



# Testimony Summary

*Advocacy: the voice of small business in government*

## **Chief Counsel for Advocacy Testifies Before House Small Business Committee on Proposed IRS Regulations Governing Exchanges of Like-Kind Property**

On July 25, 2006, Chief Counsel for Advocacy Thomas M. Sullivan testified before the U.S. House of Representatives Committee on Small Business regarding proposed IRS regulations that would substantially change the rules governing taxation of escrow accounts, trusts, and other funds used during deferred exchanges of like-kind property. Key points from the testimony include:

- The IRS and Treasury should more frequently perform the analysis required by the Regulatory Flexibility Act (RFA) on rules that have a significant impact on a substantial number of small entities.
- In the proposed rule leading up to this hearing, IRS and the Treasury have attempted to comply with the RFA by including an initial regulatory flexibility analysis (IRFA) in the “Special Analysis” section of the regulation. However, IRS and Treasury could have provided a more thorough analysis.
- Early meetings with Advocacy and Treasury and IRS during their regulation development process would help assure that the spirit of the RFA is met and regulatory results achieved.

On May 8, 2006, the Office of Advocacy sent a comment letter to the Department of Treasury and IRS in response to their notice of proposed rulemaking entitled, *Escrow Accounts, Trusts and Other Funds Used During Exchanges of Like-Kind Property* (71 Fed. Res. 6231 February 7, 2006). Advocacy advised IRS and Treasury to publish in the *Federal Register* an amended IRFA. A copy of Advocacy’s letter can be accessed at <http://www.sba.gov/advo/laws/comments>.

For more information, visit Advocacy’s Webpage at <http://sba.gov/advo> or contact assistant chief counsel Candace Ewell by phone at (202) 401-9787 or by email at [candace.ewell@sba.gov](mailto:candace.ewell@sba.gov).