

MEMO# 7660

February 23, 1996

IRS UPDATES REVENUE PROCEDURES ON FILING IRS FORM 1042-S AND IRS FORMS 941 AND 945

1 See Institute Memorandum to Tax Members No. 10-93, Operations Members No. 16-93, Closed-End Fund Members No. 9-93, Unit Investment Trust Members No. 11-93, Accounting /Treasurers Committee No. 12-93 and Transfer Agent Advisory Committee No. 19-93, dated March 5, 1993. February 23, 1996 TO: CLOSED-END FUND COMMITTEE No. 3-96 OPERATIONS MEMBERS No. 8-96 PENSION COMMITTEE No. 7-96 TAX MEMBERS No. 8-96 TRANSFER AGENT ADVISORY COMMITTEE No. 8-96 UNIT INVESTMENT TRUST MEMBERS No. 8-96 RE: IRS UPDATES REVENUE PROCEDURES ON FILING IRS FORM 1042-S AND IRS FORMS 941 AND 945

The Internal Revenue Service ("IRS") has issued revenue procedures: (1) updating the requirements for filing electronically or magnetically IRS Form 1042-S, Foreign Persons U.S. Source Income Subject to Withholding (Rev. Proc. 96-11); (2) providing instructions for completing IRS Form 8655, Reporting Agent Authorization for Magnetic Tape/Electronic Filers (Rev. Proc. 96-17); (3) updating the requirements for participating in the magnetic tape programs for IRS Forms 941 and 945, relating to reporting backup withholding and withholding on pensions, annuities and IRAs (Rev. Proc. 96-18); and (4) for filing electronically IRS Form 941, which applies to withholding on certain nonqualified pension plans and some other deferred compensation arrangements (Rev. Proc. 96-19). Copies of any or all of these revenue procedures ("rev. procs.") may be obtained by calling the Institutes Information Resource Center at (202) 326-8305. Filing Form 1042-S, Relating to Withholding on Foreign Payees (Rev. Proc. 96-11) The new revenue procedure for filing Form 1042-S, which is used by payors to report U.S. withholding tax on payments to foreign payees, updates a revenue procedure issued in 1993.¹ Section 2 of Part A of the revenue procedure lists various editorial and programming changes which apply to Tax Year 1995 Form 1042-S submissions. Form 8655, Reporting Agent Authorization for Mag. Tape/Electronic Filers (Rev. Proc. 96-17) Revenue Procedure 96-17, which updates a revenue procedure issued in 1989 and is effective January 22, 1995, provides instructions for completing Form 8655, Reporting Agent Authorization for Magnetic Tape/ Electronic Filers. This reporting agent authorization, among 2 The requirements for electronically transmitting federal tax deposits, such as those reported on Form 945, are covered by Revenue Procedure 94-48 (as modified by Rev. Proc. 94-48A). See, e.g., Institute Memorandum to Accounting/Treasurers Members No. 46-94, Tax Members No. 53-94 and Transfer Agent Advisory Committee No. 51-94, dated December 28, 1994. other things, allows a reporting agent to (1) sign and file Forms 941 and 945, which are used to report amounts withheld under the backup withholding rules of section 3406 and withholding on

pensions, annuities and IRAs, and (2) make federal tax deposit payments and submit payment information for those returns either electronically or on magnetic tape. Section 3 of the revenue procedure describes the significant changes made by this revenue procedure, including the separate publication of the magnetic tape specifications in IRS Publication 1474, Technical Specifications Guide for Reporting Agent Authorization for Magnetic Tape/Electronic Filers. Filing Forms 941 and 945, Relating to Tax Withholding, on Mag. Tape (Rev. Proc. 96-18) Revenue Procedure 96-18, which updates and consolidates three revenue procedures issued in 1993 and 1994, sets forth the requirements for filing on magnetic tape various IRS tax forms, including Form 941, Employers Quarterly Federal Tax Return (used to report withholding on certain nonqualified pension plans and certain other forms of deferred compensation), and Form 945, Annual Return of Withheld Income Tax (used to report backup withholding amounts as well as amounts withheld on pensions, annuities and IRAs). Significant changes made by this revenue procedure, which are listed in Section 3, are effective for returns due after December 31, 1995. One of the most significant changes is that the technical specifications for filing these forms now are published separately, rather than as part of the revenue procedure. See, e.g., IRS Publication 1264, File Specifications, Processing Criteria and Records Layouts for Magnetic Tape Filing of Form 941 and IRS Publication 1833, File Specifications, Processing Criteria and Records Layouts for Magnetic Tape Filing of Form 945. Filing Form 941 Electronically (Rev. Proc. 96-19) Revenue Procedure 96-19 provides the requirements for filing electronically Form 941, Employers Quarterly Federal Tax Return.² This revenue procedure applies to submissions due after December 31, 1995. The technical specifications for filing Form 941 electronically are published separately in the Technical Specifications Guide for the Electronic Filing System for Form 941, Employer's Quarterly Federal Tax Return. * * * *
* * * We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax

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