



June 28, 2024

Submitted via Email  
[pra.comments@irs.gov](mailto:pra.comments@irs.gov)

**Attention:**

Andrés Garcia  
Internal Revenue Service  
Room 6526  
1111 Constitution Avenue NW  
Washington DC 20224

**RE: QUALIFIED INTERMEDIARY (QI), WITHHOLDING FOREIGN PARTNERSHIP (WP), AND WITHHOLDING FOREIGN TRUST (WT) APPLICATION AND ACCOUNT MANAGEMENT SYSTEM – OMB NUMBER: 1545-1597**

Dear Mr. Garcia:

The [Investment Industry Association of Canada](#) is the national association representing the investment industry's positions on securities regulations, public policy and industry issues on behalf of investment dealer members in the Canadian securities industry. Our members include Qualified Intermediaries (QIs) who have entered into an agreement with the U.S. to uphold their withholding and reporting obligations, or financial institutions that are otherwise involved in transactions that require withholding, reporting and filings to be submitted to the Internal Revenue Service (IRS).

We are writing on behalf of our members in response to the IRS [Notice](#) soliciting comments (published May 2, 2024, in the Federal Register, Vol. 89 No. 86, p. 35926) on the *Burden Related to the Qualified Intermediary (QI), Withholding Foreign Partnership (WP), and Withholding Foreign Trust (WT) Application and Account Management System* (QAAMS). Several of our members use the system and, as such, we appreciate the opportunity to participate in this consultation process to provide comments to the IRS.

We focus our initial comments on the QI periodic review and certification requirements, before turning to the IRS' Desired Focus of Comments (as outlined in the [Notice and request for comments](#)) as these requirements will place a significant administrative burden on our members and increase the risk of unintentional non-compliance.

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Our comments generally reflect input from our members who are already full withholding QIs.

### A. Certifications and Periodic Reviews

On December 26, 2023, the IRS [extended](#) the due date for submitting periodic certifications for review years 2021 or 2022, or applying for a periodic review waiver, from July 1, 2024 to September 1, 2024. The due date for entities selecting periodic review year 2023 was extended from December 31, 2024, to March 1, 2025. The extension was welcomed by the industry; however, the [June 8, 2024 guidance](#) issued by the IRS presents several significant challenges for QIs.

#### [June 8, 2024 IRS Guidance](#)

*Q24. If a QI submitting a non-waiver certification selects 2021 or 2022 as its periodic review year or a certification period ending during the term of the 2023 QI agreement, should the QI conduct its periodic review and make its applicable certification according to the procedures set forth in the 2017 QI agreement or 2023 QI agreement?*

*A24. If QI uses 2021 or 2022 as its periodic review year, the QI is subject to the review procedures set forth in section 10.05 of the 2017 QI agreement, instead of the review procedures specified in the 2023 QI agreement. As a result, since the Qualified Intermediary (QI), Withholding Foreign Partnership (WP), and Withholding Foreign Trust (WT) Application and Account Management System (QAAMS) will reflect changes to the required information specified in Appendix I and the addition of Appendix III to the 2023 QI agreement, a QI choosing 2021 or 2022 as its periodic review year should provide the information in Appendix I of the 2023 QI agreement ....*

*Part IV of Appendix I: The QI should include in Part IV any payments applicable to income code 27 ....*

*Part VII of Appendix I [Part 7, Step 1 in QAAMS]: A QI should select Yes to the question, "Did you select a periodic review year prior to 2023?" and then proceed to Appendix III of 2023 QI Agreement. No further entries are required for Part VII.*

### The challenges

Appendix III requires QIs to provide, for each applicable year of the periodic review cycle, certain information reported on Form 1042 and Forms 1042-S (included amended forms), by box and line, to reconcile certain information (such as, certain information on Forms 1042-S issued to the QI by the upstream parties and Form 1042 and Forms 1042-S filed by the QI; and between forms filed by the QI), and to provide explanations for any identified variances between Forms 1042-S filed and received. QIs are required to complete Appendix III as part of their periodic certifications using the attachment feature in QAAMS. This contrasts with the previous requirement to only provide reconciliation for the year subject to periodic review. And the periodic review cannot begin until Forms 1042-S and 1042 have been filed.

It is especially challenging for many QIs to arrive at an explanation of all variances, despite best efforts, especially for the two additional years. Some of the examples of the challenges QIs are facing in the reconciliation process are:

1. Missing forms from their upstream parties;
2. Differences in security classification and income sourcing;
3. Special transactions such as 302, 305(c) etc. need specific documentation and calculations;
4. REITs and dual source income are complex;
5. Staff retention and knowledge transfer;
6. Payment volumes and cut-off identification;
7. Fluctuating foreign exchange rates; and
8. Part IV of Appendix I requires QIs to include any payments applicable to income code 27. We interpret this to mean that a nominee for a PTP distribution subject to withholding under section 1446(f) must enter the PTPs name and other required information in boxes 16a through 16e with respect to PTP on Form 1042-S (income code 27). This compounds the challenges and compliance burden faced by QIs.

