

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

October 5, 2016

The Honorable Jacob Lew
Secretary
United States Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

The Honorable Shaun Donovan
Director
Office of Management and Budget
725 17th Street, N.W.
Washington, D.C. 20503

Dear Secretary Lew and Director Donovan,

We understand that final regulations under Internal Revenue Code Section 385 have been delivered by the Treasury Department to the Office of Management and Budget for review by the Office of Information and Regulatory Affairs. As we have expressed previously in meetings and letters, we have serious concerns about Treasury's proposed regulations on Section 385. We believe these rules if finalized would have a significant adverse impact on the American economy, discouraging investment and hurting American jobs and workers. We want to reiterate our view that it would be ill-advised to issue final regulations at this time.

During his September 14th meeting with the Members of the Committee on Ways and Means, Secretary Lew made clear that his goal is to finalize the regulations but that he would do so only if he could get the rules right. We believe that getting the rules right is of paramount importance and doing so should be the top priority. Treasury has received thousands of pages of comments on these proposed regulations from across the spectrum of businesses large and small. Those comments make clear that addressing the problems that have been identified and eliminating the potential for real economic harm will require a complete overhaul of the proposed rules. Against this backdrop, we are convinced that getting the rules right will require further engagement with stakeholders to prevent irreparable damage to business and jobs here at home. As we communicated at the meeting, we believe that the only responsible thing to do is to issue revised rules in proposed form in order to allow further review and comment.

We urge you not to finalize the Section 385 regulations in haste. Any revised rules should be issued as proposed regulations only, which should be finalized only after the vetting necessary to ensure that the rules are right. Rules should be effective only when issued in final form and only on a fully prospective basis. Given the

significance of these rules, they should be accompanied by a thorough analysis of the economic impact as required by law.

Sincerely,



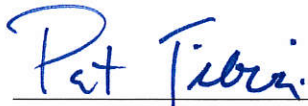
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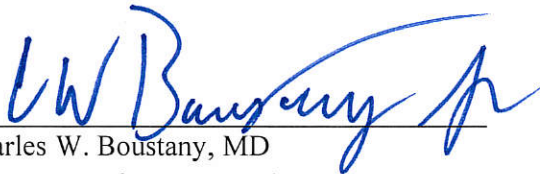
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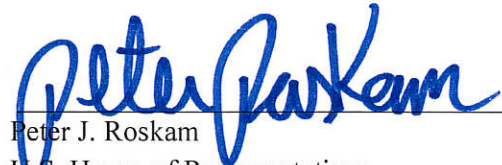
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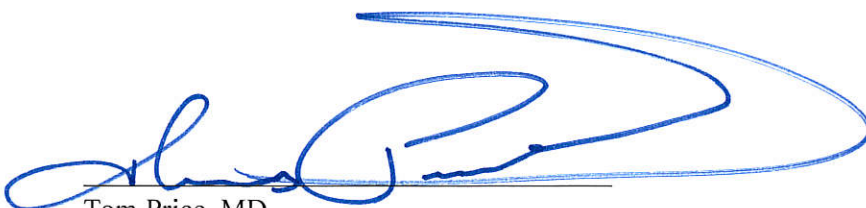
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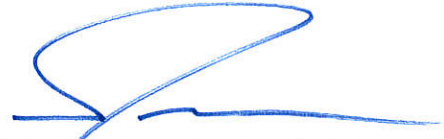
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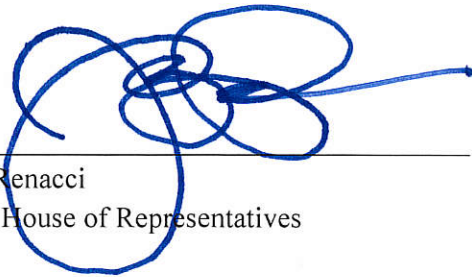
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