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Paul T. Butler
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Dear Mr. Butler,

The National Association of Manufacturers (“NAM”) appreciates the opportunity to submit comments to Notice 2026-23 regarding items to be included in the IRS’s 2026-2027 Priority Guidance Plan. The NAM is the voice of the manufacturing community and the leading advocate for a policy agenda that supports and empowers the 13 million people who make things in America. As the largest manufacturing association in the U.S., the NAM’s membership includes businesses of all sizes, across all industrial sectors, and in all 50 states.

Manufacturers have long championed the efforts of President Trump and Congress to develop and implement competitive, pro-growth tax policy, including the Tax Cuts and Jobs Act and H.R. 1, the One Big Beautiful Bill Act. These policies have delivered a tax code that supports manufacturing growth, investment, and job creation here in America—and manufacturers appreciate the efforts of the Department of the Treasury and the IRS to build upon these pro-growth policies with sensible implementing regulations.

Over the past year, the NAM has submitted numerous recommendations to Treasury and the IRS in response to various requests for comments, including:

- January 16, 2025 comments on proposed regulations on the Corporate Alternative Minimum Tax;¹
- October 7, 2025 comments on implementation of the tax provisions included in the OBBBA;²

¹ Comments on Proposed Regulations (REG-112129-23), Corporate Alternative Minimum Tax Applicable After 2022 (89 FR 75062) (National Association of Manufacturers, January 16, 2025)

https://documents.nam.org/tax/NAM_CAMT_Comment_Letter_1-16-25.pdf

² Comments on the Tax Provisions Enacted in H.R. 1, the One Big Beautiful Bill Act (National Association of Manufacturers, October 7, 2025)

<https://documents.nam.org/TAX/NAM%20OBBBA%20Tax%20Letter%20to%20Secretary%20Bessent%20-%20October%207%202025.pdf>

- March 17, 2026 comments on the R&D tax credit form, compliance procedures, audit practices, and qualifying expenses;³
- March 30, 2026 comments on the OBBBA's Prohibited Foreign Entities restrictions;⁴ and
- April 20, 2026 comments on the new Section 168(n) factory expensing provision.⁵

These comments urge guidance interpretations that would further support manufacturing investment in the United States. The outstanding items mentioned in those letters are summarized below as recommendations for inclusion in Treasury's Priority Guidance Plan.

- **Section 168(n):** Treasury and the IRS should finalize guidance for Sec. 168(n), immediate expensing of qualified production facilities. Building on the progress in Notice 2026-16, final guidance should expand the eligibility of dual use infrastructure, include mixed-use spaces related to the manufacturing process, clarify the eligibility of expansions with vacant space, expand the inclusion of storage spaces and loading bays for final products, provide additional examples, and extend the North American Industry Classification System (NAICS) safe harbor.
- **Section 174(a):** Treasury and the IRS should issue further guidance that enables manufacturers to claim the full accelerated amounts under Sec. 174(a), building on the CAMT guidance to include FDDEI, BEAT, and Sec. 163(j).
- **NCTI and FDDEI:** Treasury and the IRS should clarify that general and administrative costs and stewardship expenses are not "properly allocable" to gross DEI or gross FDDEI for the purposes of Sec. 250(b)(3). Additionally, Treasury should clarify how and which deductions are "properly allocable," with administrable rules for common expense types.
- **R&D Tax Credit:** Treasury and the IRS should prioritize work to update and simplify Form 6765 and expand this effort to include a review of regulations governing compliance procedures and qualifying expenses, including those implementing *Union Carbide* and *Little Sandy Coal*, as well as audit practices for the R&D tax credit.

