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Update on Proposed Tax Regulations Under Section 2704

BUSINESS ADVISORS, BUSINESS VALUATION, TAX
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In August and December of last year, we provided you with information and updates on proposed regulations under Section 2704 of the Internal Revenue Code. Those articles can be found here:

- <https://www.schneiderdowns.com/our-thoughts-on/estate/irs/tax/irs-rewriting-rules-on-valuation-discounts>
- <https://www.schneiderdowns.com/our-thoughts-on/estate/irs/tax/proposed-regulations-affecting-valuation-discounts>

As discussed in these previous articles, proposed Section 2704 threatened to restrict or eliminate the use of discounts for lack of control and lack of marketability related to transfers of interests in certain family businesses.

However, on April 21, 2017, President Trump issued an Executive Order instructing the Secretary of the Treasury to review all “significant tax regulations” issued since January 1, 2016. This Executive Order required the Secretary of the Treasury to issue a 60-day interim report that identified regulations that impose an undue financial burden on taxpayers, add undue complexity to tax laws, or exceed the statutory authority of the Internal Revenue Service (“IRS”).

The Secretary recently issued its 60-day interim report and identified eight regulations that meet the criteria established in President Trump’s Executive Order. Among the eight regulations identified were the proposed regulations under Section 2704.

The Treasury intends to propose reforms for all eight regulations – ranging from a streamlining of certain provisions to a full repeal of the various regulations. A copy of the interim report can be found [here](#).

The Treasury has requested comments on whether the eight regulations should be rescinded or modified by August 7, 2017. A final report that recommends specific actions to reduce the burden of the identified regulations must be issued to President Trump by September 18, 2017.

Therefore, while there has been no final resolution regarding Section 2704, it appears as if the proposed regulations under Section 2704 will be either modified or rescinded. We will provide additional information once it is available. Stay tuned.

For additional questions, [contact Schneider Downs](#) or [visit the Our Thoughts On blog](#).

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