



NATIONAL COUNCIL OF FARMER COOPERATIVES

**Delivered via courier**

November 9, 2006

Internal Revenue Service  
Courier's Desk, Room 105, First Floor  
Attn: CC:PA:LPD:DRU  
Crystal Mall 4 Building  
1941 Jefferson Davis Highway  
Arlington, VA 22202

**Re: Comments on Draft Form 1120-C, U.S. Income Tax Return for Cooperative Associations (2006)**

To Whom It May Concern:

The National Council of Farmer Cooperatives (NCFC) respectfully submits the following comments regarding the draft Form 1120-C, U.S. Income Tax Return for Cooperative Associations (2006) that recently was posted on the IRS website and dated October 10, 2006. In addition, we are commenting upon an undated draft of the instructions for that form, provided to us by Tracy Holtslag, the Cooperative Industry Technical Advisor.

Since 1929, the NCFC has been the voice of America's farmer cooperatives. Our members are regional and national farmer cooperatives, which are in turn comprised of more than 3,000 local farmer cooperatives across the country. The majority of America's 2 million farmers and ranchers belong to one or more farmer cooperative. NCFC members also include 26 state and regional councils of cooperatives.

**Summary of Comments**

We have identified numerous problems with the draft Form 1120-C and instructions, including several instances in which the form and instructions contradict the Code.

- The treatment of per-unit retain allocations as an item of cost of goods sold conflicts with the clear language of Code Section 1382(a), which states that per-unit retains should not be treated in that manner, and Section 1382(b), which provides that they should be treated as a deduction in arriving at gross income.
- The draft instructions need to be updated to reflect developments in the law related to the characterization of income as patronage or nonpatronage, including the acquiescence of the IRS in the *Farmland* case.

- The draft Form 1120-C omits, we believe inadvertently, a critical line found on current Form 8817 and the corresponding instructions for that line. That line and its instructions were a focus of attention when the Form 8817 was developed a number of years ago and were carefully designed to reflect the law on loss netting, including the then recently enacted Section 1388(j). There have been no changes in the law in this regard since the Form 8817 was designed and there is no basis for a change at this time.
- The draft form and instructions continue an error found for many years on the Form 990-C regarding the treatment of distributions from a foreign sales corporation to a cooperative. This error has contributed to confusion in the treatment of foreign sales corporations owned by cooperatives.
- The draft form erroneously requires Section 521 cooperatives to complete Schedule G. It dramatically increases the number of small cooperatives required to complete schedule G by dropping the threshold from \$10 million or more of gross receipts to \$250,000 or more.
- The draft form mischaracterizes the impact of the extraterritorial income exclusion on cooperatives.

Because of these problems, and because of issues noted below regarding developing the software for the new forms and integrating the new form with other forms (including state tax forms) currently in place, we recommend delaying the requirement for filing Form 1120-C until tax years starting in 2007, rather than the current requirement that all Subchapter T cooperatives file new Form 1120-C beginning with taxable years ending on or after December 31, 2006.

Our substantive comments are as follows:

### **Treatment of Per-Unit Retains**

The draft form and instructions do not follow the treatment prescribed by statute for per-unit retain allocations. Code Section 1382(a) provides that the gross income of a cooperative is determined "without any adjustment (as a reduction in gross receipts, an increase in cost of goods sold, or otherwise)" by reason of per-unit retain allocations. Section 1382(b) provides that per-unit retain allocations shall "be treated as a deduction in arriving at gross income." This is not what is done in the draft form and instructions, where per-unit retain allocations are erroneously shown as an element of cost of goods sold. See line 2 and Schedule A (line 4), and the instructions to each. This has been a longstanding error in the Form 990-C and is being carried over into the draft Form 1120-C. It should be corrected.

One problem with the current treatment is highlighted by recently enacted Section 199(d)(3) and the manner in which that section is reflected on the draft Form 1120-C.

Section 199(d)(3)(B) provides:

“(B) Cooperative denied deduction for portion of qualified payments. – The taxable income of a specified agricultural or horticultural cooperative shall not be reduced under section 1382 by reason of that portion of any qualified payment as does not exceed the deduction allowable under subparagraph (A) with respect to such payment.”

Treas. Reg. Section 1.199-6(b) provides:

“A cooperative must reduce its section 1382 deduction by an amount equal to the portion of any qualified payment that is attributable to the cooperative's section 199 deduction passed through to the patron.”

