

Procurement

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5 March 1987
OCA 87-0773

MEMORANDUM FOR: Associate Deputy General Counsel for
Operations Support and Procurement Law/OGC

FROM: [redacted] 25X1
Deputy Director for Legislation/OCA

SUBJECT: Tax Reporting of Classified Contracts [redacted] 25X1

REFERENCE: OCA 87-0654

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1. On 20 February, [redacted] met with [redacted] and [redacted] to discuss a problem posed by section 6050M of the Internal Revenue Code of 1986. That provision requires that the head of every Federal executive agency report to the Internal Revenue Service (IRS) certain identifying information with regard to all contracts. It was decided at that meeting that [redacted] would contact the Department of the Treasury to determine what arrangement could be worked out, i.e., whether the reporting of classified contracts could be excluded by regulation or whether a legislative fix was necessary. If it is decided that the regulation route is the way to go, I trust that your people will take the lead. [redacted] 25X1
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2. The Treasury referant, Lenore B. Mintz, said that she understood that the problem could not be remedied with a regulation. However, she did mention that one of the four methods suggested by the IRS, which is a non-legislative remedy, could correct the problem and, in fact, would be the easiest way to do so. This method consists of including language in the General Explanation of the Act, the "Blue Book," that states that authority exists to interpret the statute by regulation

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in a manner consistent with national security and law enforcement needs. Accordingly, we sent to [redacted] the referenced memorandum with suggested language for implementing this method as well as the other three. [redacted]

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3. [redacted] on 3 March 1987 to indicate that any of the suggested methods is suitable, including the Blue Book remedy. Because incorporating language into the Blue Book would be the simplest way of handling this problem and would not involve a legislative fix, we assume your office will handle this matter at this stage. [redacted]

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