

MEMO# 3835

June 9, 1992

PROPOSED AMENDMENTS TO TAX DEPOSIT REGULATIONS

- 1 - June 9, 1992 TO: TAX COMMITTEE NO. 21-92 OPERATIONS COMMITTEE NO. 17-92
TRANSFER AGENT ADVISORY COMMITTEE NO. 30-92 RE: PROPOSED AMENDMENTS TO TAX
DEPOSIT REGULATIONS _____ The
Internal Revenue Service ("IRS") has issued the attached proposed amendments to the
regulations under Code section 6302 that provide the rules for depositing, among other
things, amounts withheld under the backup withholding requirements of Code section 3406.
In essence, the proposed amendments would provide tax deposit rules comparable to those
that were contained in the tax bill vetoed in March. (See, e.g., Institute Memorandum to Tax
Members No. 14-92, Closed-End Fund Members No. 12-92, Unit Investment Trust Members
No. 17-92, Accounting/Treasurers Members No. 10-92, Operations Members No. 10-92,
International Committee No. 6-92, Institutional Funds Committee No. 2-92 and Transfer
Agent Advisory Committee No. 12- 92, dated March 16, 1992). Under the proposed tax
deposit system, backup withholding amounts would be deposited under one of three
methods. First, deposits would be required to be made once a month if the amounts
withheld by a payor under section 3406 in each of the prior four calendar quarters was
\$12,000 or less. Second, deposits would be required to be made twice a week, on Tuesdays
and Fridays, if the amounts withheld in any of the prior four quarters exceeded \$12,000.
Finally, if the amount of undeposited backup withholding accumulated to \$100,000 or more,
the payor would be required to deposit this amount by the close of the next business day.
In determining whether the various dollar amount thresholds have been met, payors could
treat backup withholding amounts separate from tax withheld on the payor's payroll (i.e.,
employment tax). The regulations are proposed to be effective with respect to payments
made after December 31, 1992. The IRS has announced that it intends to finalize these
regulations later this year. To meet this goal, the IRS has scheduled a public hearing on
these regulations for August 3, 1992 and has requested that all comments on the proposed
regulations be received by July 20, 1992. Please contact the - 2 - undersigned at (202)
955-3585 no later than July 6, 1992 with any comments that the Institute should submit on
these regulations. We will keep you informed of developments. Keith D. Lawson Associate
Counsel - Tax Attachment KDL:bmb