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IRS Issues Final Regulations Providing Withholding and FATCA Guidance

The IRS issued final regulations (TD 9890) (<https://www.federalregister.gov/documents/2020/01/02/2019-27979/regulations-relating-to-withholding-and-reporting-tax-on-certain-us-source-income-paid-to-foreign>) on the due diligence and reporting requirements that apply to persons making certain U.S. source payments to nonresident aliens, and to foreign financial institutions reporting on U.S. accounts under the Foreign Account Tax Compliance Act (FATCA). The final regulations adopt, with modifications, the proposed regulations published on Jan. 6, 2017, as final and remove corresponding temporary regulations.

On Jan. 6, 2017, the IRS published final and temporary regulations that coordinated the documentation, withholding and reporting provisions under Chapter 3 (information reporting and withholding on foreign persons), Chapter 61 (information reporting), Section 871 (nonresident alien individual tax), Section 3406 (backup withholding) and Section 6402 (disclosure of return information) with those required under FATCA (the Chapter 3 temporary regulations). (Section references are to the Internal Revenue Code of 1986, as amended.)

Also, on Jan. 6, 2017, the IRS published final and temporary regulations (the Chapter 4 temporary regulations) that modified and added to existing regulations on information reporting by foreign financial institutions (FFIs) with respect to U.S. accounts and withholding on certain payments to FFIs and other foreign entities under FATCA.

Among other things, the 2019 final regulations adopt, with modifications, the proposed regulations published on Jan. 6, 2017. The final regulations also incorporate modifications included in proposed regulations issued in 2018 with respect to (a) the requirement that a withholding certificate or treaty statement provided by an entity treaty claimant identify the applicable limitation on benefits provision that the entity meets in order to be eligible for treaty benefits, and (b) the documentation that a withholding agent may rely on to treat an address provided by an account holder that is subject to a hold mail instruction as a permanent residence address for purposes of an account holder's claim of foreign status or benefits under an income tax treaty.

The final regulations also include a limited number of technical corrections and conforming changes to final regulations under Chapters 3, 4, and 61.

IRS Releases Instructions for 2020 Forms 1099-MISC and 1099-NEC

The IRS has released the 2020 Instructions (<https://www.irs.gov/pub/irs-pdf/i1099msc.pdf>) for Forms 1099-MISC (Miscellaneous Income) and 1099-NEC (Nonemployee Compensation).

IRS Releases FAQs on QOZ Final Regulations

The IRS has released a series of frequently asked questions (FAQs) (<https://home.treasury.gov/news/press-releases/sm864>) describing changes made by recently issued final regulations regarding qualified opportunity zones (QOZs).

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