

## **Qualified Intermediary Audit Waiver Information and Instructions**

This document contains information and instructions regarding the forms that must be used by Qualified Intermediaries (QI) to request waivers of the 2008 audit requirement as stipulated in Section 10 of the QI Agreement (Rev. Proc. 2000-12, Section 4). The provisions and requirements for these waivers are set forth in sections 10.01.4 and 10.01.5 of the Audit Guidance contained in Rev. Proc. 2002-55. In general, these sections allow for a waiver of the audit requirement, at the discretion of the IRS, for QIs meeting one of the following sets of criteria:

- 1) During the audit year for which the waiver is being requested, the QI received reportable amounts not exceeding \$1,000,000; or
- 2) During the audit year for which the waiver is being requested, the QI received reportable amounts exceeding \$1,000,000 but not exceeding \$4,000,000 and has been audited by an external auditor under the QI Agreement for the immediately preceding audit year.

A QI that intends to request a waiver of the audit requirement for the 2008 audit year and meets the criteria under 1 above should complete and submit to the IRS the **Request for Waiver of the 2008 Qualified Intermediary Audit Requirement (Reportable amounts not exceeding \$1,000,000)**. The form, with original signature, should be mailed to the address below and must be received by the IRS or postmarked no later than June 30, 2008. To ensure proper processing upon receipt by the IRS, "WAIVER #1" should be written on the envelope to the bottom right of the address.

Likewise, a QI that intends to request a waiver of the audit requirement for the 2008 audit year and meets the criteria under 2 above should complete, sign and submit to the IRS the **Request for Waiver of the 2008 Qualified Intermediary Audit Requirement (Reportable amounts exceeding \$1,000,000 but not exceeding \$4,000,000)**. The form, with original signature, should be mailed to the address below and must be received by the IRS or postmarked no later than June 30, 2008. To ensure proper processing upon receipt by the IRS, "WAIVER #2" should be written on the envelope to the bottom right of the address.

Send completed waiver forms to:

Internal Revenue Service  
LMSB:FS:QI 290 Broadway, 12<sup>th</sup> Floor  
New York, NY 10007-1867 USA  
Attention: Audit Waiver

### Important Information Regarding Consolidated Audits

A QI that is related to a group of QIs for which the IRS has permitted a consolidated audit under Rev. Proc. 2002-55, AG 10.01.3 is not eligible for a

waiver of the external audit requirement. Such a QI may request approval from the IRS to be excluded from the consolidated audit group and complete an audit separate from the consolidated audit. In this case, the QI may be eligible to use the modified audit report format. Information regarding consolidated audits and the modified audit report format can be found at [www.IRS.gov](http://www.IRS.gov); search "QI".  
Instructions for Certain Line Items

**Request for Waiver of the 2008 Qualified Intermediary Audit Requirement (Reportable amounts not exceeding \$1,000,000)**

**Name:** Enter the current name of the QI.

**Name on QI Agreement:** Enter the QI's name as shown on the QI Agreement, but only if that name is different than the current name of the QI.

**Line 7:** If there is an amount on this line, the IRS will take various factors into consideration to determine whether the amount of the unexplained variance is acceptable or not. An additional explanation may be provided on an attachment if desired.

**Line 9:** Enter the total amount claimed as withheld by other withholding agents, as shown on the QI's 2008 Form 1042, line 66. A copy of all 2008 Forms 1042-S issued to the QI that support the line 66 amount should be submitted with the waiver request. If the Forms 1042-S submitted do not fully support the line 66 amount, you may attach an explanatory statement.

**Line 11:** Include only those account holders who received reportable amounts during 2008.

**Line 13:** A QI that is related to a group of QIs for which the IRS has permitted a consolidated audit under Rev. Proc. 2002-55, AG 10.01.3 is not eligible for a waiver of the external audit requirement. Such a QI may request approval from the IRS to be excluded from the consolidated audit group and complete an audit separate from the consolidated audit. In this case, the QI may be eligible to use the modified audit report format. Information regarding consolidated audits and the modified audit report format will soon be available at [www.IRS.gov](http://www.IRS.gov) (search "QI").

**Request for Waiver of the 2008 Qualified Intermediary Audit Requirement (Reportable amounts exceeding \$1,000,000 but not exceeding \$4,000,000)**

**Name:** Enter the current name of the QI.

**Name on QI Agreement:** Enter the QI's name as shown on the QI Agreement, but only if that name is different than the current name of the QI.

**Line 2:** In order to be eligible for a waiver of the 2008 audit requirement, a QI receiving reportable amounts exceeding \$1,000,000 but not exceeding \$4,000,000 must have completed and filed an acceptable external audit report

with the IRS for the 2002 year in accordance with section 10 of the QI Agreement. A QI that has not met this requirement will not be granted an audit waiver for the 2008 year. However, such a QI may be eligible for a “modified” audit. Information regarding the modified audit report format will soon be available at [www.IRS.gov](http://www.IRS.gov) (search “QI”).

**Lines 3, 15, 16, 20 and 21:** Include only those accounts and account holders which received reportable amounts during 2008.

**Line 11:** If there is an amount on this line, the IRS will take various factors into consideration to determine whether the amount of the unexplained variance is acceptable or not. An additional explanation may be provided on an attachment if desired.

**Lines 24a and 24b:** These lines are designed to identify and explain any discrepancy between the number of account holders covered by the QI Agreement, as shown on Line 3, and the total documentation provided to the QI from such account holders, as shown on Line 23. In theory, if only one type of documentation is included on Line 23 for each account holder, Line 3 should equal Line 23. However, there may be instances where they do not equal each other. If there is a discrepancy, the QI should show the discrepancy on Line 24a and provide an explanation on Line 24b.

**Line 27:** A QI that is related to a group of QIs for which the IRS has permitted a consolidated audit under Rev. Proc. 2002-55, AG 10.01.3 is not eligible for a waiver of the external audit requirement. Such a QI may request approval from the IRS to be excluded from the consolidated audit group and complete an audit separate from the consolidated audit. In this case, the QI may be eligible to use the modified audit report format. Information regarding consolidated audits and the modified audit report format will soon be available at [www.IRS.gov](http://www.IRS.gov) (search “QI”).