

**MEMO# 4258**

November 17, 1992

## **IRS ANNOUNCEMENT ON INCREASED BACKUP WITHHOLDING RATE**

November 17, 1992 TO: TAX MEMBERS NO. 76-92 OPERATIONS MEMBERS NO. 47-92  
CLOSED-END FUND MEMBERS NO. 46-92 UNIT INVESTMENT TRUST MEMBERS NO. 58-92  
TRANSFER AGENT ADVISORY COMMITTEE NO. 71-92 RE: IRS ANNOUNCEMENT ON  
INCREASED BACKUP WITHHOLDING RATE

As we previously informed you, the energy bill signed into law on October 24 increased the rate of backup withholding under section 3406 of the Internal Revenue Code from 20 percent to 31 percent for payments made on or after January 1, 1993. (See Institute Memorandum to Tax Members No. 68-92, Operations Members No. 40-92, Transfer Agent Advisory Committee No. 63-92 and Institutional Funds Committee No. 24-92, dated October 26, 1992.) The attached IRS announcement reminds payors of the new rate and describes the four situations (failure to provide taxpayer identification number, etc.) in which backup withholding generally applies. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment

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