

United States Senate

WASHINGTON, DC 20510

April 21, 2026

The Honorable Scott Bessent
Secretary of the Treasury
Performing the Duties of the IRS Commissioner
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

The Honorable Kenneth Kies
Assistant Secretary for Tax Policy
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Bessent and Assistant Secretary Kies:

We write to oppose your recent notice of proposed rulemaking (NPRM) entitled “Removal of Final Regulations Identifying Certain Partnership Related-Party Basis Adjustment Transactions as Transactions of Interest.”¹ This proposed rule will remove a simple reporting requirement, which will neutralize one of the few remaining tools available to the IRS to spot abusive partnership transactions.

Long-standing IRS rules allow (and in certain cases require) partners or partnerships to adjust the tax basis of property as a result of certain partnership transactions.² However, taxpayers have abused these rules to avoid paying their fair share in taxes. Businesses and high net worth individuals with complex partnership structures—and the resources to hire armies of accountants and lawyers to game the system—have applied basis shifting rules to create significant tax savings without real costs or changes in economic position.³ For instance, “[o]ne party [may] effectively ‘give[]’ tax benefits to a party under the same ownership without gaining anything in return—an uneven transaction that unrelated parties would never see a business reason to do but offers tax benefits in this case where the parties are related.”⁴

¹ U.S. Department of the Treasury, Federal Register Notice, “Removal of Final Regulations Identifying Certain Partnership Related-Party Basis Adjustment Transactions as Transactions of Interest,” March 6, 2026, <https://www.federalregister.gov/documents/2026/03/06/2026-04432/removal-of-final-regulations-identifying-certain-partnership-related-party-basis-adjustment>.

² 26 U.S. Code § 732, § 734, and § 736

³ NYU Tax Law Center, “How large businesses use partnerships to create tax deductions out of thin air: An explainer on related party basis shifting,” Miles Johnson, <https://taxlawcenter.org/files/Related-Party-Basis-Shifting-%E2%80%93-An-Explainer-1.pdf>.

⁴ *Id.*

The Biden Administration recognized that the owners of large, complex partnerships avoid billions of dollars in taxes every year through this method, and that due to the extreme complexity of these partnerships' tax returns, the IRS was not catching these schemes.⁵ The evidence suggests a high degree of malfeasance among partnerships: audits of partnerships bring in \$20 in collected taxes for every dollar spent by the IRS—over eight times what the agency generates from auditing corporations.⁶ Accordingly, the Biden Treasury Department promulgated a rule that required large partnerships to report basis shifting transactions to the IRS—making it easier for the agency to catch abuse—in addition to focusing resources on increased audits of complex partnerships and hiring the requisite staff to perform those audits.⁷ Combined, these efforts were estimated to raise approximately \$100 billion over a decade.⁸

But the Trump Administration has decided to halt this important work and enable tax avoidance by some of the richest Americans.⁹ The Administration has fired and pushed out IRS employees newly hired to examine partnerships.¹⁰ According to a tax lawyer representing large partnerships before the IRS, partnership audits have decreased by 80 to 90% since 2024.¹¹ And now, through this NPRM, the Trump Administration is seeking to reverse the Biden Administration's affirmative reporting requirement for related party basis shifting transactions.¹² The Biden Administration's rule required partnerships to proactively alert the IRS when they shifted tax basis from one related party to another.¹³ This requirement effectively sent up a red flag for the IRS to examine, an especially important signal for an agency with limited resources. A recent report by the Treasury Inspector General for Tax Administration (TIGTA) highlighted the need for improved reporting requirements, not the repeal you are proposing.¹⁴ Removing this reporting requirement will enable tax dodging by some of the wealthiest Americans, further tilting our tax code in favor of the rich and powerful.

⁵ New York Times, "Push to Audit Private Equity and Venture Capital Falters Under Trump," Jesse Drucker, January 8, 2026, <https://www.nytimes.com/2026/01/08/business/irs-private-equity-venture-capital-audits.html>.

⁶ *Id.*

⁷ *Id.*

⁸ Washington Post, "Trump moves to undo tax rule that Biden said would bring in \$100 billion," Julie Z. Weil, March 7, 2026, <https://www.washingtonpost.com/business/2026/03/07/trump-tax-loophole-partnership-basis-shifting/>.

⁹ *Id.*

¹⁰ New York Times, "Trump Administration Halts I.R.S. Crackdown on Major Tax Shelters," Jesse Drucker, September 9, 2025, <https://www.nytimes.com/2025/09/09/business/trump-irs-tax-shelters.html>.

¹¹ New York Times, "Push to Audit Private Equity and Venture Capital Falters Under Trump," Jesse Drucker, January 8, 2026, <https://www.nytimes.com/2026/01/08/business/irs-private-equity-venture-capital-audits.html>.

¹² U.S. Department of the Treasury, Federal Register Notice, "Removal of Final Regulations Identifying Certain Partnership Related-Party Basis Adjustment Transactions as Transactions of Interest," March 6, 2026, <https://www.federalregister.gov/documents/2026/03/06/2026-04432/removal-of-final-regulations-identifying-certain-partnership-related-party-basis-adjustment>.

¹³ Washington Post, "Trump moves to undo tax rule that Biden said would bring in \$100 billion," Julie Z. Weil, March 7, 2026, <https://www.washingtonpost.com/business/2026/03/07/trump-tax-loophole-partnership-basis-shifting/>.

¹⁴ Treasury Inspector General for Tax Administration, "The IRS Has Yet to Develop a Successful Strategy for Examining Large Partnership Returns," March 18, 2026, <https://www.tigta.gov/sites/default/files/reports/2026-03/2026308011fr.pdf>.

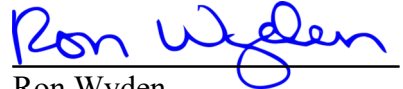
We oppose the Trump Administration's efforts to enable tax avoidance by the wealthy and urge the Treasury Department to maintain the basis shifting reporting regulations and reinstate robust enforcement.

Thank you for your attention to this important matter.

Sincerely,



Elizabeth Warren
United States Senator




Ron Wyden
United States Senator
Ranking Member, Committee
on Finance



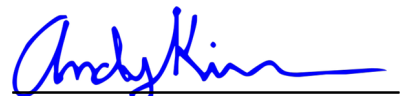
Chris Van Hollen
United States Senator



Sheldon Whitehouse
United States Senator



Peter Welch
United States Senator



Andy Kim
United States Senator