

# Proposed Changes on Loss Carryforwards Are a (R)BIG Deal for M&A

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On September 9, 2019, the Internal Revenue Service released proposed regulations that, if finalized in their current form, would in many cases dramatically reduce the portion of a company's net operating loss carryforward that is available to be used following a so-called ownership change of the company. Critically, the proposed regulations would eliminate an approach for computing the recognized built-in gain (RBIG) of a company's assets that often had the effect of increasing the amount of taxable income that companies could offset with their pre-ownership change net operating loss carryforwards. The proposed regulations would be effective for ownership changes occurring after they are finalized, and they could chill M&A activity with respect to targets with significant net operating loss carryforwards.

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