Publication 1220

Specifications for Filing Forms 1098, 1099, 5498 and W-2G Electronically or Magnetically

Including IBM 3480, 3490, 3590,
AS400 compatible tape cartridges, 8mm tape cartridges,
4mm and Quarter Inch Cartridges (QIC) or $3\frac{1}{2}$ inch diskettes

Rev. Proc. 2002-34

Reprinted from IR Bulletin - dated June 24, 2002 (and containing copies of Forms 4419, 4804, 8809, Notice 210, and instructions for Forms 1099, 1098, 5498 and W-2G for taxpayers' use.)

FIRST TIME FILERS QUICK REFERENCE GUIDE

1) FORM 4419 - Submit Form 4419, Application For File Information Returns Electronically/Magnetically (see the forms section in the back of Pub 1220) to IRS/MCC no later than thirty days before the due date of your information returns. IRS/MCC will issue a Transmitter Control Code (TCC). The TCC is required on all files, transmittals and correspondence.

2) FILING METHOD - File information returns (Forms 1098, 1099, 5498 and W-2G) electronically via modem (See Part B), or by mailing an acceptable type of magnetic media (See Part C).

3) FILE FORMAT - The format must conform to the specifications in Publication 1220, Part D. Filers may contact an outside vendor to purchase software or transmit files (see Publication 1582, Information Returns Vendor List).

4) TEST FILES - IRS/MCC encourages first-time electronic/magnetic filers to submit a test file (see Pub 1220, Part A, Section 7). A test file is **only** required when applying to participate in the Combined Federal/State Filing Program (see Pub 1220, Part A, Section 13).

5) COMMON PROBLEMS – Review Part A, Sec. 16 to avoid common processing and/or format errors before submitting your file.

6) SUBMIT FILE – Before sending a magnetic media file, review the "Before You Mail Check List" located with the Forms in the back of the Publication 1220.

7) FOR ASSISTANCE - Contact the IRS/MCC Information Reporting Program Customer Service Section (IRP/CSS) toll-free at 1-866-455-7438, Monday through Friday from 8:30 am to 4:30 EST, or email at mccirp@irs.gov.

NOTE:

Following is a list of related instructions and forms for filing Information Returns Electronically/Magnetically provided in the back of this publication:

- **General Instructions for Forms 1099, 1098, 5498, and W-2G**
- **Specific Instructions for Individual Information Returns**
- **Form 4419 - Application for Filing Information Returns Electronically/Magnetically**
- **Form 4804 - Transmittal of Information Returns Reported Magnetically**
- **Form 8809 – Request for Extension of Time to File Information Returns**
- **Notice 210 - Preparation Instructions for Media Labels**

The Internal Revenue Service, Martinsburg Computing Center encourages filers to make copies of the blank forms in the back of this publication for future use. These forms can also be obtained by calling 1-800-829-3676 or on the IRS Web Site at **www.irs.gov.**

Use this Revenue Procedure to prepare Tax Year *2002* and prior year information returns for submission to Internal Revenue Service (IRS) using any of the following:

- Electronic Filing
- Tape Cartridge
- 8mm, 4mm, and Quarter Inch Cartridges (QIC)
- 3 ½-Inch Diskette

Caution to filers:

Please read this publication carefully. Persons or businesses required to file information returns electronically or magnetically may be subject to penalties for failure to file or include correct information if they do not follow the instructions in this Revenue Procedure.

IMPORTANT NOTES:

IRS/MCC no longer accepts 9 track magnetic tape for submitting Information Returns to IRS/MCC. See Part A, Sec. 2.02. Beginning in calendar year 2004 for tax year 2003, IRS/MCC will no longer accept 8mm, 4mm, and Quarter Inch Cartridges (QIC) for filing information returns.

