



November 8, 2019

**Via Electronic Filing**

Internal Revenue Service  
CC:PA:LPD:PR (REG-104870-18)  
Room 5205  
P.O. Box 7604,  
Ben Franklin Station  
Washington, DC 20044.

**Re: MFA Comments on IRS Proposed Regulation 104870-18, Taxable Year of Income Inclusion under an Accrual Method of Accounting**

Dear Ladies and Gentleman:

Managed Funds Association (“MFA”)<sup>1</sup> appreciates the opportunity to provide comments in response to the proposed regulations issued by the Department of the Treasury (“Treasury”) and the Internal Revenue Service (“IRS”), Taxable Year of Income Inclusion under an Accrual Method of Accounting (the “Proposed Regulations”), implementing section 451(b) of the Internal Revenue Code of 1986, as amended (the “Code”).<sup>2</sup> MFA agrees with the Proposed Regulations that the amendments to section 451(b) made by the Tax Cuts and Jobs Act were not intended to change existing timing and recognition rules with respect to original issue discount (“OID”) and market discount, other than with respect to specified credit card fees.

Accordingly, we agree with the provisions in the Proposed Regulations, which provide that application of section 451(b) will not affect the application of the general OID timing rules to OID other than with respect to items not treated as discount for financial reporting purposes, such as the credit card fees specified in the Proposed Regulations. We also support the determination in the Proposed Regulations and the prior guidance from Treasury and the IRS to include the market discount rules on the list of special methods of accounting to which section 451(b) does not apply. Because both of these proposals are consistent with the statutory intent in enacting changes to

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<sup>1</sup> The Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry’s contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns over time. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, North and South America, and many other regions where MFA members are market participants.

<sup>2</sup> Section references in this letter refer to Code sections, unless otherwise indicated.

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section 451(b), we encourage Treasury and the IRS to implement those aspects of the Proposed Regulations.

If you have any questions regarding any of these comments, or if we can provide further information with respect to these or other issues, please do not hesitate to contact Benjamin Allensworth at (202) 730-2600.

Respectfully submitted,

/s/ Mark D. Epley

Mark D. Epley  
Executive Vice-President & Managing Director,  
General Counsel

/s/ Benjamin Allensworth

Benjamin Allensworth  
Associate General Counsel