

Withholding on Air: The IRS Imposes Withholding Tax Rules for Adjustments on Convertible Debt and Equity

By Mark Leeds¹

“Some people say not to worry about the air. Some people have never had experience with air.”² It’s hard to believe that it has been some 37 years since the Talking Heads posited that there may be more to air than meets the eye which, obviously, is often nothing. Although the “new wave” movement that put the wind in the sails of bands like the Talking Heads may have deflated over time, persons required to withhold US federal income tax (“withholding agents”) may experience more than a gentle breeze from newly proposed regulations from the US Internal Revenue Service (IRS) that essentially require them to withhold on nothing more than air. As we describe in detail below, these highly anticipated rules will require withholding of cash in instances in which conversion rate adjustments (CRAs), unaccompanied by any cash payment, result in taxable distributions. These changes, if adopted in substantially the form in which proposed, will require financial intermediaries to retool their systems to meet the new withholding and reporting rules.

[A Primer on Conversion Rate Adjustments](#)

Virtually all convertible financial instruments contain a CRA. To make things easy to illustrate, we assume that Corporation X has 1,000 shares of common stock outstanding. Corporation X issues a five-year bond to a person unrelated to

any of its shareholders. The bond is convertible in whole into 333.34 shares of Corporation X stock at any time at the option of the bondholder. Accordingly, if and when the bondholder exercises the conversion privilege inherent in the bond, it will own 25 percent of the outstanding stock of Corporation X (333.34/1,333.34).

Our bondholder is quite savvy (we’ll assume he knows something about the air) and insists on protections that would prevent Corporation X from stripping away the value of the conversion privilege in the convertible bond. First, the conversion rate will adjust for dividends paid to holders of Corporation X common stock when the convertible bond is outstanding. Assume the net equity in Corporation X is worth \$1,000x. It pays a dividend of \$150x with respect to its common stock (\$.15x per share). All else being equal, the value of Corporation X should fall to \$850x following the payment of the dividend. If the Corporation X convertible bond did not contain an adjustment to the conversion price to take into account the dividend, the aggregate value of the 333.34 shares that the bondholder would receive upon conversion of the bond would be worth 15 percent less than if no dividend were paid (assuming the conversion price was in-the-money). Accordingly, in order to preserve the value of the conversion privilege (again assuming the conversion price is in-the-

money), the conversion rate in the convertible bond should adjust to provide that the bond will be convertible into 392.16 shares of Corporation X common stock. In other words, the after-contributin value of 392.16 shares in a company with 1,000 shares outstanding worth \$850x pre-contribution is the same as the value of 333.34 shares in a company worth \$1,000x pre-contribution.

Our savvy bondholder also insists upon dilution protection from stock splits and like adjustments. For example, assume that Corporation X declares a stock dividend of one share of common stock for each share of common stock outstanding, resulting in 2,000 outstanding shares. (This is economically identical to a 2:1 stock split.) If there was no adjustment to conversion rate in the convertible bond, the bondholder would receive 333.34 shares of common stock and hold approximately only 14.28 percent of the outstanding stock of Corporation X ($333.34/2,333.34$). In order to preserve the value of the conversion privilege, the conversion rate should adjust to 666.36 shares. This adjustment will preserve the value of the conversion privilege to the bondholder ($666.36/2,666.36 = 25$ percent).

There are myriad other events that could affect the value of a conversion privilege, including the issuance of additional common stock at a price below the conversion price specified in outstanding convertible debt, noncash dividends and acquisitions undertaken using equity consideration. In sophisticated offerings of convertible debt, each of these events generally triggers a CRA. For our purposes, however, the examples provided in this section provide a sufficient background.

Historic Federal Income Tax Rules Affecting CRAs

Section 305(b) of the Internal Revenue Code of 1986, as amended (the “Code”), describes five non-cash transactions that can have the effect of

a dividend and is taxed as such even though no actual dividend has been paid. These transactions include a transaction in which some shareholders receive property and other shareholders experience an increase in their proportionate share of the assets or earnings and profits of the corporation.³ For example, assume a corporation has two classes of stock outstanding (Class A and Class B) and each class is entitled to 50 percent of all distributions from the corporation. If the corporation issued a cash dividend to the Class A Stock but not the Class B Stock, and then rejiggered the sharing ratios so that the Class B Stock was entitled to 60 percent of all distributions (with the entitlement of the Class A Stock falling to 40 percent), the holders of the Class B Stock would be considered to have received a dividend (often referred to as a “deemed dividend”) because their interest in the assets of the corporation was increased by reason of the cash distribution to the Class A Stock.