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Part A. General

Revenue Procedures are generally revised annually to reflect legislative and form changes. Comments concerning this Revenue Procedure, or suggestions for making it more helpful, can be addressed to:

Internal Revenue Service
Martinsburg Computing Center
Attn: Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

Sec. 1. Purpose

.01 The purpose of this Revenue Procedure is to provide the specifications for filing Forms 1098, 1099, 5498, and W–2G with IRS electronically through the IRS FIRE System or magnetically, using IBM 3480, 3490, 3490E, 3590, 3590E, or AS400 compatible tape cartridges (including 4mm, 8mm & QIC), or 3 ½-inch diskettes. ***IRS/MCC no longer accepts ½-inch 9-track magnetic tape for the processing of information returns***. This Revenue Procedure must be used for the preparation of Tax Year *2002* information returns and information returns for tax years prior to *2002* ***filed beginning January 1, 2003, and received by IRS/MCC or postmarked by December 10, 2003***. Specifications for filing the following forms are contained in this Revenue Procedure.

(a) Form 1098, Mortgage Interest Statement

(b) Form 1098–E, Student Loan Interest Statement

(c) Form 1098–T, Tuition Payments Statement

(d) Form 1099–A, Acquisition or Abandonment of Secured Property

(e) Form 1099–B, Proceeds From Broker and Barter Exchange Transactions

(f) Form 1099–C, Cancellation of Debt

(g) Form 1099–DIV, Dividends and Distributions

(h) Form 1099–G, Certain Government Payments

(i) Form 1099–INT, Interest Income

(j) Form 1099–LTC, Long-Term Care and Accelerated Death Benefits

(k) Form 1099–MISC, Miscellaneous Income

(l) Form 1099–MSA, Distributions From an Archer MSA or Medicare+Choice MSA

(m) Form 1099–OID, Original Issue Discount

(n) Form 1099–PATR, Taxable Distributions Received From Cooperatives

(o) *Form 1099–Q, Qualified Tuition Program Payments (Under Section 529)*

(p) Form 1099–R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

(q) Form 1099–S, Proceeds From Real Estate Transactions

(r) Form 5498, IRA and Coverdell ESA Contribution Information

(s) Form 5498–MSA, Archer MSA or Medicare+Choice MSA Information

(t) Form W–2G, Certain Gambling Winnings

.02 All data received at IRS/MCC for processing will be given the same protection as individual income tax returns (Form 1040). IRS/MCC will process the data and determine if the records are formatted and coded according to this Revenue Procedure.

.03 Specifications for filing Forms W–2, Wage and Tax Statements, magnetically/electronically are available from the Social Security Administration (SSA) **only**. Filers can call 1–800–SSA–6270 to obtain the telephone number of the SSA Employer Service Liaison Officer for their area.

.04 IRS/MCC does **not** process Forms W–2. Paper **and/or** magnetic media for Forms W–2 must be sent to SSA. IRS/MCC does, however, process waiver requests (Form 8508) and extension of time to file requests (Form 8809) for Forms W–2 and requests for an extension of time to provide the employee copies of Forms W–2.

.05 Generally, the box numbers on the paper forms correspond with the amount codes used to file electronically/magnetically; however, if discrepancies occur, the instructions in this Revenue Procedure govern.

.06 This Revenue Procedure also provides the requirements and specifications for electronic or magnetic media filing under the Combined Federal/State Filing Program.

.07 The following Revenue Procedures and publications provide more detailed filing procedures for certain information returns:

(a) *2002 General Instructions for Forms 1099, 1098, 5498, and W–2G* and individual form instructions

(b) Publication 1179, Rules and Specifications for Private Printing of Substitute Forms 1096, 1098, 1099, 5498, and W–2G

(c) Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Magnetically or Electronically

(d) Publication 1187, Specifications for Filing Form 1042–S, Foreign Person's U.S. Source Income Subject to Withholding, Magnetically or Electronically

(e) Publication 1245, Specifications for Filing Form W–4, Employee's Withholding Allowance Certificate, Magnetically or Electronically

.08 This Revenue Procedure supersedes Rev. Proc. 2001–32 published as Publication 1220 (Rev. 5–2001), Specifications for Filing Forms 1098, 1099, 5498, and W–2G Magnetically or Electronically.

Sec. 2. Nature of Changes—Current Year (Tax Year *2002)*

.01 In this publication, all pertinent changes for Tax Year *2002* are emphasized by the use of *italics*. Portions of text that require special attention have been **bolded**. Filers are always encouraged to read the publication in its entirety.

