

MEMO# 5723

March 29, 1994

IRS TAXPAYER IDENTIFICATION NUMBER MATCHING PROGRAM

March 29, 1994 TO: OPERATIONS MEMBERS NO. 9-94 TAX MEMBERS NO. 10-94 TRANSFER AGENT ADVISORY COMMITTEE NO. 12-94 RE: IRS TAXPAYER IDENTIFICATION NUMBER MATCHING PROGRAM _____ As you may know, the Internal Revenue Service ("IRS") has been working for some time to develop a "Taxpayer Identification Number ("TIN") matching program" to assist payors in providing the correct TIN for each payee for whom tax information reporting is required. Specifically, the TIN matching program will enable a payor to know at the time an account is opened whether the payee's name and TIN combination "match" or whether there is a mismatch which will generate a "B" Notice under the backup withholding rule of Code section 3406(a)(1)(B). The attached temporary and proposed regulations issued by the IRS create a prototype online matching program for use on a voluntary basis by 200 taxpayers selected by the IRS at random. Under the prototype program, which will run for up to two-years, a payor may furnish the IRS, via its own computer and modem, with the name/TIN combination provided by a payee. The IRS will then advise the payor whether the name/TIN combination matches a name/TIN combination in the IRS' records. The temporary regulations provide that neither the decision whether to participate in the matching program nor any TIN matching information received through the program will be taken into account in determining whether a payor has reasonable cause for failing to file a correct information return or failure to furnish a correct payee statement. In addition, information concerning an incorrect name/TIN combination received through the program will not be considered a notice of an incorrect TIN for purposes of triggering backup withholding. Written comments on the proposed regulations are due May 5, 1994, and a hearing on the regulations has been scheduled for May 20, 1994. Requests to testify must be submitted by April 22, 1994. Please contact the undersigned at (202) 326-5837 by April 18 with any comments that you believe the Institute should submit. We will keep you informed of further developments. Peter J. Cinquegrani Assistant Counsel - Tax Attachment