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April 11, 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 Mark W. Everson
Commissioner
Internal Revenue Service
Room 3000 IR
1111 Constitution Avenue, N.W.
Washington, DC 20224

NYSBA Tax Section Report on the Model Income Tax Convention Released by the Treasury on November 15, 2006

Dear Assistant Secretary Solomon and Commissioner Everson:

We are pleased to submit our Report on the Model Income Tax Convention Released by the Treasury in November 2006.

The Report begins with a recommendation that the Treasury consider significantly expanding the Technical Explanation of the Model to include, in addition to what is there now, an explanation of the changes to U.S. tax treaty policy reflected in the Model, the reasons for those changes and the relationship between the provisions of the Model and current U.S. tax law. We believe that this would be consistent with the best purpose for a model treaty, which (as stated in 1996) is "to provide a basic explanation of U.S. tax treaty policy for all interested parties, regardless of whether they are prospective treaty partners".

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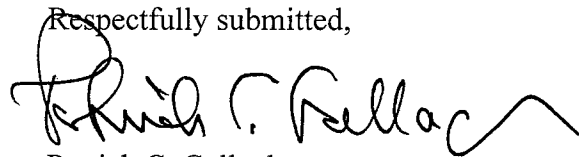
We also recommend that the Treasury state its view on the relevance of the Technical Explanation of the Model and of treaty-specific technical explanations, including the effect of subsequent changes in those explanations on existing U.S. treaties, and its views on the relevance of the OECD Model Treaty and related OECD documents to the interpretation of U.S. tax treaties.

In making these initial recommendations, which are set out in Part A of the Report, we recognize that, if accepted, they would require a significant effort by the Treasury Department. We think the importance of the Model and of its apparent incorporation of OECD rules into U.S. tax treaty law would justify the effort. Understanding U.S. tax treaty policy is of far greater importance today than it was in 1977 when the Treasury first issued a model treaty.

The Report also comments, in Parts B, C and D, on what is omitted from and on what is included in the Model and makes a number of specific observations. Our main purpose is to identify and raise issues. At this point, we have not taken a position, one way or the other, on many of the items we have commented on.

If it would be helpful, we would be pleased to meet with the Treasury to discuss our comments further and also, since our comments in Parts B, C and D are not exhaustive, to comment on provisions of the Model that are not covered by our Report.

Respectfully submitted,



Patrick C. Gallagher
Chair

cc: John L. Harrington, Acting International Tax Counsel,
Department of the Treasury
Benedetta Kissel, Deputy International Tax Counsel,
Department of the Treasury
Michael J. Desmond, Tax Legislative Counsel,
Department of the Treasury
Donald L. Korb, Chief Counsel,
Internal Revenue Service
Steven A. Musher, Associate Chief Counsel (International),
Internal Revenue Service



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April 11, 2007

Senator Joseph R. Biden, Jr.
201 Russell Senate Office Building
Washington, DC 20510

Senator Chuck Hagel
248 Russell Senate Office Building
Washington, DC 20510

Senator Robert Menendez
317 Hart Senate Office Building
Washington, DC 20510

Senator Richard G. Lugar
306 Hart Senate Office Building
Washington, DC 20510

NYSBA Tax Section Report on the Model Income Tax Convention Released by the Treasury on November 15, 2006

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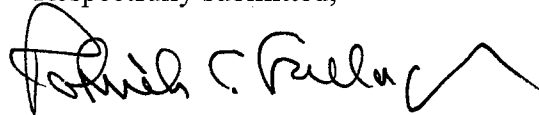
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Respectfully submitted,



Patrick C. Gallagher
Chair

cc: Thomas Barthold, Acting Chief of Staff
Joint Committee on Taxation
Avril D. Haines, Deputy Chief Counsel,
Foreign Relations Committee
Manisha Singh, Deputy Counsel,
Foreign Relations Committee
Jessica Lewis, Legislative Assistant,
Foreign Relations Committee
Rexon Ryu, Foreign Policy Advisor,
Foreign Relations Committee