.02 Programming Changes

a. General

(1) 9-track magnetic tape is no longer an acceptable type of media for submitting information returns to IRS/MCC.

(2) A new field Record Sequence Number was added to Field Positions 500–507 in **all** records. The Record Sequence Number will be in Field Positions 500–507 of the "T" Record, the "A" Record(s), the "B" Record(s), the "C" Record(s), any applicable "K" Record(s), and the "F" Record.

(3) The title of Form 1099–G was changed from Certain Government Payment and Qualified State Tuition Program Payments to Certain Government Payments.

(4) The title of Form 5498 was changed from "IRA Contribution Information" to "IRA and Coverdell ESA Contribution Information."

(5) All references to Education IRAs have been changed to Coverdell ESAs.

(6) Colorado, Louisiana, Maryland, Nebraska, North Carolina and Virginia were added to the Combined Federal/State Filing Program. See Part A, Sec. 13 for the appropriate state codes.

b. Programming Changes — Transmitter "T" Record

(1) For all forms, Payment Year, Field Positions 2–5, must be incremented to update the four-digit report year (*2001 to 2002*), unless reporting prior year data.

(2) Contact Email Address was added to Field Positions 359–393.

(3) Cartridge Tape File Indicator was moved to Field Positions 394–395.

(4) Electronic File name for a Replacement File was moved to Field Positions 396–410.

(5) Transmitter's Media Number was added to Field Position 411–416.

(6) Vendor Indicator was moved to Field Position 518.

(7) Vendor Name was moved to Field Positions 519–558.

(8) Vendor Mailing Address was moved to Field Positions 559–598.

(9) Vendor City was moved to Field Positions 599–638.

(10) Vendor State was moved to Field Positions 639–640.

(11) Vendor ZIP code was moved to Field Positions 641–649.

(12) Vendor Contact Name was moved to Field Positions 650–689.

(13) Vendor Contact Phone Number and Extension was moved to Field Positions 690–704.

(14) Vendor Contact Email Address was moved and expanded to 35 positions in Field Positions 705–739.

c. Programming Changes — Payer "A" Record

(1) For all forms, Payment Year, Field Positions 2–5, must be incremented to update the four-digit report year (*2001 to 2002*), unless reporting prior year data.

(2) For Form 1099–G, Certain Government Payments, amount code 5, Qualified State Tuition Program Earnings is no longer valid.

(3) A new Form 1099–Q, Qualified Tuition Program Payments (under Section 529), was added to list of Type of Return. The code for 1099–Q is Q.

(4) The Amount Codes, Field Positions 28–39, for 1099–Q are 1 (one), Gross Distribution, 2 (two), Earnings, and 3 (three), Basis.

(5) For Form 5498, Amount Codes, Field Positions 28–39, code "B" was changed to Coverdell ESA Contributions.

d. Programming Changes — Payee "B" Record

(1) For all forms, Payment Year, Field Positions 2–5, must be incremented to update the four-digit report year (*2001 to 2002*), unless reporting prior year data.
(2) For 1099–Q, Field Position 547, Trustee to Trustee Rollover, will have a 1 (one) indicator if the reporting is a trustee to trustee rollover or a blank if it is not a trustee to trustee rollover.
(3) For 1099–Q, Field Position 548, Type of Tuition Payment, will have a 1 (one) to indicate a private payment and a 2 (two) to indicate a state payment.
(4) For 1099–Q, Field Position 549, Designated Beneficiary, will have a blank or a 1 (one) to indicate if the recipient is not the designated beneficiary.
(5) For Form 1099–R, the title for Distribution Code M, Field Positions 545–546, was changed to Distribution from a Coverdell ESA.
(6) For Form 5498, Education IRA Indicator, Field Position 552, was changed to Coverdell ESA Indicator.

e. Programming Changes — End of File "F" Record

(1) Total Number of Payees was added to Field Positions 50–57.

