



November 14, 2002

CC:DOM:ITA:RU (REG-133254-02)
Room 5226
Internal Revenue Service
POB 7604
Ben Franklin Station
Washington, DC 20044

Dear Commissioner:

I am writing on behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, in response to the Internal Revenue Service's (IRS) proposed regulations regarding nonresident aliens. The proposed rule amends the reporting requirements for interest on deposits maintained at U.S. offices of certain financial institutions and paid to nonresident aliens that are residents of certain specified countries.

The proposed rule requires financial institutions to file IRS Form 1042-S with the IRS and furnish a copy of the form to nonresident aliens that reside in any of 16 designated countries. While NAFCU appreciates that the IRS has scaled back the scope of application compared to the previous proposal, NAFCU believes the current proposal nonetheless imposes significant programming burdens and increases compliance and operational costs.

NAFCU supports efforts to increase taxpayer compliance through tax treaties and information exchange agreements; however, NAFCU believes the proposed rule's expected benefits are outweighed by the burdens it would impose. NAFCU respectfully requests that the IRS withdraw the proposed rule.

NAFCU would like to thank you for this opportunity to share its views on the proposed rule. Should you have any questions or require additional information please call me or Bill Hall, NAFCU's Associate Director of Tax and Accounting, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,

Fred R. Becker, Jr.
President/CEO

FRB/whh