

KPMG

GMS Flash Alert

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United States – Treasury Plans to Revoke 2022 Foreign Tax Credit Regulations

During a Tax Analysts conference on November 10, 2026, a U.S. Treasury Department official stated that Treasury and the IRS plan to largely revoke the 2022 foreign tax credit regulations (the "2022 FTC regulations"), according to Bloomberg Tax.[1] The remarks do not constitute formal action. The official reportedly indicated that Treasury aims to provide formal guidance in 2027.

WHY THIS MATTERS

As detailed in KPMG's public comment to Treasury and the IRS,[2] the new requirements in the 2022 FTC regulations would potentially deny a foreign tax credit to individuals subject to income tax in certain countries.

The IRS responded to comments from KPMG and others with temporary relief that allows taxpayers to apply the pre-2022 regulations.[3] That relief was later extended until a notice or guidance withdraws or modifies the temporary relief provided by the IRS.[4]

If Treasury and the IRS revoke the provisions as reported, such a revocation could provide longer-term certainty regarding the creditability of foreign taxes paid by individuals and reduce reliance on temporary relief. Until formal guidance is issued, the existing relief remains in place.

Background

Treasury and the IRS issued final 2022 FTC regulations on January 4, 2022.[5] The 2022 FTC regulations changed the definition of a creditable foreign income tax. As KPMG noted in previous *GMS Flash Alerts*,[6] these changes could deny a foreign tax credit to an individual who is subject to foreign tax on income for services performed in certain foreign countries.

Temporary relief under Notices 2023-55 and 2023-80

In response to concerns raised by KPMG and other commentators, the IRS issued Notice 2023-55 on July 21, 2023, allowing taxpayers to choose to apply the regulations in effect before the 2022 FTC regulations, subject to certain modifications, when determining whether a foreign tax is creditable for the 2022 and 2023 tax years. In Notice 2023-80, issued December 11, 2023, the IRS extended that relief until withdrawn or modified by the IRS.

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KPMG INSIGHTS

Treasury and the IRS have not yet taken formal action, and the scope, form, and timing of any revocation remain uncertain. Until formal guidance is issued, the temporary relief under Notice 2023-80 continues to apply, and return positions should not be changed solely based on these reported remarks.

ENDNOTES:

1 Bloomberg Tax, "Treasury Plans to Scrap Its Suspended Foreign Tax Credit Rules," Daily Tax Report International (November 10, 2026).

2 Copy available at https://www.regulations.gov/comment/IRS-2022-0032-0013.

3 Notice 2023-55 (July 21, 2023).

4 Notice 2023-80 (December 11, 2023).

5 T.D. 9959. Correcting amendments to the 2022 FTC regulations were published July 27, 2022, and further proposed regulations were published November 22, 2022. *See* T.D. 9959 (correction) and REG-112096-22.

6 *See* GMS Flash Alert 2023-148, United States – IRS Provides Temporary Foreign Tax Credit Relief (July 21, 2023) and GMS Flash Alert 2023-239, United States – IRS Further Extends Foreign Tax Credit Relief (December 11, 2023).

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