



May 10, 2007

VIA FACSIMILE and Email

The Honorable Donald L. Korb
Chief Counsel
Internal Revenue Service
1111 Constitution Ave., NW Room 3026
Washington, DC 20224

The Honorable Eric Solomon
Assistant Secretary (Tax Policy)
The United States Department of the Treasury
1500 Pennsylvania Ave., NW, Room 3120
Washington, DC 20220

Dear Sirs:

We are writing to commend the U.S. Department of the Treasury (Treasury) and Internal Revenue Service's (IRS) recent revised Initial Regulatory Flexibility Analysis (IRFA)¹ for the proposed rule entitled, "Escrow Accounts, Trusts, and Other Funds Used During Deferred Exchanges of Like-Kind Property."² The additional analysis provides affected taxpayers with greater transparency as to the impact of the proposed rule. The Office of Advocacy (Advocacy)³ would like to take this opportunity to thank the Treasury and IRS for their willingness to work collaboratively with the affected small businesses and Advocacy to evaluate the necessary information to complete an effective IRFA.

In particular, Advocacy applauds the extensive efforts taken by Michael Desmond, Treasury Tax Legislative Counsel; Dennis Tingey, Attorney-Advisor, Treasury Office of Tax Policy; Viva Hammer, Treasury Office of Tax Policy; Susan Nelson, Economist, Treasury Office of Tax Policy; Clarissa C. Potter, IRS Deputy Chief Counsel; Edward S. Cohen, IRS Deputy Associate Chief Counsel (Income Tax and Accounting); Donna Crisalli, Senior Technician Reviewer, IRS

¹ Escrow Accounts, Trusts, and Other Funds Used During Deferred Exchanges of Like-Kind Property 72 Fed. Reg. 13055 (March 20, 2007).

² 71 Fed. Reg. 6231 (February 7, 2006).

³ Advocacy was established pursuant to Pub. L. 94-305 to represent the views of small business before Federal agencies and Congress. Advocacy is an independent office within the U.S. Small Business Administration (SBA), so the views expressed by Advocacy do not necessarily reflect the views of the SBA or the Administration. Section 612 of the Regulatory Flexibility Act also requires Advocacy to monitor agency compliance with the RFA, as amended by the Small Business Regulatory Enforcement Fairness Act. Pub. L. No. 96-354, 94 Stat. 1164 (1981) (codified at 5 U.S.C. §§ 601-612) amended by Subtitle II of the Contract with America Advancement Act, Pub. L. No. 104-121, 110 Stat. 857 (1996). 5 U.S.C. § 612(a).

Office of Associate Chief Counsel (Income Tax and Accounting, Branch 2); Jeffery Mitchell, Branch Chief, IRS Office of Associate Chief Counsel (Income Tax and Accounting Branch 6); Jeff Rodrick, Attorney Advisor, IRS Office of Associate Chief Counsel (Income Tax and Accounting); Henry Schneiderman, Special Counsel, IRS Office of Associate Chief Counsel (Procedure and Administration); David Silber, Branch Chief, IRS Office of Associate Chief Counsel (Financial Institutions and Products) and all of the staff of the Treasury and IRS who worked diligently to ensure that small businesses were considered during the rule making process.

The efforts extended by the Treasury and IRS in producing a revised IRFA are a good example of how a strong working relationship with Advocacy can benefit small business taxpayers and the IRS. The type of interaction achieved in this rulemaking is what the Regulatory Flexibility Act hopes to achieve with all rulemakings that impact small entities. The results of a successful IRFA not only benefit small business but improve the quality of regulations issued by agencies. In the future, as rules are developed that have significant economic impacts on a substantial numbers of small entities, Advocacy believes the collaboration reached in this rule can be a blueprint for other projects.

The Advocacy looks forward to working closely with the IRS and Treasury on issues of concern to small businesses. Please do not hesitate to contact Candace B. Ewell, Assistant Chief Counsel for Tax for additional information on my office or our involvement in tax regulatory issues at (202) 401-9787 or candace.ewell@sba.gov.

Sincerely,

/s/

Thomas M. Sullivan
Chief Counsel for Advocacy

/s/

Candace B. Ewell
Assistant Chief Counsel for Tax