The adjustment to reflect Section 199(d)(3)(B) is made on Schedule H (line 4) as an adjustment to the amounts reported on that Schedule. However, Schedule H reports only patronage dividends (and certain dividend and nonpatronage distributions of Section 521 cooperatives). As Section 199(d)(3)(E) makes clear, “qualified payments” also include per-unit retain allocations paid in money and certificates. Per-unit retains paid in money and certificates are deducted as part of “Cost of goods sold” on Schedule A.

Cooperatives are required to report the entire “domestic productions activities deduction allocated to patrons” on Schedule H (line 4), including the portion related to per-unit retain allocations. For marketing cooperatives that pool (and distribute most of their patronage as per-unit retain allocations), it is quite possible that the line 4 adjustment will exceed the patronage dividend reported on Schedule H, resulting in a negative total for Schedule H and an addition to taxable income on line 26(a) of the return.

This anomaly would not occur if the deductions for per-unit retains paid in money or certificates were properly accounted for in Schedule H as intended by statute and regulations. Such reporting makes more sense than continuing the improper classification in cost of goods sold.

### **Characterization of the result of the “look-back” computation when nonqualified per-unit retain certificates and nonqualified written notices of allocation are redeemed**

When a cooperative claims a tax benefit under the look-back computation of Code Section 1383(a)(2) upon the redemption of nonqualified written notices of allocation or per-unit retain certificates, the benefit is not technically a “credit,” as it is characterized on Line 29(h) of the draft Form 1120-C. Section 1383(b)(1) provides that the benefit “shall be considered to be a payment of tax on the last day prescribed by law for the payment of tax for the taxable year, and shall be refunded or credited in the same manner as if it were an overpayment for such taxable year.” We believe the description on the form should be closer to the language of the statute in order to avoid confusing something that should be treated as a tax payment with a tax “credit” and to avoid confusion in the processing of refunds resulting from the look-back computation.

## **Instructions for Schedule A, line 5**

The heading of the instructions for Schedule A (line 5) is incorrect. The heading relates to line 4(b); it should be corrected to relate to line 5.

The body of the instructions creates confusion as to the rules for redeeming nonqualified per-unit retain certificates. No regulations have been promulgated regarding the redemption of nonqualified per-unit retain certificates. Cooperatives have assumed that rules similar to those applicable to the redemption of nonqualified written notices of allocation apply. In the situation where a redemption of nonqualified written notices of allocation is timed so that it falls within two payment periods, the regulations provide that the redemption must be reported in the earlier year. *See* Treas. Reg. Section 1.1382-2(c). Are the draft instructions intended to imply otherwise when they suggest that cooperatives can choose the year in which to claim a deduction if nonqualified per-unit retain certificates are redeemed at a time that falls within two payment periods?

## **Characterization of Patronage/Nonpatronage Income**

At various places, the draft instructions need to be updated to reflect developments in the law related to the characterization of income as patronage or nonpatronage. For instance, the instructions to line 5 state that "interest income is generally nonpatronage income to nonexempt cooperatives . . ."

The case law does not support that conclusion. See, for example, *St. Louis Bank for Cooperatives v. United States*, 624 F.2d 1041 (Cl. Ct. 1980); *Cotter & Co., Inc. v. United States*, 765 F.2d 162 (Fed. Cir. 1985); *Illinois Grain Corporation*, 87 TC 435 (1986); *Dundee Citrus Growers Ass'n*, 62 TCM 879 (1991); and *CF Industries, Inc. v. Commissioner*, 995 F.2d 101 (7th Cir. 1993). In AOD 2001-30 (March 28, 2001), issued to explain the acquiescence of the Service in the decision in *Farmland Industries, Inc.*, 78 TCM 846 (1999), acq., 2001-13, the IRS stated:

“The patronage or nonpatronage character of every item of income or loss will be determined by the relationship of the activity producing the income or loss to the cooperative's business of serving its patrons. Only where the activity generating the income or loss is directly related to the cooperative business, in the sense that it is an integral part of that business, will the income or loss be considered patronage sourced.

Interest earned on an investment will be considered nonpatronage income, but interest earned on funds retained for a true cooperative business purpose will be considered patronage income. Income produced by property held for rental purposes will be considered nonpatronage income, but interest produced by rental property will be considered patronage income in those unusual situations where the property was held to facilitate business conducted for the benefit of patrons. Gains or losses from the sale or exchange of a capital asset will be considered nonpatronage sourced where the asset was not used for a cooperative business purpose, but will be considered patronage sourced where the asset actually facilitated the cooperative business.”

