

MEMO# 10138

July 20, 1998

IRS GUIDANCE ON PENALTY RELIEF FOR TIN ERRORS ON FORMS 1099-R

[10138] July 20, 1998 TO: PENSION MEMBERS No. 46-98 PENSION OPERATIONS ADVISORY COMMITTEE No. 29-98 OPERATIONS COMMITTEE No. 29-98 TAX COMMITTEE No. 24-98 TRANSFER AGENT ADVISORY COMMITTEE No. 42-98 RE: IRS GUIDANCE ON PENALTY RELIEF FOR TIN ERRORS ON FORMS 1099-R

In early August, the Internal Revenue Service will begin to send filers of Forms 1099-R lists of payees whose taxpayer identification numbers on 1996 Forms 1099-R have been identified as missing or incorrect based on the IRS matching process. Although the law provides a penalty of \$50 per return for filing an information return with a missing or incorrect TIN, the IRS states in Announcement 98-73 that for 1996 and 1997 Forms 1099-R, this penalty will not be assessed for missing or incorrect TINs identified by the IRS matching process. According to the Announcement, payers should use the information the IRS provides to correct their records and, if necessary, obtain correct payee information in order to assure accurate information returns are filed in the future. If a payer does not have a payee's TIN and/or the payee refuses or neglects to provide a TIN, the payer should comply with IRS Regulation section 301.6724-1(e) and withhold federal income taxes from any payments made to the payee that are payments subject to Code section 3405. The IRS also notes, however, that the informational listing provided to filers do not constitute notice under Code section 3405(e)(12)(B) that the TIN furnished by a payee is incorrect. Russell G. Galer Senior Counsel Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Library Services Division at (202)326- 8304, and ask for this memo's attachment number: 10138.