



Tax Insights
from Mergers and
Acquisitions

IRS reinstates “significant issue” ruling program

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In brief

What happened?

The IRS released Rev. Proc. 2026-21 on May 5, reinstating a prior, longstanding program to allow taxpayers to request private letter rulings on “significant issues” arising in certain corporate transactions, rather than requiring a ruling on the entire transaction. The reinstated “significant issue” program applies to all qualifying ruling requests postmarked or received after May 5, 2026.

Why is it relevant?

This guidance marks a reversal of the IRS’s 2024 policy that had ended the “significant issue” ruling program. By modifying and amplifying the IRS’s advance ruling procedures under Rev. Proc. 2026-1 and Rev. Proc. 2026-3, newly issued Rev. Proc. 2026-21 reinstates the IRS’s historical approach of providing a flexible and targeted process for taxpayers to receive timely guidance on corporate transactions. Specifically, the resumption of “significant issue” rulings provides taxpayers with an additional process that could reduce their time and expenses for obtaining rulings, while addressing their most critical transactional issues.

Actions to consider

Taxpayers should consider incorporating the “significant issue” program into their transaction planning strategies and, with regard to their particular transactions, engage early with advisors to determine

whether this option provides an advantageous ruling process. Because “significant issue” rulings address only certain discrete issues, rather than the federal income tax consequences of the entire transaction, taxpayers and their advisors will need to weigh the respective benefits of each IRS ruling process based on the facts and circumstances of their particular transaction.

In detail

Rev. Proc. 2026-21 reflects a continued policy shift by the Treasury Department and IRS to provide more flexibility for taxpayers to receive certainty for their transactions through the IRS private letter ruling program. In 2024, the IRS eliminated the “significant issue” program as part of its efforts to substantially expand the scope of transactions for which taxpayers could receive advance IRS guidance. However, the elimination of the “significant issue” option ultimately forced some taxpayers to pursue tax opinions rather than private letter rulings when “overall transaction” rulings were unnecessary or impracticable. The reinstatement of the IRS’s “significant issue” ruling program is another win for taxpayers in this space and signals the IRS’s return to a more flexible approach of allowing taxpayers to isolate and seek guidance on key legal uncertainties without engaging in a longer process that otherwise would be required for “overall transaction” rulings.

Under the reinstated program, taxpayers can request rulings on one or more issues that meet specific criteria. The issue must fall solely within the jurisdiction of the IRS Office of Associate Chief Counsel (Corporate), must be “significant,” and must relate to transactions governed by Sections 332, 351, 355, 368, or 1036. A “significant issue” is defined as a germane and specific issue of law that is not free from doubt and is not merely a request for confirmation of a well-established conclusion. In this context, an issue is considered germane if its resolution is necessary to determine the tax treatment of the transaction, and specific if it is narrowly framed to address the precise legal question at hand.

One of the most helpful features of this program is that the IRS can issue a ruling on an identified “significant issue” without addressing all federal income tax consequences of the transaction. For example, the IRS can rule on the application of Section 355(e), even though the ruling does not address overall qualification of the transaction under Section 355. This targeted approach could allow taxpayers to obtain clarity on certain critical issues while facilitating their ability to receive timely guidance for their transaction.

Engaging with advisors as early as possible could help taxpayers more effectively navigate the IRS’s reinstated “significant issue” program. For example, although a taxpayer might specify those “significant issues” for which they are requesting advance rulings, the IRS could select for consideration any other issues related to the transaction or decline to rule on the transaction altogether. As a result, while the program provides an additional process for taxpayers to obtain advance rulings, the taxpayer’s particular transaction will dictate whether this process is advantageous for them.

Requests submitted under the program must comply with the general procedural requirements governing letter rulings, including those set forth in Rev. Proc. 2026-1 and the applicable no-rule provisions in Rev. Proc. 2026-3. Taxpayers are required to provide a detailed description of the transaction, clearly identify the significant issues, and explain why existing authorities do not resolve the issue. The request also must include the specific rulings sought and the required representations, including confirmation that the request does not present subject matter issues that extend beyond the jurisdiction of the Associate Chief Counsel (Corporate). Consistent with its broader private letter ruling program, the IRS encourages taxpayers to engage in pre-submission conferences as a means of determining whether a ruling request is appropriate under the reinstated “significant issue” program.

See Also

PwC Insight: [Proposed regulations and ruling guidance regarding spin-offs and reorganizations withdrawn](#) (October 8, 2025)

PwC Insight: [Guidance on spinoffs and other M&A transactions](#) (January 27, 2025)

PwC Insight: [New reporting requirements for spin-offs and related transactions](#) (January 27, 2025)

PwC Insight: [IRS overhauls process and requirements for spin-off ruling requests](#) (May 15, 2024)

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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