See also the instructions to line 6 and the instructions to Schedule H (line 2), where the discussion of when rental income and capital gains are patronage and when they are nonpatronage needs to be updated.

### **Instructions to line 9**

The Line 9 instructions contain parenthetical language suggesting that, if a cooperative issues qualified per-unit retain certificates in exchange for nonqualified per-unit retain certificates, then the nonqualified per-unit retain certificates will be considered redeemed for tax purposes. See item 5 under the heading “Patronage dividends and per-unit retain allocations.” This is inconsistent with the clear language of Code Section 1382(b)(4).

### **Criteria for Completing Schedule G**

The Draft Form 1120-C erroneously requires Section 521 cooperatives to complete Schedule G, Allocation of Patronage and Nonpatronage Income and Deductions. In *Farm Service Cooperative v. Commissioner*, 619 F.2d 718 (8th Cir. 1980), the Eighth Circuit ruled that subchapter T requires *nonexempt* cooperatives to segregate patronage and nonpatronage accounts in calculating gross income. The Farm Service decision does not apply to Section 521 cooperatives; thus, they are not required to complete the Form 8817, Allocation of Patronage and Nonpatronage Income and Deductions. (See PLR 9021013 (February 21, 1990), which was issued about the same time the Form 8817 was first developed and in which the IRS ruled that an exempt farmer cooperative is allowed to deduct income earned from sources other than patronage.)

In addition, the draft instructions indicate that the \$10 million gross receipts threshold for completing Schedule G (the threshold used for the Form 8817) will be reduced to \$250,000. We are not aware of any statutory basis for making this change, which would require many smaller cooperatives to complete the form. We recommend maintaining the \$10 million threshold.

If Section 521 cooperatives *are* required to complete Schedule G, the nonpatronage portion of line 8 should not be shaded because Section 521 cooperatives can distribute nonpatronage income on a deductible basis. See Code Section 1382(c)(2).

### **Omission of a line for “combined taxable income”**

When the Form 8817 was first developed, it was prepared in a manner consistent with the law on netting, which had been subject to much attention at the time and recently had been clarified by the addition of Section 1388(j) to the Code. A critical part of that form was line 30, which provided for “combined taxable income.” Schedule G should contain a line after line 10 for “combined taxable income,” similar to line 30 of the Form 8817. This should feed into line 27 of the draft Form 1120-C.

It is not clear whether the combined taxable income line was omitted to save space or for some other reason, but it is an essential feature of the forms. We suspect that the omission was inadvertent because the instructions to line 27 of the draft Form 1120-C still make reference to a line showing “combined taxable income” even though the Schedule G no longer has that line.

Once a line has been added to Schedule G for “combined taxable income,” the instructions for that line should follow the current instructions for line 30 of Form 8817. They should make it clear that while nonexempt cooperatives cannot net patronage losses against nonpatronage income, they may net nonpatronage losses against patronage income. This issue was carefully considered when the Form 8817 was developed. (*See* NCFC comment letter dated October 3, 1989, attached to this letter.) There has been no subsequent change in the law.

If Section 521 cooperatives are required to complete Schedule G, the instructions should make it clear that, for them, “combined taxable income” is the sum of patronage income or loss and nonpatronage income or loss (i.e., that the *Farm Service* limitation does not apply).

### **Netting of Nonpatronage Losses Against Patronage Income**

Any implication that a cooperative cannot choose to net nonpatronage losses against patronage income (see, in particular, Schedule H instructions) should be removed from the instructions. See also comments to Schedule G above.

### **Distributions from a Foreign Sales Corporation to a Cooperative**

Line 9 and Schedule C (Line 12), and the instructions to each, continue the error that has been on the Form 990-C for many years regarding the treatment of distributions from a Foreign Sales Corporation (FSC) to a cooperative. Ordinary corporations were entitled to claim a 100 percent dividends-received deduction for dividends received from a FSC. However, because of Section 245(c)(2), that generally was not the case for cooperatives. Cooperatives were permitted to claim a 100 percent dividends-received deduction for 15/23 of the dividends received from a FSC. The remaining 8/23 was fully includable in income.