For purposes of the deemed dividend rules, the right to acquire stock is treated as stock and holders of such rights are treated as stockholders.⁴ Code § 305(c) applies the deemed dividend rules discussed above to find deemed dividends paid to persons who are not actual holders of stock but instead hold rights to acquire stock. The proposed regulations refer to these persons as “deemed shareholders.”⁵ The statute specifically states that a change in a conversion ratio that has the effect of increasing a deemed shareholder’s interest in the assets or earnings and profits of a corporation is treated as a distribution. The proposed regulations refer to such transactions as “deemed distributions.”⁶

Applicable existing regulations provide:

[A] change in the conversion ratio or conversion price of convertible preferred stock (or securities), or in the exercise price of rights . . . made pursuant to a bona fide, reasonable, adjustment formula (including but not limited to either so-called ‘market price’ or ‘conversion price’ types of

formulas which has the effect of preventing dilution of the interest of holders of such stock or securities will not be considered to result in a deemed distribution of stock.⁷

The regulation goes on to state that an adjustment made in respect of taxable distributions to other shareholders is not considered to be made pursuant to a bona fide and reasonable adjustment formula.⁸

If we apply these rules to the examples set forth in the *Primer* section above, very disparate federal income tax results occur. In the first example where an adjustment is made to compensate the holder of the convertible security for the taxable cash dividend paid with respect to the Corporation X common stock, the holder of the convertible security is considered to have received a deemed distribution, even though the adjustment simply maintained the value of the transaction. The theory behind taxing the holder of the convertible security on this CRA is that the adjustment had exactly the same effect as a transaction described in Code § 305(b)(2). The actual shareholders received cash and the deemed shareholder (the holder of the convertible security) received an increase in the assets and earnings and profits of the corporation by reason of the fact that the number of shares subject to the security was increased by reason of the CRA.⁹

In contrast, in the second example above, the adjustment to the CRA should not have any federal income tax consequences to the holder of the convertible security. The distribution of the common stock on common stock (or stock split) should not have been taxable to the common shareholders of Corporation X.¹⁰ The CRA should be considered to be a conversion price adjustment that is reasonable because all it does is maintain the relative position of the holder of the convertible security. Since the distribution of the common stock to the actual shareholders is non-taxable, the CRA likewise should be considered to be a nontaxable adjustment. In

more technical terms, the CRA adjustment did not increase the interest of the deemed shareholder in the assets or earnings and profits of the corporation.¹¹

Market Practice to Date

In general, dividends paid to non-US persons are subject to a 30 percent withholding tax.¹² (The rate of tax can be reduced by an applicable income tax treaty.¹³) The issuer/payer of the dividend or a withholding agent situated between the payer and the recipient is liable for undertaking the withholding and remitting the withheld tax to the US Treasury.¹⁴ IRS regulations require withholding on dividends even if the withholding agent lacks knowledge of the facts that give rise to the payment.¹⁵

Dividends paid to non-exempt US persons must be reported on an IRS Form 1099-DIV.¹⁶

As far as we have been able to discern, to date, no issuers of convertible securities have provided any tax-reporting or withheld on taxable CRAs due to the lack of clarity on whether reporting or withholding was required. In 2015, to our knowledge, one broker-dealer began withholding on taxable CRAs. Beginning in 2016, the securities intermediary community more generally has been withholding on taxable CRAs.¹⁷ In addition, it does not appear that issuers or other payers have been reporting taxable CRAs as deemed dividends to domestic holders of convertible securities. On April 13, 2016, the IRS proposed regulations (the “Proposed Regulations”) that ended this lack of clarity and provide rules for the tax-reporting and withholding rules applicable to taxable CRAs.¹⁸ Take a deep breath of air.

Operation of the Proposed Regulations

The Proposed Regulations attempt to address each of the issues posed by withholding on taxable CRAs. Specifically, the Proposed Regulations address the amount of the deemed distribution, the timing of the deemed

distribution, how the withholding should be accomplished and rules for issuers to report the deemed distribution so that withholding agents have knowledge of their obligation and can undertake the withholding. Of course, we expect future changes as industry weighs in, but here is what we know as of now.

