

MEMO# 6130

August 16, 1994

NEW NOTICE OF PROPOSED PENALTY FOR INFORMATION RETURNS

August 16, 1994 TO: OPERATIONS MEMBERS NO. 28-94 TAX MEMBERS NO. 36-94
TRANSFER AGENT ADVISORY COMMITTEE NO. 31-94 RE: NEW NOTICE OF PROPOSED
PENALTY FOR INFORMATION RETURNS

_____ The IRS has announced that starting in November, payers that appear to be out of compliance with information reporting requirements will receive a new Notice of Proposed Civil Penalty, Notice 972CG. The new notice will replace the current Notice 936CG that formally assesses a civil penalty, which was usually issued in July or August. (In the future, the IRS expects to issue Notice 972CGs during the summer.) Under the old notice system, the first contact a taxpayer would receive from the IRS concerning missing or incorrect Taxpayer Identification Numbers on information returns was a notice assessing penalties for failure to comply with the information reporting rules. Taxpayers had 10 days to pay the assessment or submit information showing that they had reasonable cause for any problems. The new Notice 972CG will give taxpayers 45 days to show that there was reasonable cause for any errors. If the IRS accepts the explanation, no penalty will be assessed. If the IRS disagrees, the penalties will be assessed and the taxpayer will have 10 days from the date of the assessment to pay the amount due. A copy of the IRS Announcement describing the new notice is attached. We will keep you informed of developments. Peter J. Cinquegrani
Assistant Counsel - Tax Attachment

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