For some reason, line 12 of Schedule C never has been modified to reflect the special cooperative rule contained in Section 245(c)(2). This erroneous treatment in Schedule C has caused substantial confusion over the years as to the proper treatment of cooperative FSCs. The draft form attempts to correct for the error made in Schedule C by requiring that the cooperative add back to income on line 9 the amount of additional dividends received deduction that the form mistakenly forces cooperatives to claim in Schedule C. However, there was nothing in the instructions to Schedule C to alert cooperatives to this special treatment of dividends from a foreign sales corporation and the special treatment the form contemplated. This erroneous and misleading treatment should not be continued.

### **Extraterritorial Income Exclusion**

The description in the Schedule H instructions of the impact of the extraterritorial income exclusion (“EIE”) on a cooperative is erroneous. Code Section 943(g) provides for the reduction

of a cooperative's patronage deduction only in the event that the cooperative chooses to pass through the EIE to its patrons. However, the instructions make it seem as if the patronage deduction is reduced in all cases. In addition, the amount of the reduction is the amount of the "qualifying foreign trade income" passed through, not the entire amount of the cooperative's foreign trade income, as the instructions state. These errors should be corrected.

The instructions should indicate what information is being requested with respect to EIE on Schedule K, question 10. Comparable information is not requested on Form 1120. Why must more EIE information be supplied by cooperatives? Form 8873 reporting should be sufficient.

### **Practical Implications of Using the New Form**

As far as is possible, we recommend maintaining consistent line references between the Forms 1120 and 1120-C, rather than trying to incorporate line references from the Form 990-C. For example, on the Form 1120-C balance sheet, schedule L, "Other current assets" is on line 4; on the Form 1120 it is on line 6. "Other current liabilities" is on line 16 of the draft form; it is on line 18 of the Form 1120. For items on the Form 1120-C that are not on Form 1120 (such as Schedule L line 22, "Patronage dividends allocated in noncash form"), the numbering could be changed to sublines a, b, c, etc.

In addition, the Form 1120, Schedule L, "Balance Sheets Per Books", contains a line for U.S. government obligations (line 4) and one for tax-exempt securities (line 5). These lines do not appear on the Draft Form 1120-C, Schedule L. We request that these lines be added in order to promote consistency.

Without this consistency, the software vendors' job of programming this form will be unduly complicated because items on the federal balance sheet are programmed to carry to state return balance sheets. If line references differ, the state software will have to be reprogrammed. This effort may make software vendors less likely to develop and support the necessary software.

We further note that there are a number of new additions that will add to the difficulty in programming the new forms. For example, netting of line items on page 1 and moving around some items on Schedule K, Other Information, will make it more difficult for tax return software vendors to synchronize the Federal return with state returns.

Because the number of taxpayers required to file the new Form 1120-C is relatively limited, cooperatives have concerns that software vendors will not develop and support the necessary software to facilitate filing that form and required state forms. Anything that can be done to limit the amount of additional programming that must be done makes it more likely vendors will develop and support the necessary software.

### **Request for Delay in Implementing the New Form**

Due to the troublesome issues mentioned above, the new requirement that many smaller cooperatives complete Schedule G due to the lowered threshold, and the fact that taxpayers are

already grappling with new compliance requirements with respect to Schedule M-3, we request that implementation of the new form be delayed. We recommend filing Form 1120-C be required for tax years starting in 2007, rather than the current requirement that all Subchapter T cooperatives file new Form 1120-C beginning with taxable years ending on or after December 31, 2006.

We have informally learned that the new form will not be subject to e-filing for the 2006 return. We encourage a delay in implementing this requirement and request that you provide substantial time to allow taxpayers to prepare for e-filing once the requirement is announced.

### **Conclusion**

We appreciate the opportunity to make comments with respect to the application of the new Form 1120-C to farmer cooperatives. We would be happy to answer any questions you may have. Please direct your questions to Marlis Carson, NCFC General Counsel, at 202-879-0825.

Yours very truly,

A handwritten signature in black ink that reads "Jean-Mari Peltier". The signature is written in a cursive, flowing style.

Jean-Mari Peltier  
President and CEO  
National Council of Farmer Cooperatives

cc: Tracy Holtslag  
Cooperatives Technical Advisor  
Internal Revenue Service  
[Tracy.L.Holtslag@irs.gov](mailto:Tracy.L.Holtslag@irs.gov)

[Linda.R.Burke@irs.gov](mailto:Linda.R.Burke@irs.gov)



October 3, 1989

**National  
Council of  
Farmer  
Cooperatives**

Mr. Milo Sunderfauf  
Office of Management & Budget Reviewer  
Office of Management & Budget  
Room 3001  
New Executive Office Building  
Washington, DC 20503

Dear Sir:

On August 15, 1989 the Department of Treasury submitted Internal Revenue Service Form 8817, entitled Allocation of Patronage and Non-patronage Income and Deductions, together with proposed instructions, to OMB for review and clearance. We are writing to comment on Form 8817.