AMOUNT OF THE DEEMED DISTRIBUTION

There has been some uncertainty as to what the amount of the deemed distribution is when there is a taxable CRA. In two examples in existing regulations, the IRS concluded that a taxable CRA adjustment resulted in a deemed distribution in an amount equal to the value of the stock to which the CRA related.¹⁹ Using our first example above, the existing regulations conclude that when the CRA allowed the holder of the convertible security to acquire an additional 48.75 shares that the deemed dividend was the value of the 48.75 shares instead of the value of the right to purchase the 48.75 shares. This tax result is clearly inconsistent with the economics of the CRA. In other words, an option to purchase 48.75 shares at the fair market value of such shares, by definition, is worth less than the 48.75 shares themselves. The regulation examples will be modified by the Proposed Regulations to clearly state that the amount of the deemed dividend is the increased value of the conversion privilege.²⁰

The Proposed Regulations contain a rule for determining the amount of the deemed distribution for CRAs that may be tricky to apply. Specifically, the amount of the deemed distribution is equal to the excess of (x) the fair market value of the right to acquire stock immediately after the CRA over (y) the fair market value of the right to acquire the stock immediately after the CRA had no applicable adjustment been made.²¹ In other words, it requires the issuer to make a determination as to what the value of the conversion right would have been had no adjustment been made. In virtually all cases, this will require issuers of

convertible instruments with taxable CRAs to use options pricing formulas to determine the amount of the deemed distribution. The regulations state that the comparison must be done in isolation; changes from potential future applicable adjustments must be ignored in making the calculation.²²

The use of options-pricing formulae to determine the amount of the deemed distribution should lessen the amount of any deemed distribution. It goes without saying that the value of the right to buy a given amount of stock will be less than the fair market value of the same amount of actual stock. In practice to date, our clients have reported that in 2016, withholding agents have been withholding a few thousand dollars on CRAs made on extremely large convertible holdings.

The converse case, that is, a distribution to the holder of the convertible instrument that results in a reduction (as opposed to an increase) in the number of shares into which the convertible instrument is convertible, causes the actual stockholders to experience an increase in their proportionate interest in the assets or earnings and profits of the corporation. The amount of this deemed distribution is the fair market value of the stock deemed distributed.²³ In this case, the remaining shareholders have a current increase in the assets and earnings and profits of the issuer, so their tax consequences are determined as though they received actual stock.

The Proposed Regulations governing the amount of the deemed distribution have liberal effective date provisions. Although they are mandatory for deemed distributions occurring after the publication of the Treasury Decision containing final regulations, taxpayers may rely on them for deemed distributions occurring prior to such date.²⁴ In addition, for periods prior to the publication of final regulations, taxpayers may treat the amount of the deemed distribution as either the increase in value of the right to

purchase additional stock or the amount of additional stock itself.²⁵

TIMING OF THE DEEMED DISTRIBUTION

The timing rules are straightforward. If the convertible instrument states that the applicable adjustment occurs at a particular time, the deemed distribution is considered to occur on the earlier of that date and the date of the distribution of the cash or property that triggers the deemed distribution.²⁶ If the convertible instrument does not set forth the time of the applicable adjustment, and the adjustment relates to publicly-traded stock, the deemed distribution occurs on the opening of the ex-dividend date for the cash or property distribution that triggered the deemed distribution.²⁷

CROSS-BORDER SECURITIES LOANS OF CONVERTIBLE SECURITIES

Dividends paid by US corporations generally are treated as US-source income and, thus, are subject to US withholding tax.²⁸ Substitute dividend payments²⁹ made by a stock borrower with respect to stock of a US corporation in a stock-lending transaction follow the source rule for the stock itself.³⁰ Accordingly, the substitute dividend payments are considered US-source income. Thus, substitute dividend payments are subject to withholding.³¹

In a rule that is sure to roil the securities-lending market, the Proposed Regulations would amend the substitute dividend rules to treat taxable CRAs as substitute dividends.³² In other words, if a person (US or foreign) has borrowed a convertible security from a non-US person and, during the term of the securities lending transaction, a taxable CRA occurs, the securities borrower must withhold and remit tax on the adjustment, even though no payment will have been made on the borrowed convertible securities. It appears that this rule is not scheduled to be effective until after the rule is finalized and published in the Federal Register

and that Taxpayers may elect to treat CRAs occurring on or after January 1, 2016 as substitute payments subject to withholding.³³ It is possible to read the change as applying as of January 1, 2016, although this would be inconsistent with other effective date provisions of the Proposed Regulations.³⁴

