

IRS updates lists of countries with nonresident alien interest reporting requirements

In a recent revenue procedure, the IRS updated two lists of countries with which the United States has agreements that require payers to report certain deposit interest paid to nonresident alien individuals who are residents of the other country. One list is of countries with which the United States has an income tax or other treaty or a bilateral agreement in effect. The other list is of countries with which the IRS has determined that an automatic exchange of information is appropriate.

Background

Federal regulations require the reporting of certain deposit interest paid to nonresident alien individuals. One reg addresses cases of interest aggregating \$10 or more, paid to a nonresident alien individual as defined under the Internal Revenue Code (IRC), that are reportable under regulations. In such cases, the payer is required to file an information return on Form 1042-S, "Foreign Person's U.S. Source Income Subject to Withholding," for the calendar year in which the interest is paid.

Interest that's reportable under the applicable reg is interest described in the IRC that:

- Relates to a deposit maintained at an office within the United States, and
- Is paid to a resident of a country identified in an applicable revenue procedure as of December 31 before the calendar year in which the interest is paid.

The United States must have in effect with the country in question an income tax or other convention or bilateral agreement relating to the exchange of tax information within the meaning of the IRC.

Updated lists

Previous revenue procedures identified such countries and, as mentioned, this latest guidance updates two important lists.

Section 3 of the revenue procedure adds Georgia to the list of countries with which the reporting requirements of the applicable regs apply. Section 3 also adds a new column indicating, for the listed jurisdiction, the number of the revenue procedure that first added that jurisdiction to the list.

Section 4 of the revenue procedure adds Curaçao and Cyprus to the list of approved countries that have an automatic exchange relationship with respect to the information in the applicable regs.

Effective date

For purposes of the reporting requirements of the applicable reg, the list of jurisdictions to which the reporting requirement applies is effective:

- With respect to the jurisdiction newly added to such list, for interest paid on or after January 1, 2020, and
- With respect to the other listed jurisdictions, for interest paid on or after January 1 of the calendar year following the issuance of the revenue procedure (as cited in Section 3) first identifying the jurisdiction as having in effect an agreement with the United States as described in the regulation.

The list of jurisdictions with which the IRS exchanges tax data “is effective from the date of issuance of the revenue procedure with respect to information reported to the IRS pursuant to [the applicable regs] for any tax year for which the jurisdiction was included in the list in Section 3.”

Occasional tweaks

As this guidance demonstrates, nonresident alien interest reporting requirements are subject to occasional tweaks. If you believe they may affect your tax situation, discuss the implications with your CPA. •