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October 1, 2007

The Honorable Eric Solomon
Assistant Secretary (Tax Policy)
Department of the Treasury
Room 3120 MT
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

The Honorable Linda Stiff
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Re: Report On Issues Relating To Restrictions Imposed on Offers and Sales of Bearer Bonds by The Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA")

Dear Assistant Secretary Solomon and Acting Commissioner Brown:

I am pleased to enclose the New York State Bar Association Tax Section's Report No. 1133. This report provides suggestions regarding certain issues arising under the restrictions imposed by, and pursuant to, TEFRA on offers and sales of debt securities in bearer form. The report examines issues addressed and raised by Notice 2006-99, which relates to the characterization under TEFRA of certain securities issued in dematerialized form, and suggests revisions in the framework for analyzing certain aspects of the TEFRA restrictions.

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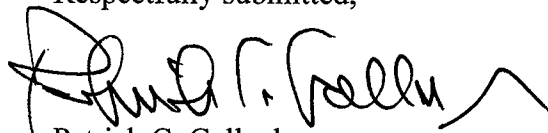
The evolution of the capital markets since the existing regulations were issued under TEFRA has created some uncertainty in the application of those regulations in certain respects. Notice 2006-99 addressed this uncertainty in one narrow situation, but in doing so leaves a number of questions unanswered and raised certain questions regarding the application of its principles in broader contexts.

The report uses Notice 2006-99 as a starting point for examining the application of the TEFRA restrictions on offers and sales of bearer-form debt securities to the modern capital markets. The report presents two alternative proposals for implementing the principles of Notice 2006-99 in broader contexts than the specific fact pattern it describes. Each proposal is intended to implement the policies underlying TEFRA in a manner that reflects the current state of the international capital markets and provides flexibility to address future market developments.

The report also addresses a number of ancillary issues arising under TEFRA and the withholding tax rules in the current market and regulatory environment.

We appreciate your consideration of our recommendations and comments. We would be pleased to discuss these matters with you further or provide any other assistance that you would find helpful.

Respectfully submitted,



Patrick C. Gallagher
Chair

(Enclosure)

cc:

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