

Part III – Administrative, Procedural, and Miscellaneous

Notice of Intent to Remove 26 CFR 1.6011-18; Waiver of Penalties under Sections 6707A(a), 6707(a), and 6708; Withdrawal of Notice 2024-54

Notice 2025-23

SECTION 1. PURPOSE

This notice announces that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to publish a notice of proposed rulemaking (forthcoming NPRM) proposing to remove § 1.6011-18¹ (Basis Shifting TOI Regulations) from the Income Tax Regulations (26 CFR part 1). This notice provides immediate relief from (i) penalties under § 6707A(a) to participants in transactions identified as transactions of interest in the Basis Shifting TOI Regulations that are required to file disclosure statements under § 6011, and (ii) penalties under §§ 6707(a) and 6708 for material advisors to transactions identified as transactions of interest in the Basis Shifting TOI Regulations that are required to file disclosure statements under § 6111 and maintain lists under § 6112. Lastly, this notice withdraws Notice 2024-54, 2024-28 I.R.B. 24 (Basis Shifting Notice), which describes certain proposed regulations that the Treasury Department and the IRS intended to issue addressing partnership

¹ Unless otherwise specified, all “Section” or “§” references are to sections of the Internal Revenue Code or the Income Tax Regulations (26 CFR part 1).

related-party basis shifting transactions.

SECTION 2. BACKGROUND

On February 19, 2025, the President issued Executive Order 14219, *Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Deregulatory Initiative* (Executive Order 14219). Executive Order 14219 directs agencies to initiate a review process for the identification and removal of certain regulations and other guidance that meet any of the factors set forth in Executive Order 14219. Pursuant to the review directed by Executive Order 14219, the Treasury Department and the IRS have identified the Basis Shifting TOI Regulations for removal and the Basis Shifting Notice for withdrawal as described in this notice.

SECTION 3. FORTHCOMING REMOVAL OF THE BASIS SHIFTING TOI REGULATIONS AND RELATED APPLICABILITY DATES

.01 Effective January 14, 2025, the Basis Shifting TOI Regulations identify certain partnership related-party basis adjustment transactions and substantially similar transactions as transactions of interest. Taxpayers and their material advisors have criticized the Basis Shifting TOI Regulations as imposing complex, burdensome, and retroactive disclosure obligations on many ordinary-course and tax-compliant business activities, creating costly compliance obligations and uncertainty for businesses.

.02 Pursuant to Executive Order 14219, the Treasury Department and the IRS have identified the Basis Shifting TOI Regulations as appropriate for removal and intend to publish the forthcoming NPRM proposing to remove the Basis Shifting TOI Regulations from 26 CFR part 1. The forthcoming NPRM, when finalized, will obviate the need for participants and material advisors to comply with all of the transaction of interest

requirements they would otherwise be required to follow because of the Basis Shifting TOI Regulations.

.03 The forthcoming NPRM will have a proposed applicability date that corresponds with the date this notice is issued to the public. See § 7805(b)(1)(C).

.04 The forthcoming NPRM will propose that taxpayers and material advisors may choose to apply the final regulations retroactively to January 14, 2025, which is the applicability date of the Basis Shifting TOI Regulations. See § 7805(b)(7).

.05 Taxpayers and material advisors may rely on this notice until the forthcoming NPRM is finalized.

SECTION 4. WAIVER OF RELATED DISCLOSURE STATEMENT PENALTIES

.01 *Participant penalty waiver.* Given the Treasury Department and the IRS's intent to propose the removal of the Basis Shifting TOI Regulations, the IRS will, in the interest of sound tax administration, waive penalties under § 6707A(a) for any failure to file a Form 8886, *Reportable Transaction Disclosure Statement*, that is otherwise required because of the Basis Shifting TOI Regulations.

.02 *Material advisor penalty waiver.* Given the Treasury Department and the IRS's intent to propose the removal of the Basis Shifting TOI Regulations, the IRS will, in the interest of sound tax administration, waive penalties under § 6707(a) for any failure to file a Form 8918, *Material Advisor Disclosure Statement*, and also will waive penalties under § 6708 for any failure to maintain a list under § 6112, that is otherwise required because of the Basis Shifting TOI Regulations.

SECTION 5. WITHDRAWAL OF THE BASIS SHIFTING NOTICE

The Basis Shifting Notice announced the Treasury Department and the IRS's

intention to publish certain proposed regulations addressing partnership related-party basis shifting transactions. Stakeholders have stated that the intended proposed regulations, if finalized, would impose complex, burdensome, and retroactive technical rules on many ordinary-course and tax-compliant business activities, creating costly compliance obligations and uncertainty for businesses. After the review directed by Executive Order 14219, the Basis Shifting Notice is hereby withdrawn.

SECTION 6. EFFECT ON OTHER DOCUMENTS

Notice 2024-54 is withdrawn.

SECTION 7. DRAFTING INFORMATION

The principal authors of this notice are Anthony Sacco, Jeremy Milton, and Elizabeth Zanet of the Office of the Associate Chief Counsel (Passthroughs, Trusts, and Estates). For further information regarding this notice contact Mr. Sacco, Mr. Milton, or Ms. Zanet at (202) 317-5279 (not a toll-free number).