

## COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

June 22, 2016

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

Dear Secretary Lew:

We write regarding Treasury's recent release of the proposed debt-equity regulations under Section 385. We believe guidance in this area is important and necessary to combat the aggressive tax planning designed primarily to reduce a corporate taxpayer's U.S. income tax liability. Already, these and other related guidance have effectively halted a number of transactions that are structured to achieve little more than tax savings at the expense of our nation's tax base. Our country is an incubator for some of the most valuable innovations, home to the world's most robust workforce, and a preferred destination for foreign investment. The United States cannot lead in these areas if our tax laws continue to allow planning techniques like earnings stripping to erode our nation's tax base.

We appreciate the time your staff has taken to discuss these proposed regulations with our staff and other stakeholders, and understand that they are the product of careful consideration and analysis by Treasury over a period of years. However, there may be a number of unforeseen circumstances in which the regulations could adversely affect ordinary course business transactions between related parties in the absence of tax avoidance motives. It has been raised that certain business sectors, including financial services, insurance, and utilities, may encounter industry-specific challenges to implementing these regulations due to various regulatory requirements unique to those industries. We also have been informed that there are broader concerns related to various internal cash management practices, such as cash pooling, and appreciate that Treasury is continuing to examine the effect of the proposed regulations on those practices. For these and other limited circumstances, we ask that you give careful consideration to whether exceptions or special rules, including transition rules, are appropriate.

Finally, we would like an opportunity to meet with you, prior to the close of the comment period if possible, to discuss these and other concerns we may have with regard to the proposed regulations.

Thank you for your consideration, and we look forward to meeting with you.

Sincerely,

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The Honorable Sander Levin

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The Honorable Charles B. Rangel

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The Honorable John Lewis

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The Honorable Richard E. Neal

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The Honorable Mike Thompson

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The Honorable John B. Larson

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The Honorable Ron Kind

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The Honorable Bill Pascrell Jr.

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The Honorable Joseph Crowley

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The Honorable Danny K. Davis

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The Honorable Linda T. Sánchez