

HIRE Act Codifies FATCA Rules, Ban on Bearer Bonds and Rules for Withholding on “Dividend Equivalents”

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On March 18, President Obama signed the Hiring Incentives to Restore Employment Act (the “Act”). The Act includes a version of the “Foreign Account Tax Compliance Act,” a provision repealing the “TEFRA” rules for U.S. issuers of bearer debt, and a provision imposing U.S. withholding tax on “dividend equivalents” paid or credited under notional principal contracts and certain other transactions. These provisions are substantially similar to ones contained in the tax “extenders” bill passed by the House of Representatives on December 9, 2009. The Act does not, however, contain a provision that would tax income from a service provider’s profits interest in an investment partnership at ordinary rates. This memorandum summarizes certain provisions of the Act.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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