³ Comments on Form 6765, Credit for Increasing Research Activities (National Association of Manufacturers, March 17, 2026)

https://documents.nam.org/TAX/NAM%20Comment%20Letter%20on%20Research%20Credit%20and%20Form%206765%20-%20March%2017%202026.pdf?utm_source=920827&utm_medium=email

⁴ Comments on Guidance to Apply Interim Safe Harbors for Purposes of Determining a Taxpayer's Material Assistance from a Prohibited Foreign Entity; Other Prohibited Foreign Entity Guidance (Notice 2026-15) (National Association of Manufacturers, March 30, 2026)

https://documents.nam.org/erp/NAM%20PFE%20Guidance%20Comment%20Letter%202026%20FINAL.pdf?utm_source=934285&utm_medium=email

⁵ Comments on Interim Guidance on Special Depreciation Allowance for Qualified Production Property (National Association of Manufacturers, April 20, 2026)

[https://documents.nam.org/TAX/NAM%20168\(n\)%20Comment%20Letter%20to%20IRS%20-%2004-20-26.pdf?utm_source=954573&utm_medium=email](https://documents.nam.org/TAX/NAM%20168(n)%20Comment%20Letter%20to%20IRS%20-%2004-20-26.pdf?utm_source=954573&utm_medium=email)

- **Foreign Entities of Concern:** Treasury and the IRS should finalize guidance for the application of interim safe harbors for determining a taxpayer's Material Assistance Cost Ratio from a Prohibited Foreign Entity. It should also issue guidance to further clarify the definitions for prohibited foreign entities, foreign influenced entities, and what constitutes effective control. Currently, the lack of definitional clarity for a PFE, for example, is chilling markets, materially slowing credit transfer transactions when the lack of guidance introduces ambiguity to the transaction. Issuing guidance for these issues in a timely manner, given the sunset dates instituted in statute, is essential for manufacturers that have made long-term business decisions where significant capital has been invested.
- **Corporate Alternative Minimum Tax:** Treasury and the IRS should issue regulations to reduce the complexity and burden of the Corporate Alternative Minimum Tax. By linking federal income tax liability to a complex set of domestic and foreign financial statement reporting rules that were designed and are maintained for purposes very different from raising tax revenue, CAMT has introduced an additional, significant layer of uncertainty to the taxation of U.S. corporations. This uncertainty is compounded by the need for complex statutory and regulatory carve outs, exceptions, and other special rules to ensure that implementation of CAMT is aligned with broader tax policy goals. Manufacturers continue to believe that alternative minimum taxes such as CAMT are an unacceptable way of addressing perceived deficiencies in the regular corporate tax system and add significant and unnecessary complexity to an already complex corporate income tax regime.

In addition to these topics, manufacturers encourage Treasury and the IRS to consider the following issues as additional priorities for forthcoming guidance:

- **Section 45Q:** Given the positive amendments to Section 45Q enacted in recent legislation and the continued growth of carbon capture, utilization, and storage projects, the IRS should issue updated regulatory guidance to provide much-needed clarity and certainty for taxpayers planning and developing these projects. Clarification will be especially critical if the Environmental Protection Agency moves forward with a repeal of the Greenhouse Gas Reporting Program for the upcoming guidance plan cycle. Specifically, because of the fungibility of carbon dioxide, taxpayers should be permitted to account for volumes of carbon oxide on a connected system by allocating such qualified volumes to eligible sequestration or utilization sites, provided that the total volumes of qualifying carbon oxide captured and transported equals the total qualified volumes verified as sent to the point of ultimate disposition.
- **Sections 78 and 245A:** Treasury and the IRS should withdraw the guidance under Sections 78 and 245A, which govern the taxation of repatriated dividends from CFCs, that contravenes the plain reading of the statute with regard to the dates of their effective application in the Tax Cuts and Jobs Act. Given the administration's mandate in EO 14219, the IRS should acquiesce in the *Varian* decision and withdraw the portion of the Section 78 regulations that contravene the statute. Similarly, the Section 245A Extraordinary Disposition rules seek to override a literal application of Section 245A

based on Treasury's view of unenacted congressional intent. There are several Section 245A regulation-challenge cases where Treasury and the IRS continue to defend these TCJA regulations that clearly violate the best reading of the statute.

