



TaxNewsFlash

United States

No. 2026-229
September 21, 2026

Notice 2026-61: Two-year extension of transition relief for dividend equivalents under section 871(m) regulations

The IRS today released [Notice 2026-61](#) announcing a two-year extension of the transition relief provided under [Notice 2024-44](#) for taxpayers to comply with the final regulations with respect to dividend equivalents under sections 871(m), 1441, 1461, and 1473.

In particular, Notice 2026-61 (1) limits section 871(m) transactions to delta-one transactions through 2028, (2) applies the good faith effort standard for delta-one transactions through 2028 and non-delta-one transactions for 2029, (3) provides that qualified derivatives dealers (QDDs) will be considered to satisfy their QDD obligations under the qualified intermediary (QI) agreement through 2028 if they make a good faith effort to comply and will not be required to perform a periodic review with respect to their QDD activities for 2027 or 2028, (4) only combines over-the-counter (OTC) contracts that are priced, marketed, or sold in connection with each other for 2027 and 2028, (5) provides that QDDs will not be subject to tax on dividends and dividend equivalents received in 2027 and 2028 in their equity derivatives dealer capacity or withholding on those dividends, and (6) permits withholding agents to apply the qualified securities lender regime for payments made in 2027 and 2028.

Notice 2026-61 states that the Treasury Department and IRS intend to amend the section 871(m) regulations to delay the applicability date of certain rules in those final regulations. However, the anti-abuse rule provided in Treas. Reg. § 1.871-15(o) will continue to apply during the phase-in years described in the notice. As a result, a transaction that would not otherwise be treated as a section 871(m) transaction (including as a result of the notice) may be a section 871(m) transaction under Treas. Reg. § 1.871-15(o).

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, reply to [Washington National Tax](#).

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