

MEMO# 6500

December 28, 1994

IRS MODIFIES RULES FOR DEPOSITING TAXES ELECTRONICALLY

* See Institute memorandum to Accounting/Treasurers Members No. 29-94, Tax Members No. 41-94 and Transfer Agent Advisory Committee No. 41-94. December 28, 1994 TO: ACCOUNTING/TREASURERS MEMBERS No. 46-94 TAX MEMBERS No. 53-94 TRANSFER AGENT ADVISORY COMMITTEE No. 51-94 RE: IRS MODIFIES RULES FOR DEPOSITING TAXES ELECTRONICALLY

As we previously informed you, in July the IRS issued regulations and a Revenue Procedure implementing legislation requiring that withheld taxes generally be deposited via electronic fund transfer ("EFT").* TAXLINK, the current system for processing electronic tax deposits, originally required taxpayers to provide notice the day before a deposit is to be made of the amount to be deposited. Many mutual funds process each day's transactions and determine the amount of backup and nonresident alien withholding late in the evening, and deposit the withheld amount the next day. Thus, they typically cannot provide the prior day notice of the amount of such taxes to be deposited. The Institute called this problem to the attention of the IRS. The Institute is pleased to report that the attached Revenue Procedure implements the Institute's suggestion to modify the TAXLINK system effectively to eliminate the prior day notification requirement for taxpayers required to deposit taxes using EFTs. We will keep you informed of developments. Peter J. Cinquegrani Assistant Counsel - Tax Attachment