



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

February 16, 2007

Paul Carlson  
President, NASC  
449 Lewis Hargett Circle, Suite 290  
Lexington, KY 40503-3590

Dear Mr. Carlson:

I am responding to your letter dated January 23, 2007, to Commissioner, Tax Exempt and Government Entities. You wrote on behalf of the National Association of State Comptrollers (NASC) and its payroll group to express concerns about the burden placed on governments as a result of various fringe benefit regulations, in particular personal use of employer provided cell phones and vehicles, as well as mileage reimbursement.

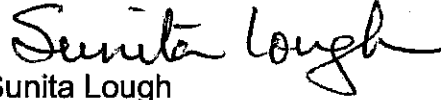
The mission of the Internal Revenue Service states, in part, that we apply "the tax law with integrity and fairness to all." The various fringe benefits mentioned in your letter are provided by all employers, including, but not limited to, government employers. Therefore, any change in regulations would affect all employers and thus a service-wide approach to address the issues is necessary.

Each year the IRS and Department of the Treasury develop a Guidance Priority List (GPL) which identifies the issues that will be addressed in published guidance during the business plan year. The IRS and Treasury solicit recommendations from the public for items that should be included on the GPL. The IRS and Treasury also consider recommendations from within the IRS and the Office of Chief Counsel. We will share your concerns with the Office of Chief Counsel for consideration as it develops the guidance plan for FY 2008.

In addition, the IRS has multiple ongoing projects to reduce the burden placed on taxpayers as they try to comply with their federal tax responsibilities. We will suggest the issue raised by you as a burden reduction project.

We appreciate your the concerns you raised and your input. If you have any questions, please call me at (202) 283-9818.

Sincerely,



Sunita Lough  
Director, Federal, State & Local Governments  
Tax Exempt/Government Entities Division

CC: Catherine Livingston  
Assistant Chief Counsel  
Tax Exempt and Government Entities

