

MEMO# 8366

November 1, 1996

IRS RECONSIDERING ITS POSITION ON ""LOGO"" ISSUE

1 These regulations were contained within a comprehensive package of regulations devoted primarily to backup withholding issues. See Institute Memorandum to Tax Members No. 5-96, Operations Members No. 5-96, Closed-End Fund Members No. 2-96, Unit Investment Trust Members No. 5-96 and Transfer Agent Advisory Committee No. 6-96, dated February 2, 1996. 2 Among other places, these comments were included in an Institute letter to IRS Commissioner Richardson. See Institute Memorandum to Tax Committee No. 28-96, Operations Committee No. 16-96, Closed-End Fund Committee No. 25-96, Unit Investment Trust Committee No. 34-96 and Transfer Agent Advisory Committee No. 45-96, dated August 5, 1996. November 1, 1996 TO: TAX MEMBERS No. 49-96 OPERATIONS MEMBERS No. 47-96 CLOSED-END INVESTMENT COMPANY MEMBERS No. 36-96 UNIT INVESTMENT TRUST MEMBERS No. 54-96 TRANSFER AGENT ADVISORY COMMITTEE No. 63-96 RE: IRS RECONSIDERING ITS POSITION ON "LOGO" ISSUE

The Internal Revenue Service ("IRS") has been considering whether, and the extent to which, "logos" should be permissible on substitute IRS Forms 1099 mailed to payees (such as Forms 1099-DIV and 1099-B used to report dividends and redemption proceeds). This "logo" issue arose because IRS regulations finalizing the so-called "statement mailing requirement"¹ could be interpreted, but have not been understood by the payor community, to prohibit the use of logos on substitute tax forms. Once the Institute became aware of the regulations alternative interpretation, we began urging IRS to clarify that logos may be placed on substitute tax forms. As an interim measure, we also have urged an announcement that potentially-applicable information reporting penalties will not be enforced.² At the Institute's recent Operations Conference, an IRS speaker indicated that an announcement regarding the permissibility of logos on substitute tax forms would be made at the IRS* Information Reporting Program Advisory Committee ("IRPAC") meeting scheduled for November 19 and 20. The just- released IRPAC meeting agenda lists logos as the first discussion item. The IRS speaker at the Operations Conference also discussed (1) the IRS Office of Chief Counsel's tentative position regarding the use of "logos" on substitute tax forms and (2) the IRS Assistant Commissioner (Examination)'s position regarding penalty enforcement. The attached letter from the Assistant Commissioner (Examination) reflects the comments made at the Institute's Operations Conference. According to the IRS Assistant Commissioner (Examination), "[o]ur Office of Chief Counsel is currently working to change the [statement mailing requirement] regulations to allow some limited usage of logos." The letter also provides that, while the Assistant Commissioner (Examination) "do[es] not have the authority to issue a policy statement that no penalties will be assessed because of logos . . . at this time . . . the Office of Examination does not plan to have its tax auditors and revenue agents assess the . . . penalty in these cases. It is my position that

there are many more significant compliance issues on which to devote the limited resources of this office, and on which to spend taxpayers* money." We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax - 2 - Attachment

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.