The National Council of Farmer Cooperatives is a nationwide association of cooperative businesses which are owned and controlled by farmers. Its membership includes over 100 major agricultural marketing, supply and credit cooperatives, plus 32 state councils of farmer cooperatives. The National Council represents about 90 percent of the nearly 5100 local farmer cooperatives in the nation.

NCFC believes that Form 8817 is an unnecessary additional burden on farmer cooperatives and that the recordkeeping time needed to complete this form has been significantly underestimated. We recommend the form be withdrawn. If the form is not withdrawn, we urge the instructions and form be modified prior to issuance.

**I. Section 277**

The draft Form 8817 assumes that Section 277 applies to nonexempt Subchapter T cooperatives. This assumption is incorrect. It is clear from the legislative history that Section 277 was never intended to apply to nonexempt Subchapter T cooperatives, and, in the 20 years since its enactment, Section 277 has never been applied by a Court (either directly or by implication) to a nonexempt Subchapter T cooperative. To the contrary, all Court decisions touching directly or indirectly on this issue are consistent with the conclusion that Section 277 does not apply to nonexempt Subchapter T cooperatives.

50 F Street, NW  
Suite 900  
Washington, DC 20001  
(202) 626-8700

The Internal Revenue Service has never publicly (in a published ruling or regulation) taken the position that Section 277 applies to nonexempt Subchapter T cooperatives. It has from time to time taken the position in an audit or litigation context that it does. The only case that directly addressed this issue held that the IRS had failed to prove that Section 277 applied to nonexempt Subchapter T cooperatives. Farm Service Cooperative, 70 T.C. 145 (1978). The Tax Court's decision in Farm Service was reversed by the Eighth Circuit without reaching the issue of the applicability of Section 277. Commissioner v. Farm Service Cooperative, 619 F2d 718, 80-1 USTC Section 9352 (8th Cir. 1980). Thus, in this respect, the Tax Court's decision was not reviewed or reversed.

A case is currently pending in Tax Court which places squarely before the Court the issue of the applicability of Section 277 to nonexempt Subchapter T cooperatives. Buckeye Countrymark, Inc., Tax Court Docket No. 29412-87. We are enclosing a copy of Buckeye Countrymark's briefs in that case which we believe fully explain why Section 277 does not apply to nonexempt Subchapter T cooperatives. (Enclosure 1) The Internal Revenue Service's arguments to the contrary do not stand up to scrutiny. The Buckeye case was tried in June, 1988, briefing was completed early in November, 1988 and a decision is expected at any time.

We object to the development of a form embodying what is in effect an Internal Revenue Service litigating position on an issue, not an official publicly announced position. Even more, we seriously question the wisdom of issuing Form 8817 at this time. Considerable administrative confusion will result if, as we expect will happen soon, the Tax Court releases its decision in Buckeye Countrymark and reconfirms its decision in Farm Service that Section 277 does not apply to nonexempt Subchapter T cooperatives.

## **II. Nonpatronage Losses; Patronage Income**

The instructions also state that nonpatronage losses may not be offset against patronage income. We are unaware of any authority supporting the Internal Revenue Service in that assertion. Indeed, the IRS has affirmatively led taxpayers to conclude that nonpatronage losses may, but need not, be offset against patronage income. Rev. Rul. 74-377; Rev. Rul.

67-128. It is entirely inappropriate to promulgate a new and different position by instructions to a proposed form.

Section 1382 of the Code and the regulations thereunder are clear in providing that a cooperative must compute its taxable income in the same manner as any other corporation with the one exception that it must take into account the special deductions for cooperatives of Subchapter T in the manner specifically provided. Thus, a cooperative must determine its gross income in accordance with the provisions of Section 61 of the Code and its taxable income in the manner directed by Section 63 of the Code. All of its deductions for its ordinary business expenses incurred either with respect to patronage operations or nonpatronage operations must be deducted from its gross income from both operations in determining its taxable income. The cooperative is entitled to an additional deduction for any patronage dividends or per unit retains paid in accordance with the provisions of Subchapter T. Such additional deductions are not an issue when one is dealing simply with the question of whether or not a cooperative is entitled to offset its patronage earnings with its nonpatronage losses.

