

such partnership shall pay a withholding tax under this section at such time and in such manner as the Secretary shall by regulations prescribe.

**(b) Amount of withholding tax**

**(1) In general**

The amount of the withholding tax payable by any partnership under subsection (a) shall be equal to the applicable percentage of the effectively connected taxable income of the partnership which is allocable under section 704 to foreign partners.

**(2) Applicable percentage**

For purposes of paragraph (1), the term “applicable percentage” means—

(A) the highest rate of tax specified in section 1 in the case of the portion of the effectively connected taxable income which is allocable under section 704 to foreign partners who are not corporations, and

(B) the highest rate of tax specified in section 11(b)(1) in the case of the portion of the effectively connected taxable income which is allocable under section 704 to foreign partners which are corporations.

**(c) Effectively connected taxable income**

For purposes of this section, the term “effectively connected taxable income” means the taxable income of the partnership which is effectively connected (or treated as effectively connected) with the conduct of a trade or business in the United States computed with the following adjustments:

(1) Paragraph (1) of section 703(a) shall not apply.

(2) The partnership shall be allowed a deduction for depletion with respect to oil and gas wells but the amount of such deduction shall be determined without regard to sections 613 and 613A.

(3) There shall not be taken into account any item of income, gain, loss, or deduction to the extent allocable under section 704 to any partner who is not a foreign partner.

**(d) Treatment of foreign partners**

**(1) Allowance of credit**

Each foreign partner of a partnership shall be allowed a credit under section 33 for such partner’s share of the withholding tax paid by the partnership under this section. Such credit shall be allowed for the partner’s taxable year in which (or with which) the partnership taxable year (for which such tax was paid) ends.

**(2) Credit treated as distributed to partner**

Except as provided in regulations, a foreign partner’s share of any withholding tax paid by the partnership under this section shall be treated as distributed to such partner by such partnership on the earlier of—

(A) the day on which such tax was paid by the partnership, or

(B) the last day of the partnership’s taxable year for which such tax was paid.

**(e) Foreign partner**

For purposes of this section, the term “foreign partner” means any partner who is not a United States person.

**(f) Regulations**

The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section, including—

(1) regulations providing for the application of this section in the case of publicly traded partnerships, and

(2) regulations providing—

(A) that, for purposes of section 6655, the withholding tax imposed under this section shall be treated as a tax imposed by section 11 and any partnership required to pay such tax shall be treated as a corporation, and

(B) appropriate adjustments in applying section 6655 with respect to such withholding tax.

(Added Pub. L. 99-514, title XII, §1246(a), Oct. 22, 1986, 100 Stat. 2582; amended Pub. L. 100-647, title I, §1012(s)(1)(A), Nov. 10, 1988, 102 Stat. 3526; Pub. L. 101-239, title VII, §7811(i)(6), Dec. 19, 1989, 103 Stat. 2410.)

AMENDMENTS

1989—Subsec. (b)(2)(B). Pub. L. 101-239, §7811(i)(6)(A), substituted “section 11(b)(1)” for “section 11(b)”.

Subsec. (d)(2). Pub. L. 101-239, §7811(i)(6)(B), amended par. (2) generally. Prior to amendment, par. (2) read as follows: “A foreign partner’s share of any withholding tax paid by the partnership under this section shall be treated as distributed to such partner by such partnership on the last day of the partnership’s taxable year (for which such tax was paid).”

Subsec. (f). Pub. L. 101-239, §7811(i)(6)(C), amended subsec. (f) generally. Prior to amendment, subsec. (f) read as follows: “The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section, including regulations providing for the application of this section in the case of publicly traded partnerships.”

1988—Pub. L. 100-647 amended section generally, substituting provisions relating to withholding tax on foreign partners’ share of effectively connected income for provisions which related to withholding tax on amounts paid by partnerships to foreign partners.

EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by Pub. L. 101-239 effective, except as otherwise provided, as if included in the provision of the Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 7817 of Pub. L. 101-239, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100-647, title I, §1012(s)(1)(D), Nov. 10, 1988, 102 Stat. 3527, provided that: “The amendments made by this paragraph [amending sections 1446 and 6401 of this title] shall apply to taxable years beginning after December 31, 1987. No amount shall be required to be deducted and withheld under section 1446 of the 1986 Code (as in effect before the amendment made by subparagraph (A)).”

EFFECTIVE DATE

Pub. L. 99-514, title XII, §1246(d), Oct. 22, 1986, 100 Stat. 2583, provided that: “The amendment made by this section [enacting this section and amending section 6401 of this title] shall apply to distributions after December 31, 1987 (or, if earlier, the effective date (which shall not be earlier than January 1, 1987) of the initial regulations issued under section 1446 of the Internal Revenue Code of 1986 as added by this section).”

**Subchapter B—Application of Withholding Provisions**

Sec.  
1461. Liability for withheld tax.

|        |   |
|--------|---|
| Sec.   |   |
| 1462.  | Withheld tax as credit to recipient of income.    |
| 1463.  | Tax paid by recipient of income.                  |
| 1464.  | Refunds and credits with respect to withheld tax. |
| [1465. | Repealed.]  |

## PRIOR PROVISIONS

A prior subchapter B, consisting of section 1451, acts Aug. 16, 1954, ch. 736, 68A Stat. 359; Oct. 4, 1976, Pub. L. 94-455, title XIX, §1906(b)(13)(A), 90 Stat. 1834, related to tax-free covenant bonds, prior to repeal by Pub. L. 98-369, div. A, title IV, §474(r)(29)(A), July 18, 1984, 98 Stat. 844, which repeal was not applicable with respect to obligations issued before Jan. 1, 1984, pursuant to section 475(b) of Pub. L. 98-369, set out as an Effective Date of 1984 Amendment note under section 33 of this title.

