

INTERNAL REVENUE SERVICE

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June 12, 2003

Dear _____ :

This letter is in response to your inquiry dated March 28, 2003, signed by you and _____, regarding the proposed revenue procedure (Notice 2002-79) that, if finalized, will modify and supersede Rev. Proc. 71-21, 1971-2 C.B. 249. You are interested in the effect the proposed revenue procedure would have on tour operators.

Rev. Proc. 71-21 allows taxpayers to defer certain prepaid income for services until the year that the taxpayer performs the services. The proposed revenue procedure, in its current form, is designed to provide the deferral features of Rev. Proc. 71-21 to a wider variety of taxpayers.

I am sorry, but we cannot determine that a class of taxpayer will be able to use the proposed special accounting method. This decision is made on a taxpayer-by-taxpayer basis through the procedures established by the IRS for changing accounting methods. However, if a tour operator satisfies the requirements of the special accounting method, and if the revenue procedure is finalized, then the taxpayer may use the special accounting method.

I hope this information is helpful. I am sending a similar letter to _____ . Please call me or _____ , if you have any questions.

Sincerely,

Robert M. Brown
Acting Associate Chief Counsel
(Income Tax & Accounting)