

INTERNAL REVENUE SERVICE

November 9, 2004

Number: **INFO 2004-0178**
Release Date: 12/31/04
UIL 62.02-05
CONEX 151677-04

The Honorable Patty Murray
United States Senator
The Marshall House
1323 Officer's Row
Vancouver, Washington 98661

Attention: Colleen Catching

Dear Senator Murray:

Thank you for your inquiry dated September 24, 2004, on behalf of your constituent, [REDACTED]. He wants to make sure the IRS is aware that the business proposals he is offering to employers, for employees who provide their own tools on the job, reduce taxes significantly and help many residents of Washington, Oregon, and other states. He also asked whether the tool rental revenue ruling project announced in the release of the Department of Treasury 2004-2005 Priority Guidance Plan will specifically address his proposals. Given the large number of projects included in the guidance plan, he is concerned that the IRS might not have the resources to properly consider his proposals nor give him an opportunity to rebut a possible adverse ruling.

I appreciate the significance of the tax and economic issues [REDACTED] raised. We added the tool rental revenue ruling to our priority guidance plan list because we recognize that it is a key issue in tax administration affecting both employers and employees. As an administrative agency our focus in the revenue ruling will be on the application of the relevant tax law to the facts to promote a uniform application of the tax laws. In this respect, the ruling process differs from the legislative process where the Congress may propose new tax laws based on economic considerations such as the estimated tax savings to taxpayers.

I have provided copies of [REDACTED] comments to the branch that will work on this guidance. One reason for publication of the plan is to ensure that taxpayers know what we are working on so that they have the opportunity to provide input in advance of publication. I welcome any further input [REDACTED] may have and will ensure that it is considered as the guidance is developed. [REDACTED] also raises concerns about [REDACTED]

whether the scope of the guidance will reach his issue and whether the timing will be as scheduled. While the details of the proposed guidance are not yet developed, we certainly anticipate looking at situations like the one he described for employees who provide their own tools on the job. As to timing, we do everything possible to complete the plan on schedule, but of necessity we sometimes need to adapt to new priorities such as legislation requiring immediate guidance.

Finally, with respect to request for an opportunity for rebuttal, when we publish a revenue ruling, it is binding on the IRS for all taxpayers who have the facts addressed in the ruling. While we will carefully consider all comments we receive, we do not have the resources, nor would it be fair, to debate the positions taken in our rulings with some taxpayers, but not others, prior to publication. By encouraging comment as we develop guidance and ensuring careful consideration of that comment, we create an opportunity for effective and even handed input and we appreciate use of this opportunity.

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

Sincerely,

Nancy J. Marks
Division Counsel/Associate Chief Counsel
(Tax Exempt and Government Entities)