

MEMO# 3289

November 26, 1991

IRS ANNOUNCES DELAY IN IMPOSITION OF BACKUP WITHHOLDING WHEN 2 "B NOTICES" RECEIVED IN 3 YEARS

November 26, 1991 TO: MEMBERS - ONE PER COMPLEX NO. 62-91 TAX COMMITTEE NO. 36-91 OPERATIONS COMMITTEE NO. 37-91 CLOSED-END FUND COMMITTEE NO. 31-91 UNIT INVESTMENT TRUST COMMITTEE NO. 41-91 TRANSFER AGENT ADVISORY COMMITTEE NO. 57-91 RE: IRS ANNOUNCES DELAY IN IMPOSITION OF BACKUP WITHHOLDING WHEN 2 "B NOTICES" RECEIVED IN 3 YEARS

As you may know, any payor who has been notified on a "B Notice" twice within three calendar years (the "2/3 rule") that a payee's name and taxpayer identification number ("TIN") do not match would generally have been required, under the procedures announced for this fall's B Notice mailing, to begin backup withholding on the account beginning tomorrow, November 27, 1991, unless a payee's TIN was verified on a Form SSA-7028 (where the TIN is an individual's social security number) or a Form 147-C (where the TIN is an employer identification number). (See Institute Memorandum to Tax Members No. 40-91, Operations Members No. 23-91, Closed-End Fund Members No. 41-91, Unit Investment Trust Members No. 43-91 and Transfer Agent Advisory Committee No. 44-91, dated September 24, 1991.) Because many local Social Security Administration offices were "verifying" TINs by methods other than Form SSA-7028, and thus were not giving payors the verification needed to exempt these accounts from backup withholding, the Institute strongly urged IRS Commissioner Goldberg to delay this backup withholding requirement. (See Institute Memorandum to Tax Committee No. 35-91, Operations Committee No. 34-91, Closed-End Fund Committee No. 30-91, Unit Investment Trust Committee No. 38-91 and Transfer Agent Advisory Committee No. 52-91, dated November 13, 1991). Today, the IRS issued Notice 91-40, attached, which announces that a payor may, but is not required to, delay commencing backup withholding under the 2/3 rule until January 1, 1992. In addition, a payor is permitted not to begin backup withholding under the 2/3 rule "following receipt from the SSA or the IRS of any document validating the payee's TIN after September 15, 1991, and before September 1, 1992." We will keep you informed of developments.

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