As with dividends generally, the fact that the withholding agent (securities borrower) has no knowledge of the fact that the CRA was taxable will not serve as a defense to withholding.³⁵ Nonetheless, limited relief will be made available for securities borrowers and withholding agents generally. Specifically, withholding will only be required if the issuer of the convertible security meets its reporting requirements (described below) by the due date for the securities borrower to provide an information return (IRS Form 1042-S) to the securities lender or the borrower has actual knowledge that a deemed distribution has occurred.³⁶ To illustrate, assume that a person borrows a convertible security from a non-US person in 2017. A taxable CRA occurs in 2017 and the transaction terminates in 2017. The issuer meets its reporting requirements in 2018 by the due date for sending Forms 1042-S (March 15th). The securities borrower has a withholding obligation. Like we said above, there would be withholding required on air.

ISSUER REPORTING FOR TAXABLE CRAS

In order to capture the information necessary to collect tax on taxable CRAs, the Proposed Regulations create new reporting rules for issuers of convertible securities. There are two options for the new reporting. First, the information on taxable CRAs must be provided to withholding agents and to the IRS. Alternatively, the issuer can publish the information on its website.

The Proposed Regulations require issuers of convertible instruments to report both the amount of the deemed distribution and the date

of the deemed distribution for such distributions. If the deemed distribution affects the basis of the convertible security, the reporting rules apply for adjustments occurring on or after January 1, 2016.³⁷ If the adjustment does not affect the basis of the convertible security, reporting is required for CRAs occurring after the date that final regulations are published in the Federal Register.³⁸ The information must be provided to the IRS on Form 8937 (*Report of Organizational Actions Affecting Basis of Securities*) by the earlier of 45 days after the organizational action or January 15th of the calendar year following the organizational action. In addition, the issuer must send a statement to its convertible security holders by January 15th of the calendar year following the organizational action. As stated above, issuers can avoid both filing requirements, however, by posting this information on a public website (where such information must be accessible for ten years to the public).

Currently, no issuer reporting on dividends is required for exempt recipients. Exempt recipients include brokers and corporations. In order facilitate broker reporting and withholding, the reporting exemption for otherwise exempt recipients would be repealed by the Proposed Regulations.³⁹

WITHHOLDING RULES APPLICABLE TO TAXABLE CRAS IN CONVERTIBLE SECURITIES HELD BY NON-US PERSONS

Prior to the promulgation of the Proposed Regulations, ambiguities in the withholding rules raised challenges for withholding agents to withhold in the absence of a cash payment. In addition, withholding agents did not always have the knowledge that a deemed distribution on a security had occurred. The Proposed Regulations attempt to address both of these issues.

The withholding rules begin by making an explicit statement that withholding agents have

an explicit duty to withhold on taxable CRAs when the convertible security is held by a non-US person.⁴⁰ Since there is no cash payment to track (generally the key to determining who is acting as a withholding agent), the Proposed Regulations specify that a withholding agent for a taxable CRA is:

Any person that . . . holds directly or indirectly (for example, through an account maintained for another intermediary) on behalf of a beneficial owner, or flow through entity that owns directly or indirectly, a [convertible] security.⁴¹

Concomitantly, the rule that alleviates the obligation to withhold when the withholding agent lacks control over the payment is made inapplicable to withholding on taxable CRAs.⁴² Accordingly, introducing brokers and custodians under fully disclosed custody agreements, that is, custody agreements in which the custodians have knowledge of the broker's customers and assume withholding and reporting responsibilities, will be treated as withholding agents for taxable CRAs. The obligation to withhold is alleviated, however, if the issuer fails to meet its reporting obligation by March 15th of the year succeeding the year in which the taxable CRA occurred (unless the withholding agent has actual knowledge of the taxable CRA).⁴³

Withholding agents (other than a partnership or a trust, which are addressed separately in Treasury Regulation § 1.1441-5) must effectuate the withholding by the earliest of three dates:

- (A) The date on which a payment of cash is made on the convertible securities or the securities lending transaction (apparently even if that cash payment is less than the withholding tax obligation);
- (B) The date on which the security is disposed of or transferred (including a transfer to an account not maintained by the withholding agent when the taxable CRA occurred); and

(C) The due date for the sending of the Form 1042-S for the year in which the taxable CRA occurred.⁴⁴

For example, a withholding agent that continues to hold or own the security generally would be able to satisfy its withholding obligation by withholding on future cash payments on the security, whereas, if the security is disposed of before sufficient future cash payments have been made on the security, the withholding agent would be required to withhold at the time of disposition. In addition, the preamble to the Proposed Regulations also notes that when the requirements for withholding on a deemed distribution are satisfied only after a withholding agent has terminated its relationship with the beneficial owner of the security, the withholding agent would remain liable for any underwithheld amount with respect to the deemed distribution. The preamble then goes on to advise withholding agents to “make arrangements” with non-US account holders transferring convertible securities to ensure that the withholding agent will not be left with a withholding tax obligation after the termination of the account of the non-US owner of the convertible security. Really?

Current law permits a withholding agent to withhold on other cash payments made to the same beneficial owner or by liquidating other property held in custody for the beneficial owner or over which it has control. The Proposed Regulations clarify that (i) a withholding agent may obtain the property from which to withhold through additional contributions obtained directly or indirectly from the beneficial owner and (ii) a withholding agent that satisfies its withholding obligations through other cash payments to, or other property of, the beneficial owner will not be subject to any penalties for failure to deposit or failure to pay, provided that the withholding agent timely deposits the amounts obtained in such manner.

Regulations are also proposed that would make corresponding changes to the regulations issued

under the Foreign Account Tax Compliance Act (“FATCA”).⁴⁵ Under these proposed regulations, the withholding scheme described above for regular income tax purposes is incorporated into the FATCA withholding tax regulations.

The withholding rules for taxable CRAs apply to payments made after final regulations are published in the Federal Register.⁴⁶ Taxpayers may rely on these rules for payments occurring on or after January 1, 2016.

SPECIAL RULES FOR NON-US WITHHOLDING AGENTS

US withholding agents will not be permitted to rely on qualified intermediaries (“QIs”) and other foreign withholding agents to undertake appropriate withholding unless certain requirements are met. This rule could wreak havoc for US financial intermediaries who will have to build new systems to override systems that rely on the QI status of their customers to avoid their own withholding tax obligations. The systems issue would be mitigated by a rule in the Proposed Regulations allowing the withholding agent to rely on the QI status of its customer to withhold on taxable CRAs if the withholding agent furnishes the required issuer statement to the foreign withholding agent within 10 days of the date of receipt or if the issuer has met the public publishing requirements with respect to the CRA.⁴⁷

OPTIONS (EXCHANGE-TRADED AND OTC)

The rules described above apply equally to options as well as convertible securities.⁴⁸ Accordingly, if an exchange-traded option provides for a strike price reduction in respect of dividends paid with respect to the stock subject to the option, the optionee will be considered to have received a deemed distribution. Thus, there would be overlap between the rules for dividend equivalents taxable under Code § 871(m) and the deemed distribution rules of Code § 305(c).⁴⁹ Code § 305(c) withholding would apply, however, even when the delta between the

option and the underlying stock is less than 0.80 as there is no correlation threshold for Code § 305(c) withholding. In the context of exchange-traded options, brokers maintaining option accounts would have extraordinary responsibility to ensure proper withholding.

Concluding Observations

There are many instances in which the Tax Code does not distinguish between large publicly held corporations and privately held companies. Code § 305 is one of those sections. The rules contained in Code § 305 work well to police instances in which privately held corporations seek to disguise distributions of earnings. CRAs in securities issued by publicly traded corporations do not attempt to disguise distributions; they serve to protect the benefit of the bargain to the security purchaser. The Proposed Regulations, if adopted, will impose costs on the financial industry that will far exceed the amount of revenue that the government will collect. But, of course, the persons bearing the costs of compliance are not the same as the one who receives the revenue and writes the rules.

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Endnotes

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² Byrne, David, lyrics from "Air" from the Talking Heads album *Fear of Music* (1979).

³ Code § 305(b)(2); Treas. Reg. § 1.305-3(a).

⁴ Code § 305(d).

