liabilities by controlled corporations, exchanges of property between distributing corporations and controlled corporations, and distributions and transfers of consideration to distributing corporation shareholders and creditors. According to the preamble, the purpose of these proposed regulations is to establish a comprehensive set of rules to implement core definitional and operative provisions of subchapter C. The proposed regulations are intended to facilitate the ability for taxpayers to achieve increased comfort on the Federal income tax treatment of their corporate M&A transactions without the need for a private letter ruling. In general, the proposed regulations would apply to transactions that occur after final regulations are published. However, in a statement accompanying the release of the proposed regulations, the IRS stated that it will follow the proposed regulations when issuing private letter rulings and will revise Rev. Proc. 2024-24 to incorporate changes made by the proposed regulations.

Concurrently issued proposed regulations (REG-116085-23) address multi-year reporting for corporate separations and related transactions under section 355. These proposed regulations revise existing Treas. Reg. § 1.355-5 to enhance the IRS's ability to administer and enforce the requirements of section 355. The revisions would require taxpayers to submit new Form 7216, Multi-Year Reporting Related to Section 355 Transactions, or any successor form, to provide the IRS with additional information to help identify potential noncompliance in section 355 transactions. The new form is to be filed annually along with the tax returns of "covered filers". The proposed regulations apply to taxable years ending after the final regulations are published with respect to section 355 transactions occurring after the final regulations are published.

Please watch for a Tax Alert with more detailed analysis of these two sets of proposed regulations in the coming days.

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