

INTERNAL REVENUE SERVICE

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Dear _____ :

Senator Herb Kohl wrote to us on your behalf. He asked us to respond to you directly and send a copy of our response to his office. You asked for guidance on accountable plans as they relate to situations where individuals provide their own equipment for use when performing services as employees.

On July 26, 2004, the Department of the Treasury released the 2004-2005 Priority Guidance Plan (copy enclosed and available on our website at <http://www.irs.gov/pub/irs-utl/2004-2005pgp.pdf>). This plan contains 276 projects it intends to complete over a twelve-month period, from July 2004 through June 2005, and reflects the Department's commitment to increased and more timely published guidance.

I am pleased to tell you the accountable plan issue you wrote about is one of the 276 projects listed on the 2004-2005 Priority Guidance Plan ("Revenue ruling on tool rental", page 3, Employee Benefits, section B, item number four).

I hope this information is helpful. If you have further questions, please call me at _____ or _____ of my staff at _____.

Sincerely,

Catherine E. Livingston
Assistant Chief Counsel
(Exempt Organizations/Employment
Tax/Government Entities)

Enclosure

cc: Senator Herb Kohl