.03 Editorial Changes

a. In an effort to eliminate redundancy and improve clarity and organization, the Publication 1220 has undergone a major rewrite. Parts and Sections of the publication have been moved, added, deleted and/or rearranged. New information or additions to the publication have been italicized. The title of the publication was changed to Specifications for Filing Forms 1098, 1099, 5498 and W–2G Electronically or Magnetically. Actual programming changes are minor and are listed above.
b. The Information Reporting Program (IRP) Call Site was reorganized and is now the IRP Customer Service Section. The IRP Customer Service Section continues to assist filers via a toll-free number and email with information return issues. See Part A, Sec. 3.09.
c. A First Time Filers Quick Reference Guide was added to the inside cover of the publication.
d. Bullets were added to the beginning of Part A, Sec. 11, Corrected Returns to emphasize important points. A record layout was added illustrating both the two step and one step correction process.
e. Bullets were added to the beginning of Part A, Sec. 13, Combined Federal/State Filing Program to emphasize important points. A record layout was added to illustrate a file with Combined Federal/State Filing.
f. A 1099–R Distribution Code Chart which shows acceptable combinations of distribution codes was added to Part D, Sec. 6 (16).
g. Part A, Sec. 10, Replacement Media is new.
h. Part A, Sec. 14, Penalties Associated With Information Returns is new.
i. Part A, Sec. 16, Major Problems Encountered was revised.
j. Part A, Sec. 17, Definition of Terms was deleted.
k. Extension and waiver information is in Part E.
l. Beginning in calendar year 2004 for Tax Year 2003, IRS/MCC will no longer accept 8mm, 4mm, and Quarter Inch Cartridges (QIC).

Sec. 3. Where To File and How to Contact the IRS, Martinsburg Computing Center

.01 All information returns filed electronically or magnetically are processed at IRS/MCC. Files containing information returns and requests for IRS electronic and magnetic media filing information should be sent to the following address:

IRS-Martinsburg Computing Center
Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

.02 All requests for an extension of time to file information returns with IRS/MCC, or to the recipients and requests for undue hardship waivers filed on Form 8508 should be sent to the following address:

IRS-Martinsburg Computing Center
Information Reporting Program
Attn: Extension of Time Coordinator
240 Murall Drive
Kearneysville, WV 25430

.03 The telephone numbers for magnetic media inquiries or electronic submissions are:

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CUSTOMER SERVICE SECTION

TOLL-FREE 1–866–455–7438* or *email at *mccirp@irs.gov*

304–267–3367 — TDD
(Telecommunication Device for the Deaf)
304–264–5602 — Fax Machine

Electronic Filing — FIRE system
304–262–2400

TO OBTAIN FORMS:
1–800–TAX-FORM (1–800–829–3676)

www.irs.gov — IRS Web Site access to forms (See Note)

☛ **Note: Because the IRS processes paper forms by machine (optical character recognition equipment), you cannot file the IRS Form 1096 or Copy A of Forms 1098, 1099, 5498 or W–2G printed from the IRS Web Site.**

.04 The *2002 General Instructions for Forms 1098, 1099, 5498, and W–2G* and the individual forms instructions have been included in the Publication 1220 for your convenience. The Form 1096 is used only to transmit Copy A of **paper** Forms 1099, 1098, 5498, and W–2G. If filing paper returns, follow the mailing instructions on Form 1096 and submit the paper returns to the appropriate IRS Service Center.

.05 Make requests for paper Forms 1096, 1098, 1099, 5498, and W–2G, and publications related to electronic/magnetic filing by calling the IRS toll-free number **1–800–TAX-FORM (1–800–829–3676) or on the IRS Web Site at www.irs.gov**.

.06 Questions pertaining to magnetic media filing of Forms W–2 **must** be directed to the Social Security Administration (SSA). Filers can call 1–800–SSA–6270 to obtain the phone number of the SSA Employer Service Liaison Officer for their area.

.07 Payers **should not** contact IRS/MCC if they have received a penalty notice and need additional information or are requesting an abatement of the penalty. A penalty notice contains an IRS representative's name and/or phone number for contact purposes; or the payer may be instructed to respond in writing to the address provided. IRS/MCC does **not** issue penalty notices and does **not** have the authority to abate penalties. For penalty information, refer to the Penalty section of the *2002 General Instructions for Forms 1099, 1098, 5498, and W–2G*.