Not only are the applicable provisions of the Code in clear opposition to the Internal Revenue Service's position, but we are also at a loss to determine why the Internal Revenue Service is concerned with this principle. There is no problem of a disguised dividend that was the alleged concern of the Internal Revenue Service where a cooperative offset patronage losses with nonpatronage sourced income. Surely the Internal Revenue Service is not concerned about a cooperative doing business on a nonpatronage basis with nonmembers in such a manner as to pay disguised dividends to such unrelated third parties. In effect a cooperative, netting its nonpatronage losses with its patronage profits pursuant to appropriate corporate action, simply is reducing the amount of patronage earnings otherwise available for patronage dividends pursuant to Subchapter T.

In fact the Court in Farm Service Cooperative so stated in footnote 16 at page 725:

Likewise fewer problems are presented when a cooperative incurs a loss on its nonpatronage activities. The Commissioner has held that, in such a case, a cooper-

ative need not reduce its patronage income to cover the loss. Rev. Rul. 74-377, 1974-2 C.B. 274. No avoidance of tax would result from either course of conduct; indeed, if the cooperative chose to offset the loss with current patronage income, it would have to forego the deduction for otherwise allowable patronage dividends. (Emphasis added).

Subsequently, this point was further reinforced in footnote 21 of Certified Grocers of California v. Commissioner, 88 T.C. 2381 (1987):

As the Court of Appeals intimated in Farm Service Cooperative... (i) f a cooperative has net income from patronage sources, even after taking the special deductions provided by sections 1382 and 1383, there appears to be no reason why such income may not be combined and netted with the income or loss from nonpatronage sources, for tax purposes, at least. Such net income, after all, is as fully taxable as any other net income, secs. 1381, 1382(a), and the integrity of the special deductions of sections 1382 and 1383 is not jeopardized.

A cooperative is a single entity, generally a corporation under state law, and must report its net taxable income as a single entity. There is no support in the Code for the proposition that a cooperative must maintain two sets of books, file two tax returns, and, in effect pay taxes on two separate computations of net income, one patronage and one nonpatronage. Enclosure 2 is a complete discussion of the nonpatronage loss issue which appeared in the Summer edition of Cooperative Accountant in 1986.

### III. Additional Comments

Further, we believe the following additional comments should be considered in evaluating Form 8817:

1. It is not clear whether the tax computation schedule (J) is to be completed by reference to line 30 on Form 990C or from line 29a on Form 8817.
2. The form assumes that nonmember income is in the nonpatronage column. The calculation

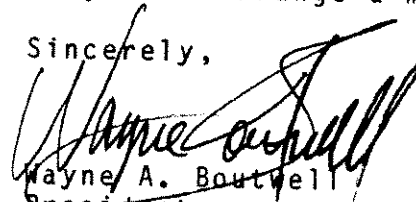
would be easier if the patronage column could be carried down to a point and then allocated to the nonpatronage column after determining expenses.

3. Form 8817 appears to merely revise page one of the 990C to segregate items in the return between patronage and nonpatronage. However, it is not as simple as it looks. To complete Form 8817 one must go back to all the schedules which feed into it and revise them and the workpaper which support them. This is a very difficult and cumbersome task and is not required to compute taxable income. For example, schedules such as depreciation, net gains and losses (Form 4797), capital gains (Schedule D), cost of sales, etc. must be first analyzed and split out on a patronage and nonpatronage basis before Form 8817 can be properly completed. This is an enormous task and its doubtful that many cooperatives will fill out line 1a through line 26c. It is more likely that some type of schedule will be attached as is permitted by the instructions in lieu of filling out these lines. If so, the separate form does not appear required.

#### IV. Conclusion

For the reasons set forth above, we believe that the current draft of Form 8817 has serious flaws. While we recommend the form be withdrawn, we strongly urge that significant changes in the basic assumptions embodied in the form and instructions be made before the form is released. We would like the opportunity to discuss these issues with you further. Leslie Mead of the NCFC staff will contact you to arrange a meeting.

Sincerely,

  
Wayne A. Boutwell  
President

WAB:nsr  
cc: Mr. Garrick Shear  
Clearance Office  
Internal Revenue Service