



October 18, 2022

The Honorable Lily Batchelder
Assistant Secretary for Tax Policy
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Mr. William M. Paul
Principal Deputy Chief Counsel
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Ms. Holly Porter
Associate Chief Counsel, Office of Chief Counsel
Passthroughs and Special Industries
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

RE: Provide for the Electronic Dissemination of S Corporation Schedules K-1 to Shareholders

Dear Assistant Secretary Batchelder, Mr. Paul, and Ms. Porter:

The American Institute of CPAs (AICPA) is submitting comments to the Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) recommending that a revenue procedure is issued permitting S corporations to transmit Schedules K-1 (Form 1120-S) and related attachments to their shareholders via electronic means, inclusive of email.

Overview

Per [Revenue Procedure 2012-17](#),¹ partnerships are permitted to electronically provide Schedules K-1 to their partners. The news release² accompanying the revenue procedure stated that “[t]he new rules can make it easier for partnerships to provide this necessary information to their partners, and will reduce the expense associated with printing and mailing K-1s to partners who elect to receive them electronically.” The revenue procedure states the rules for obtaining consent and mandates appropriate security protocols for using electronic means.

Recommendation

The AICPA recommends that Treasury and the IRS issue a revenue procedure allowing S corporations to provide Schedules K-1 to their shareholders electronically.

¹ 2012-10, I.R.B. 453.

² IR-2012-21 (Feb.13, 2012).

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Page 2 of 2

Analysis

The amount of information required to be transmitted to shareholders as part of the Schedule K-1 package has increased. Pass-through entities must provide additional detail related to any item that could independently impact the tax return of the entity owner. The basic income and loss data for the entity must be separated by class and by activity, in addition to providing the ancillary information needed to compute special deductions, such as that under section 199A³ and numerous special credits.

The recent addition of Schedules K-2 and K-3 has increased the amount of forms and data required to be sent to each shareholder. In addition to the basic information required, additional detail must be provided for each state in which the entity does business. Issuing guidance in the form of a revenue procedure to permit S corporations to provide Schedules K-1 electronically to their shareholders will offer the most efficient means by which to extend the benefits of Revenue Procedure 2012-17 to S corporations in time for the next filing season.

The AICPA is the world's largest member association representing the CPA profession, with more than 421,000 members in the United States and worldwide, and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

We appreciate your consideration of these comments and welcome the opportunity to discuss these issues further. If you have any questions, please contact Bryan Keith, Chair, AICPA S Corporation Taxation Technical Resource Panel, at (202) 419-1417 or bryan.keith@andersen.com; Jon Williamson, AICPA Senior Manager – Tax Policy & Advocacy, at (216) 509-2972 or jon.williamson@aicpa-cima.com; or me at (601) 326-7119 or JanLewis@HaddoxReid.com.

Sincerely,



Jan Lewis, CPA
Chair, AICPA Tax Executive Committee

³ Unless otherwise indicated, all references are to the Internal Revenue Code of 1986, as amended, or to the Treasury Regulations promulgated thereunder.