.08 A taxpayer or authorized representative may request a copy of a tax return, including Form W–2 filed with a return, by submitting Form 4506, Request for Copy or Transcript of Tax Form, to IRS. This form may be obtained by calling **1–800–TAX-FORM (1–800–829–3676)**. For any questions regarding this form, call 1–800–829–1040.

.09 The Information Returns Program Customer Service Section (IRP/CSS), located at IRS/MCC, answers electronic/magnetic media, paper filing, and tax law questions from the payer community relating to the filing of business information returns (Forms 1096, 1098, 1099, 5498, 8027, W–2G, and W–4). IRP/CSS also answers questions relating to the electronic/magnetic media filing of Forms 1042–S and to the tax law criteria and paper filing instructions for Forms W–2 and W–3. Inquiries dealing with backup withholding and reasonable cause requirements due to missing and incorrect taxpayer identification numbers are also addressed by IRP/CSS. Assistance is available year-round to payers, transmitters, and employers nationwide, Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern time, by calling toll-free **1–866–455–7438** or via email at *mccirp@irs.gov*. The Telecommunications Device for the Deaf **(TDD)** toll number is **304–267–3367**. Call as soon as questions arise to avoid the busy filing seasons at the end of January and February. Recipients of information returns (payees) should continue to contact 1–800–829–1040 with any questions on how to report the information returns data on their tax returns.

.10 Form 4419, Application for Filing Information Returns Electroncially/Magnetically, Form 8809, Request for Extension of Time to File Information Returns, and Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media may be faxed to IRS/MCC at the number shown above in .03. Form 4804, Transmittal of Information Returns Filed Magnetically must always be included with media shipments.

Sec. 4. Filing Requirements

.01 The regulations under section 6011(e)(2)(A) of the Internal Revenue Code provide that any person, including a corporation, partnership, individual, estate, and trust, who is required to file 250 or more information returns must file such returns electronically/magnetically. **The 250* or more requirement applies separately for each type of return and separately to each type of corrected return.**

***Even though filers may submit up to 249 information returns on paper, IRS encourages filers to transmit those information returns electronically or magnetically.**

.02 All filing requirements that follow apply individually to each reporting entity as defined by its separate taxpayer identification number (TIN), social security number (SSN), employer identification number (EIN), individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN). For example, if a corporation with several branches or locations uses the same EIN, the corporation must aggregate the total volume of returns to be filed for that EIN and apply the filing requirements to each type of return accordingly.

.03 Payers who are required to submit their information returns on magnetic media may choose to submit their documents by electronic filing. Payers who submit their information returns electronically by March 31, *2003*, are considered to have satisfied the magnetic media filing requirements.

.04 IRS/MCC has one method for filing information returns electronically; see Part B.

.05 The following requirements apply separately to both originals and corrections filed electronically/magnetically:

1098 1098–E* 1098–T* 1099–A 1099–B 1099–C 1099–DIV 1099–G 1099–INT 1099–LTC 1099–MISC 1099–MSA 1099–OID 1099–PATR 1099–Q 1099–R 1099–S 5498 5498–MSA W–2G	**250 or more of any** of these forms require magnetic media filing with IRS. Filing electronically will also meet this requirement. These are stand alone documents and are not to be aggregated for purposes of determining the 250 threshold. For example, if you must file 100 Forms 1099–B and 300 Forms 1099–INT, Forms 1099–B need not to be filed electronically or magnetically since they do not meet the threshold of 250. However, Forms 1099–INT must be filed electronically or magnetically since they meet the threshold of 250.

*For Tax Year *2002*, Forms 1098–E and 1098–T may be reported on paper regardless of the 250 threshold.

.06 The above requirements do not apply if the payer establishes hardship (see Part E, Sec. 5).

Sec. 5. Vendor List

.01 IRS/MCC prepares a list of vendors who support electronic or magnetic media filing. The Vendor List (Pub. 1582) contains the names of service bureaus that will produce files via electronic filing or on the prescribed types of magnetic media. It also contains the names of vendors who provide software packages for payers who wish to produce electronic files or magnetic media on their own computer systems. This list is compiled as a courtesy and in no way implies IRS/MCC approval or endorsement.

