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NABL Suggests User Fee Structure to Reduce Costs for Governments.

SUMMARY BY TAX ANALYSTS

The National Association of Bond Lawyers has offered alternatives to significantly increasing the cost of user fees for private letter rulings, suggesting that state and local governments be charged a lower fee in general or that they pay a lower fee for routine ruling requests, such as those made under sections 103 and 141-150.

FULL TEXT PUBLISHED BY TAX ANALYSTS

March 1, 2021

William M. Paul
Acting Chief Counsel
Internal Revenue Service
1111 Constitution Avenue
Washington, DC 20224

Dear Mr. Paul,

Recently, the Internal Revenue Service issued Revenue Procedure 2021-1, 2021-1 I.R.B. 1 (January 4, 2021), setting forth the procedures and fees for private letter ruling requests and significantly increasing the general fee for private letter rulings from $30,000 to $38,000. At the same time that Rev. Proc. 2021-1 was released, the IRS issued a *Counsel Statement and Invitation for Public Comment on PLR User Fee Increase* (the "Counsel Statement"). The Counsel Statement explains that the increase in the PLR user fee was driven by a combination of the costing method, a decline in the number of overall rulings issued (which the IRS acknowledges may, in part, be a result of past increases in user fees) and an increase in the relative complexity of the rulings that are requested1. The Counsel Statement recognizes the critical role that private letter rulings play in the tax administration process and solicits public input on how the fee structure might better match the specific rulings requested.

The National Association of Bond Lawyers ("NABL") fully agrees that the private letter ruling process plays a significant role in tax administration but observes that the significant size of the user fee, even before the recent increase, has discouraged taxpayers from seeking private letter rulings. In a letter dated November 4, 2019, and subsequent letters dated March 4, 2020, and September 18, 2020 (collectively, the "Prior Letters"), NABL suggested that the significant increase of the user fee over the years has resulted in a meaningful drop in the number of PLRs issued to state and local governments (a point consistent with the Counsel Statement). NABL further provided reasons why state and local governments should be a specific category of taxpayers that are subject to a lower user fee and recommended that the Internal Revenue Service reduce the user fee that is charged to state and local governments for PLRs. Copies of the Prior Letters are enclosed with this letter. NABL asks that this letter and the Prior Letters be considered as part of the comments submitted in

response to the Counsel Statement.

If the Internal Revenue Service cannot agree to lower user fees generally for ruling requests for state and local governments, we urge that lower user fees be available for routine ruling requests. Examples of routine requests under Sections 103 and 141-150 of the Internal Revenue Code of 1986 would include all requests relating to extensions of deadlines or correction of inadvertent errors in filings and documentation and requests relating to tax elections not otherwise covered by the reduced user fee for certain requests under Treasury Regulations Section 301.9100. We observe that Chief Counsel attorneys in Branch 5 would be in a position to provide useful feedback regarding rulings provided in past years that have required fewer resources and should be eligible for reduced ruling fees.

These supplemental comments were prepared by an ad hoc task force comprising the individuals listed on Appendix A and were approved by the NABL Board of Directors. If NABL can provide further assistance, please do not hesitate to contact Jessica Giroux, Director of Governmental Affairs, in our Washington DC office, at (518) 469-1565 or at jgiroux@nabl.org.

Sincerely,

Teri M. Guarnaccia
President, National Association of Bond Lawyers
Washington, DC

CC:
Allyson Belsome, Senior Manager, Tax-Exempt Bonds, Internal Revenue Service
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Kathryn Zuba, Associate Chief Counsel, Procedure and Administration, Internal Revenue Service

Enclosures:
NABL Letter to the IRS dated September 18, 2020
NABL Letter to the IRS dated March 4, 2020
NABL Letter to the IRS dated November 4, 2019

APPENDIX A
NABL AD HOC TASK FORCE

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FOOTNOTES

1Arguably, the higher concentration of complex rulings is also a function, at least in part, of past increases in user fees. An increase in the costs necessary to obtain a private letter ruling may raise the threshold below which a taxpayer is willing to take a position without a private letter ruling, leaving only the more complex questions submitted for ruling requests.

END FOOTNOTES

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