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NABL Recommends Revisions to Management Contract Safe Harbors.

NABL has sent to the IRS and Treasury Department suggested revisions to expand the safe harbors against private business use in Rev. Proc. 97-13. NABL made three basic recommendations.

First, safe harbors for contracts having a term greater than five years relying on the "fixed fee" framework should be made more flexible in a manner comparable to the flexibility provided in Notice 2014-67 for five-year contracts, and certain principles developed in private letter rulings should be reflected in published guidance.

Second, there should be additional safe harbors that are not based on "fixed fee" limitations.

And third, the limitation set forth in the existing regulations prohibiting management and other service contracts "based, in whole or in part, on a share of net profits" should be reconsidered, and a more flexible rule focusing on control relationships should be adopted.

Read NABL's Comment Letter.

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