.02 If filers meeting the filing requirements engage a service bureau to prepare media on their behalf, the filers should be careful not to report duplicate data, which may cause penalty notices to be generated.

.03 The Vendor List, Publication 1582, may be updated in print every other year. The most recently printed copy will be available by contacting IRS/MCC at our ***toll-free number 1–866–455–7438*** or by letter (see Part A, Sec. 3). The Vendor List is also available on the IRS Web Site at www.irs.gov.

.04 A vendor, who offers a software package, or has the capability to electronically file information returns, or has the ability to produce magnetic media for customers, and who would like to be included on the list must submit a letter or email to IRS/MCC. The request should include:

(a) Company name
(b) Address (include city, state, and ZIP code)
(c) Telephone number (include area code)
(d) Contact person
(e) Type(s) of service provided (*e.g.*, service bureau and/or software)
(f) Type(s) of media offered (*e.g.*, tape cartridge, 3 ½-inch diskette, or electronic filing)
(g) Type(s) of return(s)

Sec. 6. Form 4419, Application for Filing Information Returns Electronically/Magnetically

.01 Transmitters are required to submit Form 4419, Application for Filing Information Returns Electronically/Magnetically, to request authorization to file information returns with IRS/MCC. A single Form 4419 should be filed no matter how many types of returns the transmitter will be submitting electronically/magnetically. For example, if a transmitter plans to file Forms 1099–INT, one Form 4419 should be submitted. If, at a later date, another type of form (Forms 1098, 1099, 5498 and W–2G) is to be filed, the transmitter does not need to submit a new Form 4419.

☛ **Note:** ***EXCEPTIONS — An additional Form 4419 is required for filing each of the following types of returns: Form 1042–S, Foreign Person's U.S. Source Income Subject to Withholding, Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, and Form W–4, Employee's Withholding Allowance Certificate. See back of Form 4419 for detailed instructions***.

.02 Tape cartridge, diskette, and electronically filed returns may not be submitted to IRS/MCC until the application has been approved. Please read the instructions on the back of Form 4419 carefully. A Form 4419 is included in the Publication 1220 for the filer's use. This form may be photocopied. Additional forms may be obtained by calling **1–800–TAX-FORM (1–800–829–3676)**. The form is also available on the IRS Web Site at **www.irs.gov**.

.03 Upon approval, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned and included in an approval letter. The TCC **must** be coded in the Transmitter "T" Record. IRS/MCC uses the TCC to identify payer/transmitters and to track their files through the processing system. The same TCC can be used regardless of the method of filing. For example, a payer may send their production data on a tape cartridge and then later file a correction file electronically. The same TCC can be used for each filing.

.04 IRS/MCC encourages transmitters who file for multiple payers to submit one application and to use the assigned TCC for all payers. While not encouraged, multiple TCCs can be issued to payers with multiple TINs. If a transmitter uses more than one TCC to file, each TCC must be reported in separate transmissions if filing electronically or on separate media if filing magnetically.

.05 If a payer's files are prepared by a service bureau, the payer may not need to submit an application to obtain a TCC. Some service bureaus will produce files, code their own TCC in the file, and send it to IRS/MCC for the payer. Other service bureaus will prepare the file and return the file to the payer for submission to IRS/MCC. These service bureaus may require the payer to obtain a TCC, which is coded in the Transmitter "T" Record. Payers should contact their service bureaus for further information.

.06 Form 4419 may be submitted anytime during the year; however, it **must** be submitted to IRS/MCC at least 30 days before the due date of the return(s) for current year processing. This will allow IRS/MCC the minimum amount of time necessary to process and respond to applications. In the event that computer equipment or software is not compatible with IRS/MCC, a waiver may be requested to file returns on paper documents.

.07 Once a transmitter is approved to file electronically/magnetically, it is not necessary to reapply **unless**:

- **(a)** The payer has discontinued filing electronically or magnetically for two consecutive years; the payer's TCC may have been reassigned by IRS/MCC. Payers who are aware the TCC assigned will no longer be used are requested to notify IRS/MCC so these numbers may be reassigned; **or**
- **(b)** The payer's files were transmitted in the past by a service bureau using the service bureau's TCC, but now the payer has computer equipment compatible with that of IRS/MCC and wishes to prepare his or her own files. The payer must request a TCC by filing Form 4419.

