

Effective Date of Rev. Proc. 2002-41

Notice 2002-55

Rev. Proc. 2002-41, 2002-23 I.R.B. 1098, question and answer 3 defines the employers in the pipeline construction industry that may provide an optional expense substantiation rule for certain employee business expenses. Rev. Proc. 2002-41 is effective for reimbursements paid on or after January 1, 2003.

Employers have asked whether the provisions of Rev. Proc. 2002-41 may be implemented prior to January 1, 2003. In response to these requests, this notice provides that employers may elect to implement the provisions of Rev. Proc. 2002-41 as of the date this notice is published in the Internal Revenue Bulletin.

However, any employer that elects to implement the provisions of Rev. Proc. 2002-41 prior to January 1, 2003, is not also eligible for the relief provided under Rev. Rul. 2002-35, 2002-23 I.R.B. 1067, for any payments in any period following the date they elect to implement Rev. Proc. 2002-41. Rev. Rul. 2002-35 provides that under the authority of § 7805(b), a taxpayer that actually paid amounts separate from wages for the use of employee-provided equipment (such as the welding or mechanics rigs described in Situation 1 or the heavy truck described in Rev. Rul. 68-624, 1968-2 C.B. 424) and reported these payments on timely issued Forms 1099 for calendar years beginning before January 1, 2002, may continue to report these payments on Form 1099 for periods ending on or before December 31, 2002. Thus, an employer may not elect to reimburse welding and mechanics rig expenses under Rev. Proc. 2002-41 on October 1, 2002, and also pay an additional amount separate from wages for such expenses and report the payments on Form 1099 for any periods on or after October 1, 2002.

Drafting Information

For further information regarding this notice, contact Joe Spires of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities) at (202) 622-6040 (not a toll-free call).