

1. On page 39548, column 3, in the preamble, under the paragraph heading "Paperwork Reduction Act", second paragraph of the column, line 5, the language "payments aggregating \$600 or more from" is corrected to read "payments aggregating \$600 or more from".

2. On page 39548, column 3, in the preamble, under the paragraph heading "Background", line 3, the language "and 6045 of the (Code). These" is corrected to read "and 6045 of the Code. These".

3. On page 39550, column 2, in the preamble, under the paragraph heading "Summary of Comments", second paragraph of the column, line 3 from bottom, the language "section although attorneys fees paid to" is corrected to read "section although attorneys' fees paid to".

Guy R. Traynor,

Chief, Publications and Regulations Branch,
Legal Processing Division, Associate Chief
Counsel (Procedure and Administration).

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9270]

RIN 1545-AW72

Reporting of Gross Proceeds Payments to Attorneys; Correction

AGENCY: Internal Revenue Service (IRS),
Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains a correction to final regulations (TD 9270) that were published in the **Federal Register** on Thursday, July 13, 2006 (71 FR 39548) relating to the reporting of payments of gross proceeds to attorneys. **DATES:** These corrections are effective July 13, 2006.

FOR FURTHER INFORMATION CONTACT: Nancy Rose, (202) 622-4940 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The correction notice that is the subject of this document is under sections 6041 and 6045 of the Internal Revenue Code.

Need for Correction

As published, the correction notice (TD 9270) contains errors that may prove to be misleading and are in need of clarification.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Correction of Publication

■ Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 continues to read, in part, as follows:

Authority: 26 U.S.C. 7805 * * *

§ 1.6041-1 [Corrected]

■ **Par. 2.** Section 1.6041-1 is amended by revising paragraphs (a)(1)(ii) and (iii) to read as follows:

§ 1.6041-1 Return of information as to payments of \$600 or more.

(a) * * *

(1) * * *

(ii) *Information returns required under other provisions of the Internal Revenue Code.* The payments described in paragraphs (a)(1)(i)(A) and (B) of this section shall not include any payments of amounts with respect to which an information return is required by, or may be required under authority of, section 6042(a) (relating to dividends), section 6043(a)(2) (relating to distributions in liquidation), section 6044(a) (relating to patronage dividends), section 6045 (relating to brokers' transactions with customers and certain other transactions), sections 6049(a)(1) and (2) (relating to interest), section 6050N(a) (relating to royalties), or section 6050P(a) or (b) (relating to cancellation of indebtedness). For information returns required under section 6045(f) (relating to payments to attorneys), see special rules in §§ 1.6041-1(a)(1)(iii) and 1.6045-5(c)(4).

(iii) *Information returns required under section 6045(f) on or after January 1, 2007.* For payments made on or after January 1, 2007 to which section 6045(f) (relating to payments to attorneys) applies, the following rules apply. Notwithstanding the provisions of paragraph (a)(1)(ii) of this section, payments to an attorney that are described in paragraph (a)(1)(i) of this section but which otherwise would be reportable under section 6045(f) are reported under section 6041 and this section and not section 6045(f). This exception applies only if the payments are reportable with respect to the same payee under both sections. Thus, a person who, in the course of a trade or business, pays \$600 of taxable damages to a claimant by paying that amount to

the claimant's attorney is required to file an information return under section 6041 with respect to the claimant, as well as another information return under section 6045(f) with respect to the claimant's attorney. For provisions relating to information reporting for payments to attorneys, see § 1.6045-5.

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§ 1.6045-5 [Corrected]

■ **Par. 4.** Section 1.6045-5 is amended by revising *Example 4* and *Example 5* of paragraph (f) to read as follows:

§ 1.6045-5 Information reporting on payments to attorneys.

* * * * *

(f) * * *

Example 4. Check made payable to claimant, but delivered to nonpayee attorney. Corporation P is a defendant in a suit for damages in which C, the plaintiff, has been represented by attorney A throughout the proceeding. P settles the suit for \$300,000. Pursuant to a request by A, P writes the \$300,000 settlement check payable solely to C and delivers it to A at A's office. P is not required to file an information return under paragraph (a)(1) of this section with respect to A, because there is no payment to an attorney within the meaning of paragraph (d)(4) of this section.

Example 5. Multiple attorneys listed as payees. Corporation P, a defendant, settles a lost profits suit brought by C for \$300,000 by issuing a check naming C's attorneys, Y, A, and Z, as payees in that order. Y, A, and Z do not belong to the same law firm. P delivers the payment to A's office. A deposits the check proceeds into a trust account and makes payments by separate checks to Y of \$30,000 and to Z of \$15,000, as compensation for legal services, pursuant to authorization from C to pay these amounts. A also makes a payment by check of \$155,000 to C. A retains \$100,000 as compensation for legal services. P must file an information return for \$300,000 with respect to A under paragraphs (a)(1) and (b)(1)(i) of this section. A, in turn, must file information returns with respect to Y of \$30,000 and to Z of \$15,000 under paragraphs (a)(1) and (b)(2) of this section because A is not required to file information returns under section 6041 with respect to A's payments to Y and Z because A's role in making the payments to Y and Z is merely ministerial. See § 1.6041-1(e)(1), (e)(2) and (e)(5) *Example 7* for information reporting requirements with respect to A's payments to Y and Z. As described in *Example 3*, P must also file an information return with respect to C, pursuant to § 1.6041-1(a) and (f).

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Guy R. Traynor,

Chief, Publications and Regulations Branch,
Legal Processing Division, Associate Chief
Counsel (Procedure and Administration).

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