

**MEMO# 5293**

November 16, 1993

# **IRS PROPOSES REMOVAL OF NONPAYROLL ITEMS FROM IRS FORM 941**

1 See Institute Memoranda to Tax Committee No. 29-92, Pension Committee No. 27-92, Operations Committee No. 21-92 and Transfer Agent Advisory Committee No. 42-92, dated August 3, 1992; and to Tax Committee No. 28-92, Pension Committee No. 26-92, Operations Committee No. 20-92 and Transfer Agent Advisory Committee No. 39-92, dated July 24, 1992. 2 See Institute Memorandum to Tax Committee No. 22-93, Pension Committee No. 14-93, Operations Committee No. 15-93 and Transfer Agent Advisory Committee No. 27-93, dated April 16, 1993. November 16, 1993 TO: OPERATIONS MEMBERS NO. 36-93 PENSION COMMITTEE NO. 37-93 TAX COMMITTEE NO. 38-93 TRANSFER AGENT ADVISORY COMMITTEE NO. 56-93 RE: IRS PROPOSES REMOVAL OF NONPAYROLL ITEMS FROM IRS FORM 941

\_\_\_\_\_ As we previously informed you, the Institute in written comments and testimony has urged the IRS to distinguish between payroll items and nonpayroll items (such as backup withholding and pension and annuity withholding) in its regulations concerning the reporting of "employment taxes" under section 6302 of the Internal Revenue Code.<sup>1</sup> In April 1993, the IRS announced its consideration of a proposal to remove from IRS Form 941 (Employer's Quarterly Federal Tax Return) all nonpayroll items and to create a new IRS Form 945 (Annual Return of Withheld Federal Income Tax) for the reporting of these nonpayroll items.<sup>2</sup> The IRS has incorporated this reporting change into the attached proposed regulations, which would be effective with respect to payments made after December 31, 1993. Written comments concerning the proposed regulations are due by December 1, 1993 and a hearing will be held on December 2, 1993. If you have any comments that you would like the Institute to submit, please call the undersigned at (202) 955-3585 no later than November 26. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment