

# **New Backup Withholding Rate for Amounts Paid After August 6, 2001**

## **Announcement 2001-80**

### **Purpose**

This announcement is to advise payers about a reduction in the backup withholding rate authorized by section 3406(a)(1) of the Internal Revenue Code. Section 101(c)(10) of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16) reduced the rate for backup withholding on reportable payments.

### **New Backup Withholding Rate**

Effective for amounts paid after August 6, 2001, payers should backup withhold at a reduced rate of 30.5%.

For amounts paid after December 31, 2001, the backup withholding rate will be further reduced to 30%.

### **New Rate Not Reflected in 2000**

#### **Products**

The backup withholding rate shown in the December 2000 revision of the following products is incorrect for amounts paid after August 6, 2001.

#### **Tax Forms.**

- Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY
- Instructions for Form W-8BEN
- Instructions for Form W-8ECI
- Instructions for Form W-8EXP
- Instructions for Form W-8IMY
- Form W-9, Request for Taxpayer Identification Number and Certification
- Instructions for the Requester of Form W-9

The Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY, and the separate instructions for Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY will be revised in August 2001 to reflect the new rates.

Form W-9 and the Instructions for the Requester of Form W-9 will be revised in December 2001 to reflect the new backup withholding rate for amounts paid after December 31, 2001.

### **Technical publications.**

- Publication 17, *Your Federal Income Tax*
- Publication 225, *Farmer's Tax Guide*
- Publication 505, *Tax Withholding and Estimated Tax*
- Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*
- Publication 542, *Corporations*
- Publication 550, *Investment Income and Expenses*
- Publication 583, *Starting a Business and Keeping Records*
- Publication 1212, *List of Original Issue Discount Instruments*

The 2001 version of these publications will show the new backup withholding rate for amounts paid after December 31, 2001.

### **New Rate Not Reflected in 2001 Products**

The backup withholding rate shown in the 2001 version of the following products is incorrect for amounts paid after August 6, 2001.

- Form W-2G, *Certain Gambling Winnings*
- Instructions for Form 1042-S
- Form 1099-DIV, *Dividends and Distributions*
- Form 1099-G, *Certain Government and Qualified State Tuition Program Payments*
- Form 1099-INT, *Interest Income*
- Form 1099-OID, *Original Issue Discount*

- Form 1099-MISC, *Miscellaneous Income*
- Form 1099-PATR, *Taxable Distributions Received From Cooperatives*
- Instructions for Forms 1099, 1098, 5498, and W-2G

The 2002 version of these forms and instructions will show the new backup withholding rate for amounts paid after December 31, 2001.