



WRNewswire

An AALU Washington Report

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IRS Issues Additional Guidance on TCJA Deduction Limitations Under 162(m)

The Tax Cuts and Jobs Act (TCJA) amended the deduction limitations under Internal Revenue Code 162(m) by (1) eliminating the “qualified performance-based” pay exception to the \$1 million deduction limitation for compensation for “covered employees” and (2) expanding of the scope of §162(m) to more companies and individuals.

Proposed guidance issued August 21, 2018 addressed some of the questions surrounding the 162(m) changes in the TCJA. AALU filed comments in April 2019 expressing concern about several issues and identifying potential solutions to be included in the final rule. However, instead of issuing final regulations, the IRS issued new proposed guidance on the deduction limitation provisions in the TCJA on December 16, 2019. The new proposed regulations take previous comments into account. We continue to fully analyze the proposed regulations, and will be providing members with a detailed analysis in the near future.

- **Please Note—Grandfather Clause:** As with previous guidance, it appears that the TCJA changes will not apply to compensation paid pursuant to a written

contract in effect on November 2, 2017, unless there are material modifications after that date.

Questions or Comments? Please contact [David Hollingsworth](#), 202-742-4589.

[New Proposed Regulations](#)

[AALU Comment Letter](#)

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