

Congress of the United States

Washington, DC 20515

April 26, 2007

The Honorable Mark Everson
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Everson:

We appreciate your recent efforts to issue guidance on many of the provisions contained in the Pension Protection Act of 2006 (PPA), including section 845 which deals with distributions from governmental retirement plans for health and long-term care insurance premiums of public safety officers. This letter expresses concerns with respect to the guidance on this issue as contained in Notice 2007-7 that was published by the Internal Revenue Service.

As you know, section 845 provides an annual exclusion from taxable income of up to \$3,000 for certain retired public safety officers. Eligible officers must elect to use this amount to pay for qualified health insurance premiums. Notice 2007-7, Question and Answer (Q&A) number 23, provides an interpretation of section 845 that would deny this benefit to a number of otherwise eligible retired public safety officers. Under Q&A number 23, the term "accident or health insurance plan" is defined to exclude a plan that is self-insured.

Section 845 clearly intends to cover amounts for qualified health insurance premiums that are deducted from amounts distributed from an eligible retirement plan and paid directly to the insurer. We believe the interpretation to define insurer in this context to exclude self-insured plans, as reflected in Q&A number 23, is more restrictive than was intended under the provision.

We intend to include a clarifying technical correction in the technical corrections bill currently being developed. If possible, we request that you revisit the interpretation contained in Notice 2007-7, and modify it to reflect the intended scope of the provision. This interpretation would make the benefit available to eligible public safety officers without emphasis on whether the plan

Commissioner Mark Everson
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is self insured. We are confident such an interpretation would effectuate the Congressional intent underlying this provision.

Thank you for your prompt attention and cooperation in this matter.

Sincerely,



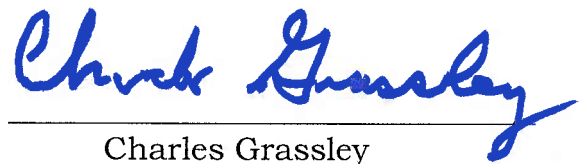
Charles B. Rangel
Chairman
Committee on Ways and Means



Jim McCrery
Ranking Member
Committee on Ways and Means



Max Baucus
Chairman
Senate Finance Committee



Charles Grassley
Ranking Member
Senate Finance Committee

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The Honorable Henry M. Paulson
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Paulson:

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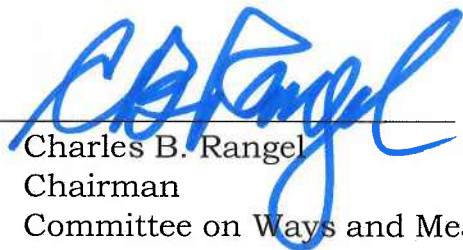
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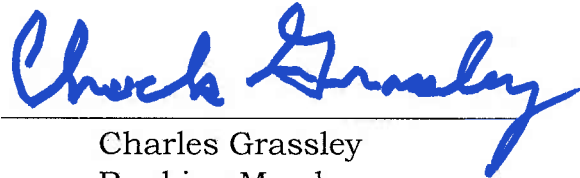
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