

MEMO# 8024

July 16, 1996

DRAFT LETTER ON NONRESIDENT ALIEN WITHHOLDING REGULATIONS

1 See Institute Memoranda to Tax Committee No. 13-96, Operations Committee No. 8-96 and Transfer Agent Advisory Committee No. 23-96, dated April 30, 1996, and to Tax Members No. 19-96, Operations Members No. 18-96 and Transfer Agent Advisory Committee No. 22-96, dated April 25, 1996. July 16, 1996 TO: OPERATIONS COMMITTEE No. 13-96 TAX COMMITTEE No. 25-96 TRANSFER AGENT ADVISORY COMMITTEE No. 41-96 ATTENDEES AT MAY 15 MEETING RE: DRAFT LETTER ON NONRESIDENT ALIEN WITHHOLDING REGULATIONS

_____ As we previously informed you, the Internal Revenue Service ("IRS") has requested that comments on the recently proposed regulations regarding withholding tax on payments to nonresident alien investors be submitted by July 22, 1996.¹ The attached draft Institute comment letter focuses primarily on the need to expand the definition of "U.S. established financial market" -- which would be the new standard for obtaining treaty benefits without an IRS-generated taxpayer identification number -- to cover shares of mutual funds regulated under the Investment Company Act of 1940. The letter also urges a number of other modifications which were discussed at the May 15, 1996 members meeting and a May 29, 1996 Institute/IRS meeting on the proposed regulations. Please provide any comments you may have on the draft letter to the undersigned at 202-326-5832 by Thursday, July 18. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment