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Legislative & Administrative, Congress & Treasury

Step toe & Johnson LLP maintains an active and successful tax legislative practice. We perform extensive tax legislative work for a diverse range of businesses and industries, including communications and technology, entertainment, energy, insurance, finance and investment, and consumer products. We work with domestic and foreign businesses, trade associations, and pension plans. Our members possess extraordinary experience in all technical tax areas and advocate our clients' positions before Congress, Treasury, and the IRS. Mark Silverman, a former chair of the tax practice, was named one of the "Top Ten Tax Lawyers in Washington" by *Legal Times*. Step toe's tax practitioners are consistently ranked among the "best" lawyers in the United States and globally.

Members of our tax practice have served as advisors to the key tax writing committees and are former Administration officials. Further, we are highly sought out as speakers around the world and have authored extensive publications on contemporary tax topics. As a result of our experience and recognized expertise, we have excellent contacts and working relationships with key legislative staff and top Treasury and IRS officials.

We represent our clients in presenting their points of view on tax policy matters pending before the Congress, the Treasury Department, and the IRS. We are experienced in all facets of the legislative process, from drafting and analyzing legislation, writing testimony and testifying on behalf of clients before Congress, devising legislative strategies, monitoring legislative activities, and performing other advocacy work before Congress, Treasury, and the IRS. Our tax legislative team is also knowledgeable about compliance with the Lobbying Disclosure Act and federal election and campaign finance laws.

Once legislation has been enacted, we represent our clients before Treasury and the IRS with respect to the issuance of regulations under the new law. Our regular contacts with tax policy officials enable us to respond quickly in providing information to our clients and in presenting our clients' concerns.

To highlight a recent tax legislative achievement, we led efforts to allow the deferral of tax on cancellation of indebtedness income in the American Recovery and Reinvestment Act of 2009. Step toe also has represented many clients before Congress, Treasury, and the IRS on various issues arising from the recent challenging economic environment. Further, we have assisted numerous companies in understanding the business effects of recent international tax proposals and explaining those effects to Congress. Step toe also has advised several companies in connection with the tax treaty approval process. In addition, we also have worked with a number of clients to oppose proposals to codify the economic substance doctrine. Step toe also has played a leading role in spearheading legislative efforts that would eliminate or reduce the corporate

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capital gains tax, as well as efforts that would change the carryback and carryforward rules with respect to corporate capital losses. We also have worked on technical corrections to recently-enacted legislation.

Daily Tax Update: An additional aspect of Steptoe’s tax legislative practice is the *Daily Tax Update* (“DTU”). It has developed a reputation as a timely source for breaking tax news by our tax clients, tax practitioners, Members of Congress, and Congressional staff, who use it to learn what is happening in our nation's capital and to get an insider's viewpoint on significant tax developments. The *DTU* provides a concise summary of breaking federal tax news in Washington, highlighting the latest tax developments from Capitol Hill, including tax bills introduced in Congress, major tax legislation, significant regulations, and other administrative guidance issued by the Treasury Department and IRS, and major tax opinions from various courts. The *DTU* is provided to subscribers by about 4 p.m. each day via email, free of charge.

Representative Matters

Legislative Projects

- **Deferral of Cancellation of Indebtedness Income:** Led efforts to allow the deferral of tax on cancellation of indebtedness income.
- **Corporate Capital Losses:** Represented a large financial institution before Congress and Treasury in connection with the equalization of tax treatment of corporate capital losses and net operating losses.
- **International Tax Proposals:** Represented numerous companies in connection with international tax legislative proposals.
- **Removing Tax Barrier to Federal Assistance:** Represented a large financial institution before Congress, Treasury, and the IRS in connection with removing tax barrier to government-assisted acquisitions.
- **Thin Capitalization Rules:** Represented a large non-US based financial institution before Congress, Treasury, and the IRS in connection with thin capitalization rules.
- **Tax Treaty Approval:** Advised several companies in connection with the Senate treaty approval process.

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- **Section 355 “Cash-Rich Split-offs”:** Worked on behalf of clients to modify proposed amendments to section 355 involving “cash-rich split-offs.” Our efforts resulted in significant and material modifications to the legislative proposal.
- **Section 355(e):** Worked on behalf of clients to mitigate the impact of section 355(e) on spin-off transactions.
- **Section 470:** Working on behalf of clients to modify section 470.
- **Economic Substance:** Worked on behalf of a number of clients to oppose the proposed codification of economic substance.
- **Section 269:** Worked on behalf of a client to oppose a proposed amendment to section 269 that was designed to correct a perceived loophole. The proposed amendment was not included in the Conference version of the American Jobs Creation Act (the bill that became law).
- **Corporate Capital Gains:** Worked on behalf of a client to reduce or eliminate the corporate capital gains tax.
- **Shelter Legislation:** Worked on behalf of clients to mitigate the impact of proposed changes to the tax shelter reporting rules, which were eventually enacted as part of the American Jobs Creation Act.
- **International Tax Reform:** Worked as an outside advisor to the Senate Finance Committee on recent International Tax Reform proposals.
- **Homeland Investment (Repatriation of Foreign Dividends):** Advised Congressional staffs regarding the development and enactment of section 965, the tax rate reduction on earnings distributed from controlled foreign corporations.
- **Foreign Tax Credits:** Worked with a client to draft a legislative proposal to neutralize the adverse effects of foreign tax credit basket consolidation on overall foreign loss accounts.

Regulatory Projects

- **Deferral of Cancellation of Indebtedness Income:** Worked to shape regulatory guidance on deferral of cancellation of indebtedness income.

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- **Tax Shelter Regulations:** Worked on behalf of clients to mitigate the impact of the recent statutory changes to the shelter reporting rules.
- **Repatriation Legislation:** Worked on behalf of a number of clients to shape guidance under the Homeland Investment repatriation provision regarding the impact of acquisitions on the base period calculation and the “APB 23” limitation.
- **US-Japan Income Tax Treaty:** Obtained the issuance of bilateral interpretive guidance under the US-Japan income tax treaty regarding the withholding tax rate on interest paid to financial services businesses.
- **Section 355(e) Plan Regulations:** Worked on behalf of clients to modify the scope of the plan regulations.
- **Proposed No Net Value Regulations:** Worked on behalf of client to modify the scope of the proposed regulations.
- **Consolidated Return Regulations Relating to Intra-Group Debt:** Advised IRS and Treasury on revisions to regulations.
- **S Corporation Regulations:** Worked on behalf of client to revise section 1374 regulations. Revised regulations were issued in 2005.
- **Loss Disallowance Regulations:** Worked on behalf of clients to clarify new loss disallowance regulations.
- **Foreign Tax Credit Arbitrage Transactions:** Worked with clients to limit the scope of guidance on leveraged investments involving foreign tax credit on arbitrage.