

new york state society of

NYSSCPA

certified public accountants

530 fifth avenue, new york, ny 10036-5101
www.nysscpa.org

June 26, 2003

Mr. Michael R. Chesman
Internal Revenue Service
Mail Stop: C2101 SB/SE
5000 Ellin Road
Lanham, MD 20706

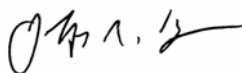
By e-mail to: michael.r.chesman@irs.gov

Dear Mr. Chesman:

The New York State Society of Certified Public Accountants, the oldest state accounting association, represents approximately 30,000 CPAs, many of whom work regularly with form K-1. The NYSSCPA is grateful for the opportunity to comment on the K-1 Matching Program and to propose a redesigned form K-1.

The NYSSCPA Model K-1 Task Force drafted the attached comments. Members of the task force would be pleased to meet with you for additional discussion about the comments. Please contact task force members Robert L. Goldstein at 212-682-4470 or Leon M. Metzger at 203-861-3232, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303 if such discussions would be helpful.

Sincerely,



Jeffrey R. Hoops
President

Attachment

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**NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS**

**COMMENTS ON INTERNAL REVENUE SERVICE
K-1 MATCHING PROGRAM**

NYSSCPA PROPOSAL FOR FORM K-1

JUNE 26, 2003

Principal Drafters

**Leon M. Metzger, CPA
Robert L. Goldstein, CPA
Gerard I. Borod, CPA**

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NYSSCPA 2003-2004 Model K-1 Task Force

Gerard I. Borod
Robert L. Goldstein
Leon M. Metzger

NYSSCPA Staff

Ernest J. Markezin

NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**COMMENTS ON INTERNAL REVENUE SERVICE
K-1 MATCHING PROGRAM**

NYSSCPA PROPOSAL FOR FORM K-1

JUNE 26, 2003

General Comments

We support the Internal Revenue Service's K-1 Matching initiative as a valuable collection tool. The NYSSCPA commends the Service for seeking comments on the K-1 Matching Program and a redesigned form K-1 and welcomes the opportunity to set forth its specific comments on these proposed changes.

Specific Comments

We have offered to assist the IRS in implementing the K-1 matching program. There have been telephonic discussions, meetings, and symposia where members of the Society and IRS personnel have discussed how preparers work with form K-1 in transferring information to form 1040. In February, 2002 one of our members participated in the "Tax Talk" program with Mr. Joseph Brimacombe discussing the K-1 matching program.

Examples of problems identified include:

- Netting.
- The detail allocation of income by category to form 1040 when such detail is contained in sub-schedules or attachments (hedge funds are a perfect example of this problem. Line 7 of form K-1 typically contains a summary dollar amount with the detail description of what is contained therein in attached notes).
- "Off K-1" partnership expenses (such as unreimbursed expenses).

Items of this nature make it apparent that forms such as form K-1, Schedule E, and form 6198, among others, would have to be modified if the K-1 matching program is to be fully and successfully implemented.

We suggest the use of two forms K-1, a short form similar to the existing form K-1 and a long form similar to the one we offer in the attachment.

We are aware that many organizations are participating in this project and that the IRS has clear ideas of its own. Our goal is to arrive at a workable document, a "road

map" that will cover the complexity of the form K-1 and address the many issues in transferring the appropriate information to form 1040.

We feel a strong association to this project as stakeholders in tax preparation and advice, and we are committed to remain integrally involved in bringing it to a successful conclusion.

Accordingly, we respectfully submit the attached draft of a "long form" K-1.

**NYSSCPA June 2003
Model Long Form Schedule K-1**

| | Portfolio | Real Estate or Rental | Trade or Business | Non-passive, non-portfolio | Total |
|--------|-----------|-----------------------|-------------------|----------------------------|-------|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4a(1) | | | | | |
| 4a(2) | | | | | |
| 4a(3) | | | | | |
| 4b(1) | | | | | |
| 4b(2) | | | | | |
| 4b(3) | | | | | |
| 4b(4) | | | | | |
| 4b(5) | | | | | |
| 4c | | | | | |
| 4d | | | | | |
| 4e(1) | | | | | |
| 4e(2) | | | | | |
| 4e(3) | | | | | |
| 4f | | | | | |
| 4g | | | | | |
| 4h | | | | | |
| 4i | | | | | |
| 4j | | | | | |
| 4k | | | | | |
| 4l | | | | | |
| 5a | | | | | |
| 5b | | | | | |
| 6a | | | | | |
| 6b | | | | | |
| 7a | | | | | |
| 7b | | | | | |
| 7c | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | | | | | |
| 11 | | | | | |
| 12a(1) | | | | | |
| 12a(2) | | | | | |
| 12b | | | | | |
| 12c | | | | | |
| 12d | | | | | |

Model Long Form Schedule K-1

| | | Portfolio | Real Estate or Rental | Trade or Business | Non-passive, non-portfolio | Total |
|-----|--|-----------|-----------------------|-------------------|----------------------------|-------|
| 19 | <i>Intentionally left blank</i> | | | | | |
| 20 | Timing differences | | | | | |
| 21 | Nondeductible expenses | | | | | |
| 22 | Distributions of money (cash and marketable securities) | | | | | |
| | Distributions of property other than money | | | | | |
| 23a | From transferred interest | | | | | |
| 23b | From basis in property distributed | | | | | |
| 23c | From unrealized appreciation of property distributed | | | | | |
| | Recapture of low-income housing credit: | | | | | |
| 24a | From section 42(j)(5) partnerships | | | | | |
| 24b | Other than on line 24a | | | | | |
| | Interest expense included in lines 1 and 14 | | | | | |
| 25a | Interest expense incurred to carry US Government obligations | | | | | |
| 25b | Interest expense incurred to carry Municipal obligations | | | | | |
| 26 | Dividend income qualifying for dividends received deduction | | | | | |
| | Unrelated business taxable income | | | | | |
| 27a | From capital gains (losses) and section 1256 contracts | | | | | |
| 27b | Other than on line 24a | | | | | |
| 28 | Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed): | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
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