

statement under this section, see section 6722.

(d) *Effective date.* This section is effective for payee statements due after December 31, 1995, without regard to extensions. For the substantially similar statement mailing requirements that apply with respect to forms required to be filed after October 22, 1986, and before January 1, 1996, see Rev. Proc. 84-70 (1984-2 C.B. 716) (or successor revenue procedures). See § 601.601(d)(2) of this chapter.

PART 31—EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX AT SOURCE

Par. 6. The authority for Part 31 is amended by removing the entry for § 31.3406(d)-5 and by adding an entry in numerical order to read as follows:

Authority: 26 U.S.C. 7805. * * *

Sections 31.3406(a)-1 through 31.3406(i)-1 also issued under 26 U.S.C. 3406(i).

Par. 7. Section 31.3406-0 is revised to read as follows:

§ 31.3406-0 Outline of the backup withholding regulations.

This section lists paragraphs contained in §§ 31.3406(a)-1 through 31.3406(i)-1.

§ 31.3406(a)-1 Backup withholding requirement on reportable payments.

- (a) Overview.
- (b) Conditions that invoke the backup withholding requirement.
 - (1) Conditions applicable to all reportable payments.
 - (2) Conditions applicable only to reportable interest or dividend payments.
- (c) Exceptions.
- (d) Cross references.

§ 31.3406(a)-2 Definition of payors obligated to backup withhold.

- (a) In general.
- (b) Middlemen treated as payors.
- (c) Persons not treated as payors.

§ 31.3406(a)-3 Scope and extent of accounts subject to backup withholding.

§ 31.3406(a)-4 Time when payments are considered to be paid and subject to backup withholding.

- (a) Timing.
 - (1) In general.
 - (2) Special rules for dividends.
- (b) Amounts reportable under section 6045.
 - (1) In general.
 - (2) Special rule for interest accrued on bonds.
- (c) Middlemen.
 - (1) In general.
 - (2) Special rule for common trust funds.
 - (3) Special rule for certain grantor trusts.

§ 31.3406(b)(2)-1 Reportable interest payment.

- (a) Interest subject to backup withholding.
 - (1) In general.

- (2) Special rule for tax-exempt interest.
- (b) Amount subject to backup withholding.
 - (1) In general.
 - (2) Special rule to adjust for premature withdrawal penalty.

§ 31.3406(b)(2)-2 Original issue discount.

- (a) Original issue discount subject to backup withholding.
- (b) Amount subject to backup withholding and time when backup withholding is imposed with respect to short-term obligations.
- (c) Transferred short-term obligations.
 - (1) Subsequent holder may establish purchase price.
 - (2) Subsequent holder unable (or not permitted) to establish purchase price.
 - (3) Transferred obligation.
- (d) Amount subject to backup withholding and time when backup withholding is imposed with respect to long-term obligations.
 - (1) No cash payments prior to maturity.
 - (2) Registered long-term obligations with cash payments prior to maturity.
 - (3) Transferred registered long-term obligations with payments prior to maturity.
 - (e) Bearer long-term obligations.
 - (1) Payments prior to maturity.
 - (2) Payments at maturity.

§ 31.3406(b)(2)-3 Window transactions.

- (a) Requirement to backup withhold.
- (b) Window transaction defined.
- (c) Manner of furnishing taxpayer identification number in the case of a window transaction.

§ 31.3406(b)(2)-4 Reportable dividend payment.

- (a) Dividends subject to backup withholding.
- (b) Dividends not subject to backup withholding.
- (c) Amount subject to backup withholding.
 - (1) In general.
 - (2) Reasonable estimate of amount of dividend subject to backup withholding.
 - (3) Reinvested dividends.

§ 31.3406(b)(2)-5 Reportable patronage dividend payment.

- (a) Patronage dividends subject to backup withholding.
- (b) Amount subject to backup withholding.
 - (1) Failure to provide taxpayer identification number or notification of incorrect taxpayer identification number.
 - (2) Notified payee underreporting or payee certification failure.

§ 31.3406(b)(3)-1 Reportable payments of rents, commissions, nonemployee compensation, etc.

- (a) Section 6041 and 6041A(a) payments subject to backup withholding.
- (b) Amount subject to backup withholding.
 - (1) In general.
 - (2) Net commissions.
 - (3) Payments aggregating \$600 or more for the calendar year.

§ 31.3406(b)(3)-2 Reportable barter exchanges and gross proceeds of sales of securities or commodities by brokers.

- (a) Transactions subject to backup withholding.
- (b) Amount subject to backup withholding.
 - (1) In general.
 - (2) Forward contracts, including foreign currency contracts, and regulated futures contracts.
 - (3) Security sales made through a margin account.
 - (4) Security short sales.
 - (5) Fractional shares.

§ 31.3406(b)(3)-3 Reportable payments by certain fishing boat operators.

- (a) Payments subject to backup withholding.
- (b) Amount subject to backup withholding.

§ 31.3406(b)(3)-4 Reportable payments of royalties.

- (a) Royalty payments subject to backup withholding.
- (b) Amount subject to backup withholding.

§ 31.3406(b)(4)-1 Exemption for certain minimal payments.

- (a) In general.
- (b) Manner of making the election.
- (c) How to annualize.
 - (1) In general.
 - (2) Special aggregation rule for reportable interest and dividends.
 - (d) Exception for window transactions and original issue discount.

§ 31.3406(c)-1 Notified payee underreporting of reportable interest or dividend payments.

- (a) Overview.
- (b) Definitions.
 - (1) Notified payee underreporting.
 - (2) Payee underreporting.
 - (c) Notice to payors regarding backup withholding due to notified payee underreporting.
 - (1) In general.
 - (2) Additional requirements for payors that are also brokers.
 - (3) Payor identification of accounts of the payee subject to backup withholding due to notified payee underreporting.
 - (d) Notice from payors of backup withholding due to notified payee underreporting.
 - (1) In general.
 - (2) Procedures.
 - (e) Period during which backup withholding is required.
 - (1) In general.
 - (2) Stop withholding.
 - (3) Dormant accounts.
 - (f) Notice to payees from the Internal Revenue Service.
 - (1) Notice period.
 - (2) Payee subject to backup withholding.
 - (3) Disclosure of names of payors and brokers.
 - (4) Backup withholding certification.
 - (g) Determination by the Internal Revenue Service that backup withholding should not start or should be stopped.
 - (1) In general.
 - (2) Date notice to stop backup withholding will be provided.