



THE ASSOCIATION OF  
QUALIFIED & AUTHORISED  
INTERMEDIARIES

Administrative Offices:  
30 Mill Lane, Yateley,  
Hampshire United Kingdom  
GU46 7TN

November 26<sup>th</sup>, 2025

Dear Sirs and madam,

I write on behalf of the membership of the Association of Qualified & Authorised Intermediaries (AQAI), comprising 112 members in 34 countries. Our membership is drawn from those financial firms that have qualified intermediary status under Revenue Procedure 2022-43 together with firms that provide services to these institutions (vendors).

The Association would like to request an additional one-year administrative exemption from the electronic filing requirement for form 1042 applicable to foreign withholding agents. The purpose of the continued exemption is to allow the IRS and industry to create a stable technical environment in which financial institutions can apply for the relevant authentication, obtain the appropriate xml schema, develop and test systems.

Pursuant to prior communications on this subject in December 2023, the IRS issued Notice 2024-26. Section 3.02 of the Notice provided administrative exemptions to foreign persons that are withholding agents, inter alia qualified intermediaries, from the requirement to file form 1042 in electronic form at the Modernized e file portal (MeF) in 2025.

The industry has worked diligently to gather sufficient information about the filing process and to begin to implement procedures that would enable such electronic filing. However, as at November 2025, after two years of effort, significant obstacles still remain. Some of these are outlined overleaf.



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### **Continuing difficulties obtaining a Transmitter Control Code (TCC).**

This is an old problem but one that we don't believe the IRS has yet fixed, even though we acknowledge the guidance provided in QuickAlerts on January 26<sup>th</sup>, 2024. At a particular point in the application process, applicants are still faced with an error message and can go no further. Without a TCC, filing if forms 1042-S is not achievable.

If a withholding agent tries to apply for a TCC and doesn't have an ITIN they will get an error message. So even if they successfully create an ID.me account, if there is no ITIN associated with it, the application can't go any further and can't log into e-services or make the TCC application for the IRIS system.

The ID.me is also not yet stable. Even after setup is completed, it gets frequently rerouted back for Video Authentication. Even after Video KYC is successfully completed during the call, the account still gets locked and the unlocking is very tedious.

### **Reliance on SSN of US Persons**

Most non-US Filers are unable to obtain an SSN. For them, the situation remains challenging as the industry awaits a workable alternative from the IRS. Unless an alternative is found, tested and made available, the majority of foreign withholding agents, whether QI or NQI, won't be allowed to file form 1042 electronically in 2026. Instead, they will be forced to rely on the still small number of US-based IRS approved third-party providers. This in turn will create significant legal and operational challenges together with associated costs. In our submission of 2023, we recommended the solution of permitting the use of ITINs instead of restricting access only to those with an SSN.

### **Difficulties obtaining the 1042 xml schema**

This has recently been moved behind a firewall for which registration at MeF and for IRS e-services are required. The information available to the industry is not well constructed or disseminated. It also appears that non-US people can't be added to e-Services applications as authorised users or delegates, even with an ITIN.

The Schema Object Representation (SOR) access is a challenge through a lack of proper awareness in the industry. Several IT vendors are also struggling due to the schema issues and overall testing. Current response times from Helpdesk and Technical Support for these issues are quite long.

### **Conclusion**

A continuance of the administrative exemption for the 2026 tax year would be valuable to iron out these kinds of issues that will affect, at least, the three thousand eight hundred and nine qualified intermediaries and the much larger cohort of non-qualified intermediaries that file form 1042. We therefore respectfully submit our request for your consideration.

We would also urge the IRS to increase its outreach to foreign withholding agents so that these issues and others can be discussed and resolved. This could be achieved, for example, by appointing foreign members to the IRS Advisory Council to represent large businesses overseas in the QI program or by establishing a dedicated advisory committee for international tax payers to address their specific issues. Furthermore, AQAI would be happy to jointly host a series of webinars with the IRS to facilitate a greater level of compliance in future.

Sincerely

Ross McGill, Chairman  
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