

MEMO# 11726

March 16, 2000

MARK YOUR CALENDAR - MAY 9, 2000 MEETING ON NONRESIDENT ALIEN WITHHOLDING REGULATIONS

[11726] March 16, 2000 TO: BANK AND TRUST ADVISORY COMMITTEE No. 6-00
BROKER/DEALER ADVISORY COMMITTEE No. 4-00 OPERATIONS COMMITTEE No. 6-00 TAX
COMMITTEE No. 10-00 TRANSFER AGENT ADVISORY COMMITTEE No. 13-00 RE: MARK YOUR
CALENDAR - MAY 11, 2000 MEETING ON NONRESIDENT ALIEN WITHHOLDING REGULATIONS

The Internal Revenue Service ("IRS") has issued final withholding tax regulations that will apply to certain US source income paid after December 31, 2000 to persons who are neither citizens nor residents of the United States ("nonresident aliens" or "NRAs"). The IRS also has released new Form W-8 withholding certificates, which replace IRS Forms W-8, 1001, 4224 and 8709. The final regulations make a number of changes to the withholding tax rules that will affect regulated investment companies ("RICs") and their NRA investors. Most notably, the final regulations eliminate the "address rule" for dividends, pursuant to which a NRA investor could obtain reduced rates of withholding provided by any income tax treaty between the United States and his or her country of residence based solely on the investor's address in the treaty country. Under the final regulations, a NRA investor must provide a Form W-8 withholding certificate to obtain treaty benefits. In addition, the final regulations create new rules pursuant to which certain foreign intermediaries (such as banks and brokers) and foreign branches of US banks may apply to the IRS to be treated as "qualified intermediaries" or "QIs" for US withholding tax and information reporting purposes. Unlike intermediaries that are not "qualified," QI's generally may receive payments from US sources that are subject to reduced rates of US withholding (and backup withholding) without disclosing the beneficial owner's identity to the US payor or to the IRS. A QI either will provide the US payor with "generic" withholding information for an affected account or withhold US tax itself on amounts subsequently paid to the beneficial owner. Although RICs are not eligible to become QI's, they may begin making payments to QI's after December 31, 2000. The Institute will hold a meeting on May 11, 2000 to discuss issues faced by RICs as they prepare to implement the final regulations, particularly including the difference between doing business with a QI and a non-QI. A detailed memorandum discussing these issues will be circulated in advance of the meeting. The meeting will begin promptly at 1:00 p.m. in the David Silver Conference Room, which is located on the 12th floor of the Institute's offices at 1401 H Street, NW, Washington, DC 20005. Lunch will be served immediately prior to the meeting. ACTIONS REQUESTED: 1. If you plan to attend the meeting, please complete the attached meeting response form and fax it to my assistant, Ezella Wynn, at 202 326-5841. Alternatively, you may contact her by e-mail (ewynn@ici.org) or by telephone (202 218-3560). 2. Please direct your suggestions

for particular issues to be addressed at the meeting to the undersigned by e-mail (dflores@ici.org), by fax (202 326-5841) or by telephone (202 371-5436). Deanna J. Flores
Assistant Counsel Attachment

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