



TaxNewsFlash

United States



No. 2023-292
August 24, 2023

IRS updates FAQ extending penalty relief, Forms 1042 and 1042-S

The IRS today updated a “frequently asked question” (FAQ), extending penalty relief for the 2022, 2023, and 2024 calendar years in situations when a withholding agent withholds and reports on Forms 1042 and 1042-S by September 15 of the applicable year.

According to the [IRS transmittal release](#), the penalty relief will apply with respect to dividend equivalent payments made with respect to a derivative referencing a partnership.

Updated [FAQ 23](#) (full text below) appears on the FATCA - FAQs General webpage, under the section, General Compliance.

Q23. For calendar years 2017 through 2024, will a withholding agent be subjected to interest, penalties, or additions to tax for failing to withhold and report by March 15 of the subsequent year, on a payment of a dividend equivalent made with respect to a derivative referencing a partnership?

For calendar years 2017 through 2024, a withholding agent will not be subject to interest, penalties, or additions to tax with respect to a dividend equivalent payment made with respect to a derivative referencing a partnership provided that the withholding agent withholds and reports on Form 1042 and Form 1042-S with respect to the payment by September 17, 2018 (for the 2017 calendar year), September 16, 2019 (for the 2018 calendar year), September 15, 2020 (for the 2019 calendar year), September 15, 2021 (for the 2020 calendar year), or September 15, 2022 (for the 2021 calendar year), September 15, 2023 (for 2022 calendar year), September 15, 2024 (for the 2023 calendar year), or September 15, 2025 (for 2024 calendar year). In a case in which a withholding agent withholds after March 15 of the subsequent year, the withholding agent should file a Form 1042 (if the dividend equivalent payments are the only payments reportable for the year) or an amended Form 1042 by September 17, 2018, September 16, 2019, September 15, 2020, September 15, 2021, September 15, 2022, September 15, 2023, September 15, 2024, or September 15, 2025 (as applicable), and write “Dividend Equivalent—Partnership” in the top center portion of the 2017, 2018, 2019, 2020, 2021, 2022, 2023, or 2024 Form 1042. The withholding agent should also file Form(s) 1042-S or amended Form(s) 1042-S by the applicable date noted above with respect to the dividend equivalent payment. Finally, when depositing the tax withheld for a dividend equivalent payment made in 2017, 2018, 2019, 2020, 2021, 2022, 2023 or 2024, the

withholding agent must designate the payment as being made for the applicable calendar year in accordance with the instructions to Form 1042.

Updated: 08-24-2023

kpmg.com/socialmedia



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)