

INTERNAL REVENUE SERVICE

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The Honorable Wayne Allard
United States Senate
Washington, D.C. 20510

Dear Senator Allard:

Commissioner Rossotti has asked me to respond to your request, dated April 20, 2001, that the Treasury Department and the Internal Revenue Service include in its Priority Guidance Plan for 2001 finalization of proposed regulations regarding "qualified settlement funds" (QSFs) and certain other funds, trusts, and escrow accounts. QSFs and similar funds are governed by § 468B(g) of the Internal Revenue Code.

We adopted final regulations concerning QSFs in 1992. In 1999, we proposed regulations under § 468B(g) to amend the final QSF regulations and to address the current taxation of certain other escrow accounts.

I am pleased to tell you the Treasury Department announced, on April 30, 2001, that it placed finalizing the proposed § 468B(g) regulations on its Priority Guidance Plan for 2001. Treasury and the IRS anticipate finalizing these regulations by June 30, 2002.

I hope this information is helpful. Please call Ms. Marilyn E. Brookens, Identification Number 50-00819, at (202) 622-4920, if you have any questions.

Sincerely,

Associate Chief Counsel
(Income Tax & Accounting)

By: _____
Robert A. Berkovsky
Chief, Branch 2