

MEMO# 10602

December 23, 1998

FEBRUARY 9, 1999 MEETING ON NONRESIDENT ALIEN WITHHOLDING REGULATIONS

1 See Institute Memorandum to Operations Members No. 35-98, Tax Members No. 42-98, Transfer Agent Advisory Committee No. 82-98, dated December 3, 1998. [10602]
December 23, 1998 TO: TAX COMMITTEE No. 40-98 OPERATIONS COMMITTEE No. 46-98
TRANSFER AGENT ADVISORY COMMITTEE No. 87-98 BANK AND TRUST ADVISORY
COMMITTEE No. 16-98 RE: FEBRUARY 9, 1999 MEETING ON NONRESIDENT ALIEN
WITHHOLDING REGULATIONS

The Internal Revenue Service ("IRS") has issued final withholding tax regulations that will apply to certain US source income paid after December 31, 1999 to persons who are neither citizens nor residents of the United States ("nonresident aliens" or NRAs). The IRS also has released new Form W-8 withholding certificates, which will replace current IRS Forms W-8, 1001, 4224 and 8709.¹ The final regulations make a number of changes to the withholding tax rules that will affect regulated investment companies and their NRA investors. For example, the final regulations eliminate the "address rule" for dividends, pursuant to which a NRA investor could obtain reduced rates of withholding provided by any income tax treaty between the United States and his or her country of residence based solely on the investor's address in the treaty country. Under the final regulations, a NRA investor must provide a Form W-8 withholding certificate to obtain treaty benefits. The Institute will hold a meeting on Tuesday, February 9, 1999 to discuss the impact of the final regulations on regulated investment companies and the transition rules announced in IRS Notice 98-16 for the new Form W-8 withholding certificates. A detailed memorandum discussing the final regulations will be circulated in advance of the meeting. The meeting will begin promptly at 1:00 p.m. in the David Silver Conference Room, which is located on the 12th Floor of the Institute's offices at 1401 H Street, NW, Washington, DC 20005. Lunch will be served immediately prior to the meeting. ACTIONS REQUESTED: 1. If you plan to attend the meeting, please complete the attached meeting response form and fax it to my assistant, Gloria Davis, at 202.326.5841. Alternatively, you may contact her at 202.371.5407 or gdavis@ici.org. 2. If you have suggestions for particular issues to be discussed at the meeting, please direct them to the undersigned at dflores@ici.org or 202.371.5436. Deanna J. Flores Assistant Counsel Attachment

should not be considered a substitute for, legal advice.