

MEMO# 7820

April 30, 1996

MAY 15 MEETING ON NONRESIDENT ALIEN WITHHOLDING REGULATIONS

* See Institute Memorandum to Tax Members No. 19-96, Operations Members No. 18-96 and Transfer Agent Advisory Committee No. 22-96, dated April 25, 1996. VIA FAX April 30, 1996 TO: TAX COMMITTEE No. 13-96 OPERATIONS COMMITTEE No. 8-96 TRANSFER AGENT ADVISORY COMMITTEE No. 23-96 RE: MAY 15 MEETING ON NONRESIDENT ALIEN WITHHOLDING REGULATIONS

_____ Last week, the Internal Revenue Service released proposed regulations that would extensively revise the regulations imposing withholding tax on nonresident aliens ("NRAs") and foreign corporations. As discussed in detail in the Institute Memorandum on these regulations,* the proposed regulations would eliminate the so-called "address rule" used by regulated investment companies ("RICs") and others to reduce withholding tax, pursuant to income tax treaties, on dividends paid to NRA shareholders. Instead, treaty benefits could be provided for dividends on stocks that trade on a "U.S. established financial market" if, among other things, the NRA (1) provided an IRS Form W-8, which would not need to contain a taxpayer identification number, or (2) invested through a foreign institution that met the requirements for "qualified intermediary" treatment. The Institute will be preparing comments on the proposed regulations, which must be submitted to IRS by July 22, 1996. Among other things, the Institute will urge that the proposed regulations definition of "U.S. established financial market" be modified because, as discussed in the Institute's April 25 Memorandum, mutual funds do not trade pursuant to either of the sections of the Securities Exchange Act of 1934 that are part of the definition. On May 15, the Institute will hold a meeting of interested members to review the proposed regulations and develop other issues for inclusion in the comment letter. The meeting, which will be held in the David Silver Conference Room on the 12th Floor of the Institutes offices at 1201 H Street, N.W. Washington, D.C. 20005, will begin at 10:00 a.m. and end with lunch. If you plan to attend the meeting on May 15, please complete the attached fax response form and return it to Theresa Brice at (202) 326-5839. Questions regarding the meeting or the proposed regulations can be directed to the undersigned at (202) 326-5832. Keith D. Lawson Associate Counsel - Tax Attachment ATTENDANCE RESPONSE FORM INVESTMENT COMPANY INSTITUTE NONRESIDENT ALIEN WITHHOLDING REGULATIONS MEETING Wednesday, May 15, 1996 Please fax this portion by Monday, May 13, 1996 to Theresa Brice Investment Company Institute, 202-326-5839. YES NO _____ NONRESIDENT ALIEN WITHHOLDING REGULATIONS MEETING - 10:00 a.m. _____ LUNCH _____ or _____ COMMITTEE MEMBER'S NAME ALTERNATE'S NAME _____ COMPANY NAME Please check here if you need special services due to a disability.

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