



IRS Reestablishes “Significant Issue” Rulings - Implications for M&A Structuring and Deal Certainty

On May 5, 2026, the Internal Revenue Service (“IRS”) released Revenue Procedure 2026-21, reestablishing the “significant issue” letter ruling program.

Historically (and particularly under the IRS’s more recent ruling practices), parties seeking certainty on a discrete tax issue in a transaction were often required to request a ruling on the entire transaction. Rev. Proc. 2026-21 reintroduces the ability to obtain IRS guidance on a specific, material legal issue, creating a more targeted and potentially more efficient path to resolving key tax uncertainties in M&A deals.

Under the reestablished program, the IRS will once again consider issuing private letter rulings on discrete legal issues arising in proposed transactions. This marks a departure from the agency’s more recent practice, under which it generally declined to rule on individual components of integrated transactions.

Background: Curtailment of Issue-Level Rulings

The IRS’s approach to issuing rulings on specific aspects of broader transactions has evolved over time. In 2009, the IRS indicated - particularly in the context of Internal Revenue Code (“IRC”) Section 355 - that it would consider issuing rulings on discrete issues within proposed transactions. Although the concept of a “significant issue” had already been established, this guidance reflected a willingness to address individual legal issues rather than entire transactions.

Subsequent revenue procedures - including Rev. Proc. 2013-32 and Rev. Proc. 2016-3—curtailed the practical availability of such rulings by expanding the IRS’s “no-rule” areas (i.e., categories of issues on which the IRS will not issue private letter rulings). Although the IRS did not formally eliminate the concept of “significant issue” rulings, these developments significantly limited their practical application, particularly in fact-intensive corporate transactions.

In 2024, the IRS effectively ended the practice of issuing rulings limited to “significant issue[s],” instead generally requiring taxpayers to seek rulings on entire transactions. Following Rev. Proc. 2024-1, taxpayers were often required to structure transactions without advance IRS confirmation on discrete legal issues, instead relying on tax opinions and internal analysis and bearing the attendant risk that the IRS could challenge the transaction.

Reestablishment of Targeted Rulings

Rev. Proc. 2026-21 marks a meaningful shift in IRS administrative practice by restoring the ability to request rulings on “significant issues” arising in transactions. As described in the Revenue Procedure, a “significant issue” is a “germane and specific issue of law” where (i) the resolution is not free from doubt and (ii) the request does not seek a “comfort ruling” on a well-settled or non-controversial issue. In other words, the IRS intends to focus on legal questions that are both material and genuinely uncertain, rather than routine or established aspects of a transaction.

Although much of the prior curtailment of issue-level rulings arose in the context of IRC Section 355 transactions, Rev. Proc. 2026-21 applies more broadly to certain corporate transactions, including those governed by IRC Sections 332, 351, 355, 368, and 1036.

In practice, obtaining a ruling under Rev. Proc. 2026-21 will require a structured and targeted submission focused on a discrete legal issue, in accordance with the procedural framework set forth in the Revenue Procedure.

Impact on Transactions

Although Rev. Proc. 2026-21 is tax-focused in nature, it has meaningful implications for transaction planning and execution. From an M&A perspective, the reestablished program reintroduces a practical tool for managing deal risk and timing, particularly where a material tax issue could otherwise delay execution or create uncertainty.

By permitting taxpayers to seek IRS guidance on a discrete, material legal issue - rather than submitting an entire transaction for review - the program provides a more targeted path to resolving key tax questions. While the timing of any ruling remains subject to IRS process and discretion, focusing on discrete issues should, as a practical matter, allow for a more efficient review and reduce the burden associated with obtaining IRS certainty.

From a deal perspective, the ability to obtain a ruling on a discrete issue should make it more practical to incorporate a ruling request into transaction planning, including by conditioning closing on receipt of a significant issue ruling.

Conclusion

In short, Rev. Proc. 2026-21 restores a practical tool for obtaining targeted IRS guidance on material tax issues, enhancing parties’ ability to manage risk and execute transactions with greater certainty.

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