

MEMO# 3972

August 3, 1992

INSTITUTE TESTIFIES ON PROPOSED TAX DEPOSIT REGULATIONS

August 3, 1992 TO: TAX COMMITTEE NO. 29-92 PENSION COMMITTEE NO. 27-92
OPERATIONS COMMITTEE NO. 21-92 TRANSFER AGENT ADVISORY COMMITTEE NO. 42-92
RE: INSTITUTE TESTIFIES ON PROPOSED TAX DEPOSIT REGULATIONS

As we previously informed you, the Institute recently filed written comments on proposed amendments to the regulations under section 6302 of the Internal Revenue Code that provide rules for depositing "employment taxes", including payroll taxes, pension and annuity withholding amounts and backup withholding amounts. (See Institute Memoranda to Tax Committee No. 28-92, Pension Committee No. 26-92, Operations Committee No. 20-92 and Transfer Agent Advisory Committee No. 39-92, dated July 24, 1992; and to Tax Committee No. 21-92, Operations Committee No. 17-92 and Transfer Agent Advisory Committee No. 30-92, dated June 9, 1992.) Today, at an IRS public hearing on the regulations, the Institute made two specific comments and reiterated its support for the regulations. A copy of the Institute's testimony is attached. First, the Institute applauded the proposal's new semi-weekly deposit rule which, by requiring deposits on Tuesdays and Fridays rather than every eighth of a month, would greatly simplify the administration of backup withholding and pension and annuity withholding. Second, the Institute supported the distinction made for deposit purposes between backup withholding and other withheld tax amounts. The Institute further suggested that it may be appropriate to provide separate tax deposit rules for pension and annuity withholding. In this context, the Institute noted that the only IRS guidance for depositing pension and annuity amounts is contained in an IRS Announcement (No. 84-40). Under this Announcement, payors may: (1) aggregate withholding amounts from all designated pension distributions under its control with its payroll tax deposits; (2) request a separate Employer Identification Number ("EIN") solely for purposes of reporting the aggregated withholding from the designated pension distributions under its control; or (3) remit the tax under the EIN of each pension plan separately. The Institute urged that - 2 - the options provided by Announcement 84-40 be included in these payroll tax deposit regulations. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment