

NATIONAL FOREIGN TRADE COUNCIL, INC.

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September 12, 2006

Mr. Eric Solomon
Department of Treasury
Assistant Secretary Tax Policy (Designate)
1500 Pennsylvania Ave., NW
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Washington, DC 20220

Mr. Donald L. Korb
Internal Revenue Service
Chief Counsel
1111 Constitution Ave., NW
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Washington, DC 20224

RE: Temporary and Proposed Regulations on the Treatment of Controlled Services Transactions Under Section 482

Dear Sirs,

On behalf of the National Foreign Trade Council ("NFTC"), I would like to express our appreciation to the Department of Treasury and the Internal Revenue Service for their efforts in developing the recently issued temporary and proposed regulations regarding the treatment of controlled services transactions under IRC Section 482. The regulations address an important aspect of cross-border transactions that impacts many NFTC members. While NFTC members are still evaluating these newly issued regulations, they are encouraged by some of the changes from the previously proposed regulations. Of immediate concern, however, is the effective date of these regulations.

Under Treas. Reg. Sec. 1.482-9T(n), these regulations are effective for taxable years beginning after December 31, 2006. This effective date leaves many taxpayers with only a few months to implement the regulations before their intercompany transactions will be subject to the new regulations. Financial reporting requirements and the practicalities of dealing with foreign jurisdictions will force taxpayers to implement the regulations at the start of 2007. Taxpayers will have great difficulty in meeting this deadline for a number of reasons, including but not limited to the need to complete pricing studies, revise systems (especially enterprise design systems such as SAP), and revise intercompany contracts. Accordingly, we respectfully request that you delay the effective date to taxable years beginning after December 31, 2007.

The NFTC is submitting this initial letter because the effective date is an immediate concern of its members. An early decision to postpone the effective date will permit taxpayers to plan their implementation of the regulations without unnecessary additional administrative complexity and expense. The NFTC may provide additional comments on substantive provisions of the regulations after its members complete their evaluations of the regulations.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in cursive script that reads "Judy Scarabello".

Judy Scarabello
Vice President for Tax Policy

cc: Hal Hicks
Steven Musher

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