⁵ Prop. Treas. Reg. § 1.305-1(d)(6).

⁶ Prop. Treas. Reg. § 1.305-1(d)(7).

⁷ Treas. Reg. § 1.305-7(b)(1).

⁸ Id.

⁹ See Prop. Treas. Reg. § 1.305-7(c)(6)(Ex. 3).

¹⁰ See Code § 305(a); Code § 368(a).

¹¹ See Prop. Treas. Reg. § 1.305-7(c)(6)(Ex. 2).

¹² If the dividends are paid to a non-US person in connection with the conduct of a trade or business in the United States by the payee, neither the tax nor the withholding rules discussed in text apply. See Code § 871(a)(flush lang.) The analysis in text assumes that the non-US recipient of the dividend did not receive the dividend in connection with the conduct of a US trade or business.

¹³ Code § 894(a).

¹⁴ See Treas. Reg. § 1.1441-2(b)(1).

¹⁵ Treas. Reg. § 1.1441-2(d)(1).

¹⁶ Code § 6042.

¹⁷ See Letter from Payson Peabody, Managing Director, Securities Industry and Financial Markets Association, to David C. Oyler, Acting Director, Foreign Payments Practice, IRS, and Johanna McGeady, Director – Field Operations, IRS, dated as of January 29, 2016.

¹⁸ REG-133673-15 (Apr. 13, 2016).

¹⁹ Treas. Reg. § 1.305-3(e)(Exs. 6 and 7).

²⁰ Prop. Treas. Reg. § 1.305-3(e)(Exs. 6 & 7).

²¹ Prop. Treas. Reg. § 1.305-7(c)(4)(i).

²² Prop. Treas. Reg. § 1.305-7(c)(4)(iii)(B).

²³ Prop. Treas. Reg. § 1.305-7(c)(4)(ii).

²⁴ Prop. Treas. Reg. § 1.305-7(g).

²⁵ Id.

- ²⁶ Prop. Treas. Reg. § 1.305-7(c)(5).
- ²⁷ Id.
- ²⁸ Code § 861(a)(2); Treas. Reg. § 1.861-3.
- ²⁹ A substitute dividend payment is a payment made to a lender of a security in a securities-lending transaction or a sale-repurchase transaction of an amount equivalent to a dividend distribution which the owner of the transferred security is entitled to receive during the term of the transaction.
- ³⁰ Treas. Reg. §§ 1.861-3(a)(6); 1.871-7(b)(2); 1.881-2(b)(2).
- ³¹ Notice 2010-46.
- ³² Prop. Treas. Reg. § 1.861-3(a)(6).
- ³³ Prop. Treas. Reg. § 1.861-3(d).
- ³⁴ Id.
- ³⁵ Prop. Treas. Reg. § 1.1441-2(d)(1)(ii)(E).
- ³⁶ Prop. Treas. Reg. § 1.1441-2(d)(4). Withholding agents with significant securities operations may be required to scan their broader operations to determine whether another division has knowledge that a taxable CRA occurred.
- ³⁷ Prop. Treas. Reg. § 1.6045B-1(i).
- ³⁸ Prop. Treas. Reg. § 1.6045B-1(i)(3), (4).
- ³⁹ Prop. Treas. Reg. § 1.6045B-1(i)(2).
- ⁴⁰ Prop. Treas. Reg. § 1.1441-2(d)(4)(i).
- ⁴¹ Prop. Treas. Reg. § 1.1441-7(a)(4).
- ⁴² Prop. Treas. Reg. § 1.1441-2(d)(1)(ii)(B).
- ⁴³ Prop. Treas. Reg. § 1.1441-2(d)(4).
- ⁴⁴ Prop. Treas. Reg. § 1.1441-2(d)(4)(ii).
- ⁴⁵ Prop. Treas. Reg. § 1.1471-2(a)(4)(i)(A).
- ⁴⁶ Prop. Treas. Reg. § 1.1441-2(f).
- ⁴⁷ Prop. Treas. Reg. § 1.1441-2(d)(4)(iii).
- ⁴⁸ Prop. Treas. Reg. § 1.305-7(a)(2), (4).
- ⁴⁹ Please see my prior article on Code § 871(m), *Comeback Victory: The IRS Issues Final Dividend Equivalent Regulations*, published at 195 Daily Tax Report p. J-1.

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