

This email is a follow-up to our conversation on March 22, 2017. Per our discussion, here is a brief summary of the case status.

The case file has been assigned to Suzanne Sinno, an attorney at IRS Office of Chief Counsel. She is part of Office of Chief Counsel's Income Tax & Accounting group (ITA). Because the case involves pensions, she is also required to coordinate with the Office of Chief Counsel's "Tax Exempt & Government Entities" division ("TE/GE"). She has reviewed the file and has some additional factual questions that will be forwarded to us once she receives additional questions, if any, from TE/GE. We believe that we will receive these questions in the next couple of weeks.

We have not yet had an opportunity to discuss the merits of the private letter ruling request with an attorney in Chief Counsel's office. Once we obtain the IRS's questions, we may be able to start the substantive dialogue to understand if the IRS agrees with the merits of our ruling request (i.e., our technical legal analysis).

Ms. Sinno indicated that the deadline for responding to our request is August 2017. However, the IRS's internal target date is to finish the ruling process by June 2017.

Technically, the only taxpayer that can rely on the private letter ruling is the taxpayer that submitted the private letter ruling. However, if the IRS grants the private letter ruling, the IRS will publicly publish a copy of the ruling with the taxpayer's private information redacted. The public ruling will provide persuasive authority that members of the Police and Firefighter association can take the position that the cancellation of indebtedness income is not includable in taxable income.

Since it is highly unlikely that the private letter ruling request will be obtained by April 17th, this leaves members of the Police and Firefighters associations with a couple of important choices: (i) whether to file or extend by April 17th; (ii) whether to pay or not pay tax on the cancellation of indebtedness income with their extension or on the return. We highly recommend that all members speak with their tax advisor to fully understand the implications of extending their returns and to understand the calculation of their estimated tax obligation due by April 17, 2017.

Generally, all members could file an extension and wait for the private letter ruling before filing their return. Please, remember that an extension provides additional time to file income tax returns, but it does **not** provide additional time to pay the tax due by April 17th. Therefore, members that choose to file and members that choose to extend must determine if they want to include the cancellation of indebtedness income in their calculation of tax due by April 17th. Penalties for failure to timely pay could apply if tax is understated on the return or extension.

For those that choose to file, a taxpayer generally has three years to file an amended return to correct their return and request a refund. Therefore, if members choose to file before the ruling is made, there should be an opportunity to amend their return and adjust their position on the taxability of the cancellation of indebtedness.

We recommend that members share this information with their tax advisers.

Best regards,
Justin

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