.08 In accordance with Regulations section 1.6041–7(b), payments by separate departments of a health care carrier to providers of medical and health care services may be reported on separate returns filed electronically or magnetically. In this case, the headquarters will be considered the transmitter, and the individual departments of the company filing reports will be considered payers. A single Form 4419 covering all departments filing electronically/magnetically should be submitted. One TCC may be used for all departments.

.09 Annually, a Publication 1220 containing the current Revenue Procedure, forms, and instructions will be sent to the attention of the contact person indicated on Form 4419. Additional copies can be obtained by downloading from the IRS Web Site at *www.irs.gov* or by calling 1–800–829–3676.

.10 If **any** of the information (name, TIN or address) on the Form 4419 changes, please notify IRS/MCC in writing so the IRS/MCC database can be updated. You may use our email address (See Sec. 3,.03) for basic name and address changes. IRS/MCC does not recommend sending TIN information via email. A change in the method by which information returns are submitted is not information which needs to be updated (e.g., diskette to electronic). The transmitter should include the TCC in all correspondence.

.11 Approval to file does not imply endorsement by IRS/MCC of any computer software or of the quality of tax preparation services provided by a service bureau or software vendor.

Sec. 7. Test Files

.01 IRS/MCC encourages first time electronic or magnetic media filers to submit a test, however, test files are **required** for filers wishing to participate in the Combined Federal/State Filing Program. See Part A, Sec. 13, for further information on the Combined Federal/State Filing Program.

.02 The test file **must** consist of a sample of each type of record:

(a) Transmitter "T" Record (all fields marked required must include transmitter information)
(b) Payer "A" Record (must not be fictitious data)
(c) Multiple Payee "B" Records (**at least 11 "B" Records per each "A" Record**)
(d) End of Payer "C" Record
(e) State Totals "K" Record, if participating in the Combined Federal/State Filing Program
(f) End of Transmission "F" Record

(See Part D for record formats.)

.03 Use the Test Indicator "T" in Field Position 28 of the "T" Record to show this is a test file.

.04 IRS/MCC will check the file to ensure it meets the specifications of this Revenue Procedure. For current filers, sending a test file will provide the opportunity to ensure their software reflects any programming changes.

.05 Electronic tests may be submitted *November 1, 2002, through February 15, 2003*. See Part B, Sec. 4.03, for information on electronic test results.

.06 Tests submitted on magnetic media should be sent to IRS/MCC between *November 1, 2002 and December 16, 2002*. Tests must be received at MCC by December 16 in order to be processed. Magnetic media filers may begin submitting test cartridges and diskettes after October 1; however, the data will not be processed until on or after November 1. For tests filed on tape cartridge, 8mm, 4mm, quarter-inch cartridge, and 3½-inch diskette, the transmitter must include the signed Form 4804 in the same package with the corresponding magnetic media. Mark the "TEST" box in Block 1 on the form. Also, mark "TEST" on the external media label.

.07 IRS/MCC will send a letter of acknowledgment to indicate the magnetic media test results. Unacceptable magnetic media test files will receive a letter and/or documentation identifying the errors. Resubmission of magnetic media test files must be received by IRS/MCC no later than *December 16, 2002.*

Sec. 8. Filing of Information Returns Magnetically and Retention Requirements

.01 Form 4804, Transmittal of Information Returns Reported Magnetically, or a computer-generated substitute, must accompany **all** magnetic media shipments except for replacements when a 4804 is not always necessary (See Part A, Sec. 10).

.02 IRS/MCC allows for the use of computer-generated substitutes for Form 4804. The substitutes must contain all information requested on the original forms including the affidavit and signature line. Photocopies are acceptable but an original signature is required. When using computer-generated forms, be sure to mark very clearly, which tax year is being reported. This will eliminate a telephone communication from IRS/MCC to question the tax year.

