

Part III - Administrative, Procedural, and Miscellaneous

Foreign currency guidance under section 987

Notice 2017-07

On December 7, 2016, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) filed with the Federal Register Treasury Decision 9795, which includes temporary regulations under §1.987-12T relating to the recognition and deferral of foreign currency gain or loss under section 987 with respect to a qualified business unit in connection with a deferral event or outbound loss event. Section 1.987-12T(j)(1) provides that §1.987-12T generally applies to any deferral event or outbound loss event that occurs on or after January 6, 2017. Under §1.987-12T(j)(2), however, §1.987-12T also applies to any deferral event or outbound loss event that occurs on or after December 7, 2016, if such deferral event or outbound loss event is undertaken with a principal purpose of recognizing section 987 gain or loss.

In order to prevent abuse, §1.987-12T(j)(2) will be modified so that §1.987-12T also will apply to any deferral event or outbound loss event that is undertaken with a principal purpose of recognizing section 987 gain or loss and that occurs as a result of an entity classification election made under §301.7701-3 that is filed on or after December 22, 2016, and that is effective before December 7, 2016. Additionally, §1.987-12T(j)(1) will be modified so that §1.987-12T also will apply to any deferral event

or outbound loss event that occurs as a result of an entity classification election made under §301.7701-3 that is filed on or after January 6, 2017, and that is effective before January 6, 2017.

The principal author of this notice is Steven D. Jensen of the Office of Associate Chief Counsel (International). However, other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this notice contact Steven D. Jensen at (202) 317-6938 (not a toll-free call).