KPMG

TaxNewsFlash

United States

No. 2019-219
May 7, 2019

Notice 2019-33: Future guidance on tax reserves used by public utilities; request for comments

The IRS today released an advance version of Notice 2019-33 announcing that the IRS and Treasury Department intend to issue guidance under section 168 to clarify the normalization requirements for excess tax reserves that result from the reduction of the corporate tax rate by the 2017 tax law (Pub. L. No. 115-97, the law that is commonly referred to as the "Tax Cuts and Jobs Act" (TCJA)).

Notice 2019-33 [PDF 37 KB] includes a request for comments about the ratemaking issues that have arisen (or are anticipated) because of the corporate tax rate reduction and other requirements of the 2017 tax law.

Normalization

Notice 2019-33 includes an explanation of "normalization"—the system of accounting used by regulated public utilities to reconcile the tax treatment of accelerated depreciation of public utility assets with their regulatory treatment.

Also, Notice 2019-33 explains two other factors affecting public utilities:

- The 2017 tax law reduction of the corporate income tax rate—from 35% to 21% for tax years beginning after December 31, 2017
- Accompanying but uncodified normalization requirements—TCJA Section 13001(d))—as well as information in the legislative history (Conference Report) that "adds more clarification about the normalization rules"

Request for comments

The IRS notice requests comments on issues to be addressed in proposed guidance that would be issued to clarify the normalization requirements for excess tax reserves resulting from the reduced corporate tax rate and the requirements of TCJA Section 13001(d).

The IRS has requested comments regarding what form of guidance "would be most useful."

Notice 2019-33 sets out seven specific issues for which comments are being requested. All comments are due by July 29, 2019.

Direct comments, including requests for subscriptions, to Washington National Tax. For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.