

- (3) Grounds for determination.
- (4) No underreporting.
- (5) Correcting any payee underreporting.
- (6) Undue hardship.
- (7) Bona fide dispute.
- (h) Payees filing a joint return.
 - (1) In general.
 - (2) Exceptions.
 - (i) [Reserved.]
 - (j) Penalties.

§ 31.3406(d)-1 Manner required for furnishing a taxpayer identification number.

- (a) Requirement to backup withhold.
- (b) Reportable interest or dividend account.
 - (1) Manner required for furnishing a taxpayer identification number with respect to a pre-1984 account or instrument.
 - (2) Determination of pre-1984 account or instrument.
 - (3) Manner required for furnishing a taxpayer identification number with respect to an account or instrument that is not a pre-1984 account.
 - (4) Special rule with respect to the acquisition of a readily tradable instrument in a transaction between certain parties acting without the assistance of a broker.
- (c) Brokerage account.
 - (1) Manner required for furnishing a taxpayer identification number with respect to a brokerage relationship that is not a post-1983 brokerage account.
 - (2) Manner required for furnishing a taxpayer identification number with respect to a post-1983 brokerage account.
 - (d) Rents, commissions, nonemployee compensation, and certain fishing boat operators, etc.—Manner required for furnishing a taxpayer identification number.

§ 31.3406(d)-2 Payee certification failure.

- (a) Requirement to backup withhold.
- (b) Exceptions.

§ 31.3406(d)-3 Special 30-day rules for certain reportable payments.

- (a) Accounts or readily tradable instruments acquired directly from the payor (including a broker who holds an instrument in street name) by electronic transmission or by mail.
- (b) Sale of an instrument for a customer by electronic transmission or by mail.
- (c) Application to foreign payees.

§ 31.3406(d)-4 Special rules for readily tradable instruments acquired through a broker.

- (a) Readily tradable instruments acquired through post-1983 brokerage accounts with a broker who is not a payor.
 - (1) In general.
 - (2) Additional requirements.
 - (3) Transactions entered into through a brokerage account that is not a post-1983 brokerage account.
 - (4) Payor must notify payee.
 - (b) Notices.
 - (1) Form of notice by broker to payor.
 - (2) Form of notice by payor to payee.
 - (c) Payor's reliance on information from broker.
 - (1) In general.
 - (2) Amount subject to backup withholding.

§ 31.3406(d)-5 Backup withholding when the Service or a broker notifies the payor to withhold because the payee's taxpayer identification number is incorrect.

- (a) Overview.
- (b) Definitions and special rules.
 - (1) Definition of an incorrect name/TIN combination.
 - (2) Definition of account.
 - (3) Definition of business day.
 - (4) Certain exceptions.
 - (c) Notice regarding an incorrect name/TIN combination.
 - (1) In general.
 - (2) Additional requirements for payors that are also brokers.
 - (3) Payor identification of the account or accounts of the payee that have the incorrect taxpayer identification number.
 - (4) Special rule for joint accounts.
 - (5) Date of receipt.
 - (d) Notice from payors of backup withholding due to an incorrect name/TIN combination.
 - (1) In general.
 - (2) Procedures.
 - (e) Period during which backup withholding is required due to notification of an incorrect name/TIN combination.
 - (1) In general.
 - (2) Grace periods.
 - (3) Dormant accounts.
 - (f) Manner required for payee to furnish certified taxpayer identification number.
 - (g) Receipt of two notices within a 3-year period.
 - (1) In general.
 - (2) Notice to payee who has provided two incorrect name/TIN combinations within 3 calendar years.
 - (3) Period during which backup withholding is required due to a second notice of an incorrect name/TIN combination within 3 calendar years.
 - (4) Receipt of two notices in one calendar year.
 - (5) Notification from the Social Security Administration (or the Internal Revenue Service) validating a name/TIN combination.
 - (h) Payors must use newly provided certified number.
 - (i) Effective date.
 - (j) Examples.

§ 31.3406(e)-1 Period during which backup withholding is required.

- (a) In general.
- (b) Failure to furnish a taxpayer identification number in the manner required.
 - (1) Start withholding.
 - (2) Stop withholding.
 - (c) Notification of an incorrect taxpayer identification number.
 - (d) Notified payee underreporting.
 - (e) Payee certification failure.
 - (1) Start withholding.
 - (2) Stop withholding.
 - (f) Rule for determining when the payor receives a taxpayer identification number or certificate from a payee.

§ 31.3406(f)-1 Confidentiality of information.

- (a) Confidentiality and liability for violation.

- (b) Permissible use of information.

- (1) In general.
- (2) Window transactions.
- (c) Specific restrictions on the use of information.

§ 31.3406(g)-1 Exception for payments to certain payees and certain other payments.

- (a) Exempt recipients.
 - (1) In general.
 - (2) Nonexclusive list.
 - (b) Determination of whether a person is described in paragraph (a)(1) of this section.
 - (c) Prepaid or advance premium life-insurance contracts.

§ 31.3406(g)-2 Exception for reportable payments for which backup withholding is otherwise required.

- (a) In general.
- (b) Payment of wages.
- (c) Distribution from a pension, annuity, or other plan of deferred compensation.
- (d) Gambling winnings.
 - (1) In general.
 - (2) Definition of a reportable gambling winning and determination of amount subject to backup withholding.
 - (3) Special rules.
 - (e) Certain real estate transactions.
 - (f) Certain payments after an acquisition of accounts or instruments.
 - (g) Certain gross proceeds.

§ 31.3406(g)-3 Exemption while payee is waiting for a taxpayer identification number.

- (a) In general.
 - (1) Backup withholding not required for 60 days.
 - (2) Reserve method.
 - (3) Alternative rule; 7-day grace period.
 - (b) Special rule for readily tradable instruments.
 - (c) Exceptions.
 - (1) In general.
 - (2) Special rule for amounts subject to reporting under section 6045 other than proceeds of redemptions of bearer obligations.
 - (d) Awaiting-TIN certificate.
 - (e) Form for awaiting-TIN certificate.

§ 31.3406(h)-1 Definitions.

- (a) In general.
- (b) Taxpayer identification number.
 - (1) In general.
 - (2) Obviously incorrect number.
 - (c) Broker.
 - (d) Readily tradable instrument.
 - (e) Day.
 - (f) Business day.

§ 31.3406(h)-2 Special rules.

- (a) Joint accounts.
 - (1) Relevant name and taxpayer identification number combination.
 - (2) Optional rule for accounts subject to backup withholding under section 3406(a)(1)(B) or (C) where the names are switched.
 - (3) Joint foreign payees.
 - (b) Backup withholding from an alternative source.
 - (1) In general.
 - (2) Exceptions for payments made in property.
 - (c) Trusts.