



441 G St. N.W.  
Washington, DC 20548

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June 4, 2019

The Honorable Chuck Grassley  
Chairman  
The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
United States Senate

The Honorable Richard Neal  
Chairman  
The Honorable Kevin Brady  
Ranking Member  
Committee on Ways and Means  
House of Representatives

Subject: *Department of the Treasury, Internal Revenue Service: Amount Determined Under Section 956 for Corporate United States Shareholders*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of the Treasury, Internal Revenue Service (IRS) entitled “Amount Determined Under Section 956 for Corporate United States Shareholders” (RIN: 1545-BO88). We received the rule on May 23, 2019. It was published in the *Federal Register* as a final rule on May 23, 2019. 84 Fed. Reg. 23716. The effective date of the rule is July 22, 2019.

According to IRS, the final rule reduces the amount determined under section 956 of the Internal Revenue Code with respect to certain domestic corporations. The rule finalizes the proposed regulations published on November 5, 2018. IRS states that the rule affects certain domestic corporations that own (or are treated as owning) stock in foreign corporations.

Enclosed is our assessment of IRS’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have

any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Janet Temko-Blinder, Assistant General Counsel, at (202) 512-7104.

signed

Shirley A. Jones  
Managing Associate General Counsel

Enclosure

cc: Martin V. Franks  
Chief, Publications and Regulations Branch  
Department of the Treasury

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
DEPARTMENT OF THE TREASURY,  
INTERNAL REVENUE SERVICE  
ENTITLED  
“AMOUNT DETERMINED UNDER SECTION 956 FOR  
CORPORATE UNITED STATES SHAREHOLDERS”  
(RIN: 1545-BO88)

(i) Cost-benefit analysis

The Department of the Treasury, Internal Revenue Service (IRS) indicated, in its submission to us, that it had performed an analysis of the costs and benefits for this rule. In the rule, IRS stated, within the context of the economic impact the rule will have on small entities, that it believes the cost-saving benefits of the regulations with respect to complex third-party borrowing arrangements, internal financial management structures, and restructurings of worldwide operations will generally be available only to large U.S. multinational corporations with 20 or more controlled foreign corporations (CFC). IRS states that it believes U.S. multinational corporations with fewer than 20 CFCs generally will not have the types of arrangements in place that would otherwise need to be restructured and monitored to avoid section 956. IRS further states that the rule generally will not affect small entities that are not domestic corporations.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

IRS certified that this final rule will not have a significant economic impact on a substantial number of small entities, although, according to IRS, some small entities could be affected by the regulation. IRS states that even if a substantial number of small entities were to be affected by the regulations, the Treasury Department and IRS estimate that the economic impact on such small entities would not be significant as the regulation is expected to marginally reduce compliance costs for smaller entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

IRS did not discuss the Unfunded Mandates Reform Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551*et seq.*

On November 5, 2018, IRS published a proposed rule. 83 Fed. Reg. 55324. IRS states that no public hearing was requested or held, and no substantive comments were received with respect to the proposed rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

IRS states that there are no information collection requirements associated with the final rule.

Statutory authorization for the rule

IRS cites to 26 U.S.C. § 7805 as authority for the rule. According to IRS, section 1.956-1 of title 26, Code of Federal Regulations, is also issued under 26 U.S.C. §§ 245A(g), 956(d), and 956(e).

Executive Order No. 12,866 (Regulatory Planning and Review)

IRS states that the Office of Information and Regulatory Affairs (OIRA) has determined that this final rule is a significant regulatory action pursuant to section 3(f) of Executive Order 12,866 and the April 11, 2018, Memorandum of Agreement between the Department of the Treasury and the Office of Management and Budget. However, according to IRS, OIRA has waived review of the final rule in accordance with section 6(a)(3)(A) of the Executive Order.

Executive Order No. 13,132 (Federalism)

IRS did not discuss the Order in the final rule.