The amount of time and resources needed to investigate and explain minor differences is often disproportionate to the actual amounts that require explanation. A de minimis threshold for unexplained differences under which penalties would not apply would significantly ease the compliance burden for QIs.

The IRS already has all the Forms 1042-S issued to the QIs by their upstream parties. It would be helpful if the IRS put in place a slip matching program (like what the Canada Revenue Agency has) where QIs can log into the portal and see which Forms 1042-S have been issued to them by their upstream parties. At present, QIs must look one-by-one for all the Forms 1042-S. In some cases, the forms may have been amended and it is unclear what final information has been sent to the IRS. We also note that the due date for some QIs to undertake any amendments, file and furnish Forms 1042-S is September 15, 2024, which is after the September 1, 2024 due date for submitting the certification.

QIs that have received a periodic review report are checking with their reviewer to see if they have anything to add to their report (such as an addendum) considering the new FAQ 24 and 25, a process that will take longer than usual.

To conclude, due to the additional requirements mandated by the [June 8, 2024 IRS Guidance](#), and the significant challenges they represent, additional time is required by all QIs. The IIAC requests that the IRS automatically extend the due date for submitting periodic certifications for review years 2021 or 2022 from September 1, 2024, to June 1, 2025.

**To summarize, the IIAC proposes that the IRS:**

- Automatically extend the due date for submitting periodic certifications for review years 2021 or 2022 from September 1, 2024, to June 1, 2025.
- To minimize the burden associated with explaining all variances, allow for a de minimis threshold for unexplained differences (unexplained reconciliation differences under the de minimis threshold would not trigger penalties).
- Implement a slip matching program for Forms 1042-S.

**B. Additional comments to minimize the burden of the collection of information on those who are to respond**

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Overall, our members believe the certification process can be made more efficient and effective by having a standard template (like an official IRS form) that QIs would auto-fill and submit through the system to complete the certification, and that the supporting periodic review report be a standard template as well that can be given to reviewers to pre-populate. Standardized templates would also make it easier for the IRS to extract data.

Providing access to the eTrak system would enable QIs to reconcile better throughout the year.

Modifying QAAMS to provide more flexibility for QIs to submit files/documents/information (drop file) any time without requiring a number to be placed in each box or reopening their certification would greatly improve the exchange of information for both QIs and the IRS.

Expanding the list of representatives (contacts) would facilitate more productive and quicker communications, especially in cases where the contact person is out of the office. At present, up to four authorized users can access a system account: a responsible officer, a contact person, and up to two representatives of the power(s) of attorney.

Making the renewal process much simpler – for example, ‘click here for an automatic rollover, or here if changes are required’ would further reduce the burden of collecting information. At present, QIs must apply for renewal to the IRS on QAAMS, even if their information has not changed.

Some of our members have experienced significant delays in getting refund checks from the IRS on over-withholding, and it is not always clear who they should contact at the IRS. Providing contact information to reach individuals with the requisite expertise would be helpful.

Many QIs continue to have issues receiving Notices from the IRS as well as obtaining copies of transcripts when requested. We recommend that the IRS consider expanding the portal capabilities so that QIs could easily access those documents, when needed.

In general, enhance electronic delivery of documents and permit electronic submissions of responses where possible and feasible.

**To summarize, the IIAC recommends the following to further minimize the burden associated with collecting information from respondents:**

- Provide standard templates for QIs to complete the certification and the periodic review report.
- Provide access to the eTrak system.
- Modify QAAMS to provide more flexibility for QIs to drop file/upload any time without reopening their certification.
- Expand the list of contacts who can access QAAMS and add a list of level 1 and level 2 authorized representatives who the IRS can contact.
- Simplify the renewal process by incorporating an automatic renewal process, unless changes are required.
- Facilitate an easier and quicker refund process for over-withholding.
- Develop a comprehensive approach to modernizing delivery requirements and supporting a more towards greater reliance on electronic delivery.
- Expand the portal capabilities so that QIs could easily access Notices and copies of transcripts, when needed.

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**C. Enhancing the quality, utility, and clarity of the information to be collected**

As noted above, having standard template for QIs to complete the certification and a standard template for reviewers to complete the periodic review report would greatly improve the quality, utility and clarity of the information collected.

Providing access to the eTrak system would enable QIs to reconcile better throughout the year, further improving the quality of the data.

**D. Evaluating the accuracy of the Agency's estimate of the burden of the proposed collection of information**

In the Supplementary Information provided by the IRS in the May 2, 2024 [Notice and request for comments](#), the IRS estimates the number of respondents affected by the review to be 1,097,991, and that they spend roughly 16.4 minutes per respondent, which equates to a total annual burden of 301,018 hours, to do reporting on QAAMS.

Our members that are also QIs believe this a significant underestimation of the actual burden. *After* compiling, validating, and reviewing with the Responsible Officer the necessary information to input into QAAMS, many of our members said they spend approximately three hours in front of a computer to just go through the process in the portal – i.e. to manually input the required information and to review the input before submitting. Before they sit down to use the system, significant preparation is required behind the scenes which involves multiple team members and considerable time and effort.

Respectfully submitted,

Investment Industry Association of Canada (IIAC)