NATIONAL ASSOCIATION OF
PUBLICLY TRADED PARTNERSHIPS
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Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C.

RE: Comments of the National Association of Publicly Traded Partnerships on the Proposed Regulations Regarding Extension of Time for Filing Return

I am writing on behalf of the National Association of Publicly Traded Partnerships ("NAPTP") with regard to the proposed regulations regarding the automatic extension of time for filing returns. The proposed regulations allow pass-through entities to obtain an automatic five month extension of time to file certain returns if an application is filed on Form 7004, while other taxpayers may receive a six-month extension.

NAPTP is a trade association representing the interests of publicly traded partnerships (PTPs) and those who work with them. NAPTP and its members appreciate the concerns expressed by tax practitioners with regard to the difficulty experienced by taxpayers in accurately completing their returns by the October due date when they receive K-1s close to the date. NAPTP believes, however, that the goal of providing partners with sufficient time after receiving K-1s to file their own returns would be better achieved by lengthening the automatic extension for the partners from six months to seven—i.e. a due date of November 15-- rather than shortening the partnerships' automatic extension from six months to five as currently proposed.

The pass-through nature of partnerships presents particular challenges not faced by individuals and other business entities, particularly when there are large numbers of partners or when there the partnership is part of a multi-tier structure (both of which are the case with PTPs). The partnerships in NAPTP are not investment partnerships but substantial operating businesses. They generate numerous items of income, deduction, gain, and loss which must be accounted for under the strict standards applying to publicly traded entities and accurately allocated among thousands of partners.

To the extent that PTPs and other partnerships are providing K-1s close to the October deadline, it is not out of a desire to frustrate their investors, but because they need that time to make an accurate determination of their tax items, allocate them correctly among their partners, adjust items among the various tiers, make sure that the items reported to each partners reconcile correctly to those of the partnership as a whole, and fulfill their both federal and state tax obligations. And while PTPs are not unique in facing a challenging tax situation, the fact that partnership interests in PTPs change hands throughout the year adds another layer of complexity to the task of allocating and reporting tax items to partners.

In addition to filing their federal returns, partnerships must file tax returns in each state in which they operate that has an income tax. As states become more assertive about collecting tax from nonresident partners, partnerships must often provide additional information on their partners—for instance, several states require PTPs to provide information on all partners whose partnership income within the state exceeds a specified amount, while nontraded partnerships must often withhold on distributions or file composite returns. The majority of our members are multistate partnerships, and at least one has operations in all 50 states. Many states follow the federal government's lead with regard to the length of extension periods, and the six-month extension allows our members to complete both state and federal returns in a timely fashion.

Our member PTPs take very seriously their obligation to provide accurate tax information to their partners in a timely manner. As publicly traded entities, it is in their interest to minimize tax compliance difficulties for their investors, as to do otherwise could make them less attractive as investments and adversely affect their share prices. For this reason, they will always provide K-1s to partners in as timely a manner as possible. For them the six-month extension is not an opportunity for delay but needed latitude that helps ensure that federal and state tax obligations are met with accurate returns.

NAPTP appreciates the opportunity to comment on the proposed regulations and your consideration of our concerns. Please feel free to contact me if you have questions or would like additional information.

Sincerely,

Mary S. Lyman

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