## AMENDMENTS

1986—Pub. L. 99-514, title XVIII, §1899A(73), Oct. 22, 1986, 100 Stat. 2963, substituted “Liability for withheld tax” for “Return and payment of withheld tax” in item 1461.

1984—Pub. L. 98-369, div. A, title IV, §474(r)(29)(A), July 18, 1984, 98 Stat. 844, redesignated subchapter C as B, and struck out former subchapter B which related to tax-free covenant bonds.

1976—Pub. L. 94-455, title XIX, §1901(b)(41), Oct. 4, 1976, 90 Stat. 1803, struck out item 1465 “Definition of withholding agent”.

**[§ 1451. Repealed. Pub. L. 98-369, div. A, title IV, § 474(r)(29)(A), July 18, 1984, 98 Stat. 844]**

Section, acts Aug. 16, 1954, ch. 736, 68A Stat. 359; Oct. 4, 1976, Pub. L. 94-455, title XIX, §1906(b)(13)(A), 90 Stat. 1834, related to tax-free covenant bonds. The repeal was not applicable with respect to obligations issued before Jan. 1, 1984, pursuant to section 475(b) of Pub. L. 98-369, set out as an Effective Date of 1984 Amendment note under section 33 of this title.

**§ 1461. Liability for withheld tax**

Every person required to deduct and withhold any tax under this chapter is hereby made liable for such tax and is hereby indemnified against the claims and demands of any person for the amount of any payments made in accordance with the provisions of this chapter.

(Aug. 16, 1954, ch. 736, 68A Stat. 360; Pub. L. 89-809, title I, §103(i), Nov. 13, 1966, 80 Stat. 1554.)

## AMENDMENTS

1966—Pub. L. 89-809 struck out requirement that persons required to deduct and withhold any tax under this chapter make return thereof on or before March 15 of each year and pay the tax to the officer designated in section 6151, and substituted “Liability for withheld tax” for “Return and payment of withheld tax” in section catchline.

## EFFECTIVE DATE OF 1966 AMENDMENT

Amendment by Pub. L. 89-809 applicable with respect to payments occurring after Dec. 31, 1966, see section 103(n)(3) of Pub. L. 89-809, set out as a note under section 871 of this title.

**§ 1462. Withheld tax as credit to recipient of income**

Income on which any tax is required to be withheld at the source under this chapter shall be included in the return of the recipient of such income, but any amount of tax so withheld shall be credited against the amount of income tax as computed in such return.

(Aug. 16, 1954, ch. 736, 68A Stat. 360.)

**§ 1463. Tax paid by recipient of income**

If—

(1) any person, in violation of the provisions of this chapter, fails to deduct and withhold any tax under this chapter, and

(2) thereafter the tax against which such tax may be credited is paid,

the tax so required to be deducted and withheld shall not be collected from such person; but this section shall in no case relieve such person from liability for interest or any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

(Aug. 16, 1954, ch. 736, 68A Stat. 360; Pub. L. 101-239, title VII, §7743(a), Dec. 19, 1989, 103 Stat. 2406; Pub. L. 104-188, title I, §1704(t)(9), Aug. 20, 1996, 110 Stat. 1887.)

## AMENDMENTS

1996—Pub. L. 104-188 substituted “this section” for “this subsection”.

1989—Pub. L. 101-239 amended section generally. Prior to amendment, section read as follows: “If any tax required under this chapter to be deducted and withheld is paid by the recipient of the income, it shall not be re-collected from the withholding agent; nor in cases in which the tax is so paid shall any penalty be imposed on or collected from the recipient of the income or the withholding agent for failure to return or pay the same, unless such failure was fraudulent and for the purpose of evading payment.”

## EFFECTIVE DATE OF 1989 AMENDMENT

Pub. L. 101-239, title VII, §7743(b), Dec. 19, 1989, 103 Stat. 2406, provided that: “The amendment made by subsection (a) [amending this section] shall apply to failures after December 31, 1989.”

**§ 1464. Refunds and credits with respect to withheld tax**

Where there has been an overpayment of tax under this chapter, any refund or credit made under chapter 65 shall be made to the withholding agent unless the amount of such tax was actually withheld by the withholding agent.

(Aug. 16, 1954, ch. 736, 68A Stat. 360.)

**[§ 1465. Repealed. Pub. L. 94-455, title XIX, § 1901(a)(156), Oct. 4, 1976, 90 Stat. 1789]**

Section, act Aug. 16, 1954, ch. 736, 68A Stat. 360, defined withholding agent.

## EFFECTIVE DATE OF REPEAL

Repeal applicable with respect to taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as an Effective Date of 1976 Amendment note under section 2 of this title.

**CHAPTER 4—TAXES TO ENFORCE REPORTING ON CERTAIN FOREIGN ACCOUNTS**

|       |  |
|-------|--|
| Sec.  |  |
| 1471. | Withholdable payments to foreign financial institutions. |
| 1472. | Withholdable payments to other foreign entities.         |
| 1473. | Definitions.   |
| 1474. | Special rules.   |

## PRIOR PROVISIONS

A prior chapter 4, consisting of sections 1481 and 1482, which related to rules applicable to recovery of exces-