

**MEMO# 12393**

July 26, 2000

## **INSTITUTE COMMENTS ON REVISED FORM 1042-S FOR YEAR 2001 INFORMATION REPORTING**

[12393] July 26, 2000 TO: BANK AND TRUST ADVISORY COMMITTEE No. 18-00  
BROKER/DEALER ADVISORY COMMITTEE No. 15-00 OPERATIONS COMMITTEE No. 16-00 TAX  
COMMITTEE No. 31-00 TRANSFER AGENT ADVISORY COMMITTEE No. 34-00 RE: INSTITUTE  
COMMENTS ON REVISED FORM 1042-S FOR YEAR 2001 INFORMATION REPORTING The  
Institute has submitted the attached comment letter to the Internal Revenue Service  
regarding the 2001 draft Form 1042-S which incorporates a number of changes affecting  
mutual fund shareholders.<sup>1</sup> When finalized, this form will be used by withholding agents,  
including mutual funds, to report payments of certain US source income ("reportable  
payments") made to foreign persons during 2001 and any US tax withheld from such  
reportable payments. The Institute's letter recommends that (1) US mutual funds continue  
to be allowed to report both ordinary income dividends and capital gain dividends to the  
Internal Revenue Service (IRS) and shareholders using a single copy of IRS Form 1042-S; (2)  
Form 1042-S retain the explanatory information currently provided to shareholders and that  
the "Pro-rata basis reporting" and "Amount reimbursed to recipient" boxes be relabeled as  
the "NQI pro-rata reporting" and "Refunds of overwithheld amounts" boxes, respectively;  
and (3) the new requirement in box 14 for the withholding agent to separately identify the  
type of US taxpayer identification number provided by a recipient (i.e., as a SSN or ITIN, EIN  
or QI-EIN) be eliminated as redundant. With respect to the "Amount reimbursed to  
recipient" box, the letter also requests that the IRS provide an example showing the  
intended use for this box on the back of payee Form D. Deanna J. Flores Assistant Counsel  
Attachment Attachment (in .pdf format) 1 See Institute Memorandum to Bank and Trust  
Advisory Committee No. 16-00; Broker/Dealer Advisory Committee No. 14-00; Operations  
Committee No. 15-00; Tax Committee No. 29-00; and Transfer Agent Advisory Committee  
No. 31-00, dated July 17, 2000.