

MEMO# 5835

May 3, 1994

IRS INFORMATION LETTER REGARDING TIMING OF BACKUP WITHHOLDING ON YEAR END DIVIDENDS

May 3, 1994 TO: OPERATIONS MEMBERS NO. 15-94 TAX MEMBERS NO. 18-94 TRANSFER
AGENT ADVISORY COMMITTEE NO. 18-94 RE: IRS INFORMATION LETTER REGARDING TIMING
OF BACKUP WITHHOLDING ON YEAR END DIVIDENDS

_____ The IRS recently issued the attached information letter regarding reporting and depositing of backup withholding amounts attributable to regulated investment company ("RIC") dividends declared in October, November or December and paid in January of the following year. Pursuant to the Code 852(b)(7), such dividends are treated as paid by the fund and received by the shareholder on December 31, of the first year. According to the letter, the obligation to backup withhold arises in January when the dividend is actually paid. The amount withheld must be deposited in January and reported on Forms 945 filed for the year including the date of payment. The letter indicated that it is inappropriate to complete the Form 941 (or 945) for the first year showing the backup withholding amount as being withheld when the dividend is not actively paid until the next year because the mismatch between reporting and depositing the backup withholding would cause the IRS to assert penalties for failure to timely deposit the withheld amounts. We will keep you informed of further developments. Peter J. Cinquegrani Assistant Counsel-Tax Attachment