



May 18, 2018

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Assistant Secretary for Tax Policy and
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John Dalrymple
Deputy Commissioner for Services and Enforcement
Internal Revenue Service
Room 5203 P.O. Box 7604
Ben Franklin Station
Washington, DC 20004

Re: Extension of Time to File Certain Information Returns

Dear Gentlemen:

The Securities Industry and Financial Markets Association (SIFMA)¹ noticed in the May 9th, 2018 update to the 2017-2018 Department of the Treasury Priority Guidance Plan² that the U.S. Treasury intends to finalize the proposed rulemaking originally published on August 13, 2015³ that would remove the automatic 30-day extension of time to file certain information returns, although extensions would still be permitted in some cases. Under the proposal, forms that would have the automatic extension removed include forms in the W-2 series, 1097 series, 1098 series, 1099 series, 5498 series, and Forms 1042-S, 1094-C, 1095-B, 1095-C, 3921, 3922, and 8027.

1 SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$18.5 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

2 U.S. Department of the Treasury, "Office of tax Policy and Internal Revenue Service 2017-2018 Priority Guidance Plan," Third Quarter Update, May 9, 2018. (available at: https://www.irs.gov/pub/irs-utl/2017-2018_pgp_3rd_quarter_update.pdf)

3 Extension of Time to File Certain Information Returns, 80 Fed. Reg. 48,472 (2015) (REG-1322075-14)

In January 2016, SIFMA commented on the notice of proposed rulemaking.⁴ Our members collectively file tens of millions of tax information returns with respect to hundreds of millions of financial transactions every year. While we understand and support the IRS's goal to deter identity theft and tax refund fraud, we are concerned that the August 2015 proposed rule is not targeted at tax information returns where there is a significant nexus to refund fraud.

Our members often take advantage of the automatic extension and file a significant number of their information returns after the March 31st deadline for electronic returns. Our members use the time provided by the automatic extension to compile more accurate returns, a process that greatly benefits both our clients and the tax system as a whole. We test and validate data during the extension period so that the final information returns filed with the IRS do not need to be amended. Our members also collect and compile initial reports and corrections from millions of third parties who report to our members before and after the initial deadline. Eliminating the extension period would have the unintended consequence of increasing the volume of amended returns significantly, causing additional rework and inefficiencies to the IRS and impacted organizations. It would also result in corrections to customers which is likely to cause confusion and a dissatisfaction with customer service. To the extent that information our members report is less accurate, it would defeat one of the stated goals of the proposed rule to promote tax compliance, because the information would be less valuable to the IRS for matching and compliance purposes.

Specifically, with respect to Forms 1042-S, which are used to report certain U.S. source income, removing the automatic 30-day extension is likely to result in less accurate submissions to the detriment of the IRS and taxpayers. Form 1042-S is particularly complex and has a shorter compliance window. Preparation often coincides with the busy period during which many firms prepare corrected 1099s, and the extension period often is needed to record changes in tax classification of distributions from real estate investment trusts (REITs) and regulated investment companies (RICs). We are concerned that any compliance benefit from sunseting the automatic extension will come at the cost of less accuracy, more amended forms, and, correspondingly, an increase in U.S. tax returns filed by recipients.

As our letter describes in more detail, we would urge you not to eliminate the automatic extension for the following reasons:

- 1) The automatic 30-day extension provides our member firms the time necessary to test and validate data and incorporate information received from third parties, which provides more accurate information to the IRS and reduces the compliance burden for taxpayers and the IRS;
- 2) Replacing the automatic extension could negatively impact compliance;
- 3) This could lead to a greater volume of refund requests; and
- 4) There could be an increase in regulatory complexities.

⁴ <https://www.sifma.org/wp-content/uploads/2018/03/Extension-of-Time-to-File-Certain-Information>Returns.pdf>

SIFMA appreciates your consideration of these comments regarding the automatic extension and we would be happy to share more background and detail about SIFMA members' concerns at your convenience. I can be reached at 202-962-7300 or ppeabody@sifma.org should you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Payson R Peabody". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Payson R. Peabody
Managing Director & Tax Counsel
Securities Industry and Financial Markets Association