



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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JW/SA

November 20, 2015

The Honorable Rick Snyder
Governor of Michigan
111 South Capitol Avenue
Lansing, Michigan 48909

Dear Governor Snyder:

Thank you for your letter dated October 15, 2015, on the status of claims for refund filed by certain school districts covered by the Michigan Public School Employees Retirement System (MPERS).

Your letter discusses changes to relevant Michigan state law in 2010 and 2012, and identifies litigation challenging the validity of those laws under the state's constitution. This litigation potentially affects the federal tax treatment of contributions to the MPERS, and your letter indicates that some school districts have filed claims for refund of employment taxes withheld and paid on employee contributions to the MPERS under both the 2010 and 2012 state laws. In discussing the federal tax treatment of contributions to the MPERS, you asked us to hold in abeyance all claims governed by the 2012 state law. You also stated your intention to file a private letter ruling request by the end of this calendar year, relating to the federal tax treatment of the contributions to the MPERS made under the 2012 state law.

It is my understanding that we are holding in abeyance all claims governed by the 2010 state law, while we await the outcome of the constitutional challenge to that law. The litigation over the 2010 state law, however, does not affect the resolution of the claims governed by the 2012 state law, as the Michigan Supreme Court recently upheld the constitutional validity of the 2012 state law. Accordingly, we are now in a position to work the claims governed by the 2012 state law.

I appreciate your personal attention to Michigan's efforts to comply with our federal tax laws. If you have any questions, please contact me, or a member of your staff may contact Leonard Oursler, Director, Legislative Affairs, at (202) 317-4316.

Sincerely,

John A. Koskinen