

# Treasury Withdraws Proposed Regulations Aimed at Minimizing Valuation Discounts

McDermott  
Will & Emery

Article By

[Richard A. Lang](#)

[McDermott Will & Emery](#)

[On the Subject](#)

- [Tax](#)
- [All Federal](#)

Thursday, October 5, 2017

## Proposed Section 2704 Regulations Withdrawn in Regulatory Review Ordered by President Trump

In August of 2016, the US Department of Treasury issued a set of complex proposed regulations designed to expand the Internal Revenue Services's (IRS) ability to challenge valuation discounts claimed for estate, gift and generation-skipping tax purposes. The proposed code section 2704 regulations, which were viewed by the estate planning community largely as ambiguous and beyond the scope of the statute, elicited over 28,000 (overwhelming negative) comments filed with the Treasury.

On April 21, while the Treasury was pondering this avalanche of commentary, President Trump issued Executive Order 13789, an instruction to reduce tax regulatory burdens. In response, the Treasury issued an interim report on June 22 identifying eight offending regulations. The proposed regulations under section 2704 dealing with restrictions on liquidation (affecting valuation discounts) were among those identified.

In a report issued by Treasury Secretary Steven T. Mnuchin dated October 2, 2017, and titled "Identifying and Reducing Tax Regulatory Burdens," the Treasury announced its plan to officially withdraw "entirely" [the proposed 2704 regulations](#).

The report does not mince words. In siding with the views of many commentators, the report describes the proposed regulations as “web of dense rules and definitions” and their approach to artificial valuation discounts as “unworkable.” The report goes on to state:

*Treasury and the IRS currently agree with commenters that taxpayers, their advisors, the IRS, and the courts would not, as a practical matter, be able to determine the value of an entity interest based on the fanciful assumption of a world where no legal authority exists. Given that uncertainty, it is unclear whether the valuation rules of the proposed regulations would have even succeeded in curtailing artificial valuation discounts.*

For now at least, the nightmare of having to interpret and apply these proposed regulations has passed.

© 2019 McDermott Will & Emery

**Source URL:** <https://www.natlawreview.com/article/treasury-withdraws-proposed-regulations-aimed-minimizing-valuation-discounts>