- **Section 6225:** Treasury and the IRS should modify the definition of “partnership-related item” to remove non-income items for imputed underpayment calculations. Section 6225 authorizes the IRS to impose partnership-level liability for taxes based on adjustments to “partnership-related items with respect to any reviewed year of a partnership” This tax liability is called an “imputed underpayment” since it is imposed at the partnership level versus the partner (i.e., taxpayer) level. Section 6241(2)(B) defines “partnership-related item” as “any item or amount with respect to the partnership . . . which is relevant (determined without regard to this subchapter) in determining the tax liability of any person under chapter 1.” This definition ties the imputed underpayment calculation to items or amounts that impact tax liability. Treas. Reg. § 301.6241-1(a)(6)(iv), however, undermines this statutory framework by adding the phrase “and without regard to whether such item or amount, or an adjustment to such item or amount, has an effect on the tax liability of any particular person under chapter 1” to expand the definition of partnership-related item through regulation. Treasury and the IRS should rescind or modify the regulatory definition of “partnership-related item” and the regulatory examples reflecting the inclusion of non-income items that are not relevant to determining tax liability in imputed underpayment calculations.
- **Section 385:** Treasury and the IRS should withdraw the remaining Obama-era regulations under Section 385, including Treas. Reg. §1.385-3 (the “Distribution Regulations”) and Treas. Reg. §1.385-4 (the “Consolidated Return Regulations”). During the first Trump administration, Treasury and the IRS wisely withdrew a portion of the Obama-era Treasury Regulations under Section 385, which were overly burdensome, and began a review of the remaining regulations, but did not complete that work prior to January 2021. Unfortunately, the remaining current rules—specifically, the Distribution Regulations and the Consolidated Return Regulations—broadly disrupt normal, routine business activities and create real economic harm.
- **Treasury Reg. § 1.904:** Current Treas. Reg. § 1.904(f)-2(c)(1) is not consistent with the best reading of the underlying statute pertaining to Overall Foreign Loss (OFL) recapture (Section 904(f)(1)) and should therefore be withdrawn. To provide taxpayers clarity as to the application of Section 904(f)(1), prior Treas. Reg. § 1.904(f)-2(c)(1) (as finalized in T.D. 8153 (1987)) should be reinstated (and the related example revised accordingly). Under the current regulations, the 50% limitation of section 904(f)(1)(B) is applied to the taxpayer's aggregate foreign source taxable income rather than the taxpayer's foreign source taxable income in the separate category to which the OFL recapture account relates. Applying the 50% limitation based on total foreign source taxable income, including §951A inclusions, results in the taxpayer's foreign source income in the OFL category being subject to full OFL recapture up to the amount of the OFL (v. the 50% required under the statute). In addition to being contrary to the statute, this result

disadvantages companies with historical pre-TCJA OFL accounts.

- **Section 987:** The IRS should issue timely guidance as it relates to Notice 2026-17, “Modifications to Rules for Computing Taxable Income or Loss and Foreign Currency Gain or Loss Under Section 987,” so that it can be relied upon for the current tax year. The guidance should provide for simplified compliance, reliable clarity, transitional relief for taxpayers so methodologies can be fully evaluated by the taxpayer as new regulations and guidance are released, and flexibility for taxpayers to choose the best option once methodologies are better defined.

The NAM is grateful for the continued efforts of the Department of the Treasury and the IRS to implement the pro-growth tax code established in H.R. 1. Similarly, manufacturers support and commend the effort to update regulations in accordance with EO 14219, and to improve and streamline compliance procedures for the R&D tax credit. These actions are well-aligned with President Trump’s prioritization of manufacturing in America. By continuing to address the priority guidance of manufacturers outlined in this letter, Treasury can help continue the momentum to expand manufacturing in the United States and strengthen the foundation of American economic prosperity. Treasury’s commitment to these priorities is not merely a matter of tax policy but an investment in the livelihoods of American workers and the long-term strength of the U.S. economy.

Sincerely,



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