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Finally: Withdrawal of the Political Subdivision Regulations Is Announced

The eagerly awaited verdict on the proposed political subdivision regulations (Proposed Political Subdivision Regulations) ("Proposed Regulations") is finally in and their withdrawal has been announced. These regulations have been a frequent subject of our posts (here, here, here, here, here, and here) Treasury issued its interim Report on June 22, 2017 (here) under Executive Order 13789 (here) identifying eight regulations for review, including the Proposed Regulations. (Discussed in previous blogs by Michael Cullers and Johnny Hutchinson here and here.) Now Treasury has issued its "Second Report to the President on Identifying and Reducing Tax Regulatory Burdens," ("Second Report") dated October 2, 2017, announcing its recommendations on those eight regulations as well as potentially far-reaching plans for further review of burdensome regulations. Of the eight regulations reviewed, Treasury recommended full withdrawal of only two, one being the Proposed Regulations (the other being an anti-taxpayer regulation addressing transfers of family businesses, which could be an especially sympathetic area under the Trump administration). In recommending withdrawal of the Proposed Regulations, Treasury noted that "some enhanced standards for qualifying as a political subdivision may be appropriate" but that "regulations having as far-reaching an impact on existing legal structures as the proposed regulations are not justified." So what might we expect in the future?

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The Public Finance Tax Blog

By Bob Eidnier on October 12, 2017

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