.03 Form 4804 may be signed by the payer or the transmitter, service bureau, paying agent, or disbursing agent (all hereafter referred to as agent) on behalf of the payer. Failure to sign the affidavit on Form 4804 may delay processing or could result in the files being unprocessed. An agent may sign the Form 4804 if the agent has the authority to sign the affidavit under an agency agreement (either oral, written, or implied) that is valid under state law and adds the caption "FOR: (name of payer)."

.04 Although an authorized agent may sign the affidavit, the payer is responsible for the accuracy of the Form 4804 and the returns filed. The payer will be liable for penalties for failure to comply with filing requirements.

.05 Multiple types of media may be submitted in a shipment. However, submit a separate Form 4804 for each type of media.

.06 Current and prior year data may be submitted in the same shipment; however, each tax year must be on separate media, and a separate Form 4804 must be prepared to clearly indicate each tax year.

.07 Filers who have prepared their information returns in advance of the due date are encouraged to submit this information to IRS/MCC no earlier than January 1 of the year the return is due.

.08 Do not report duplicate information. If a filer submits returns electronically/magnetically, identical paper documents must not be filed. This may result in erroneous penalty notices.

.09 A self-adhesive external media label, created by the filer, must be affixed to each piece of magnetic media. For instructions on how to prepare an external media label, refer to Notice 210 in the forms section of this publication. If diskettes are used, be certain that only MS-DOS compatible operating systems were used to prepare the diskettes. **Non MS-DOS diskettes are no longer acceptable at IRS/MCC**.

.10 When submitting files include the following:

(a) A **signed** Form 4804
(b) External media label (created by filer) affixed to magnetic media
(c) IRB Box _____of _____ labeled on outside of each package

.11 IRS/MCC will not return media after successful processing. Therefore, if the transmitter wants proof that IRS/MCC received a shipment, the transmitter should select a service with tracking capabilities or one that will provide proof of delivery. Do not use special shipping containers for mailing media to IRS/MCC. Shipping containers will not be returned.

.12 IRS/MCC will not pay for or accept "Cash-on-Delivery" or "Charge to IRS" shipments of tax information that an individual or organization is legally required to submit.

.13 Payers should retain a copy of the information returns filed with IRS or have the ability to reconstruct the data for at least 3 years from the reporting due date, with the exception of Form 1099–C. A financial entity must retain a copy of Form 1099–C, Cancellation of Debt, or have the ability to reconstruct the data required to be included on the return, for at least 4 years from the date such return is required to be filed. Whenever backup withholding is imposed, a 4-year retention is required.

Sec. 9. Due Dates

.01 The due dates for filing paper returns with IRS also apply to magnetic media. Filing of information returns is on a calendar year basis, except for Forms 5498 and 5498–MSA, which are used to report amounts contributed during or after the calendar year (but not later than April 15). The following due dates will apply to Tax Year *2002*:

Due Dates

Electronic Filing	**Magnetic Filing (See Note)**
Forms 1098, 1099, and W–2G	Forms 1098, 1099, and W–2G
Recipient Copy — January 31, 2003	Recipient Copy — January 31, 2003
IRS Copy --- March 31, 2003	IRS Copy --- February 28, 2003

Electronic/Magnetic Filing
Forms 5498 and 5498–MSA
Participant Copy — June 2, 2003*
IRS Copy --- June 2, 2003
* Participants' copy of Form 5498 for Coverdell ESA and all other Forms 5498 to furnish fair market value information — January 31, 2003

.02 If any due date falls on a Saturday, Sunday or legal holiday, the return or statement is considered timely if filed or furnished on the next day that is not a Saturday, Sunday or legal holiday.

.03 Magnetic media returns postmarked by the United States Postal Service (USPS) on or before February 28, 2003, and delivered by United States mail to the IRS/MCC after the due date, are treated as timely under the "timely mailing as timely filing" rule. Refer to the 2002 General Instructions for Forms 1099, 1098, 5498, and W–2G, When to File, located in the back of this publication for more detailed information. Notice 97–26 1997–1 C.B. 413, provides rules for determining the date that is treated as the postmark date. For items delivered by a non-designated PDS, the actual date of receipt by IRS/MCC will be used as the filing date. For items delivered by a designated PDS, but through a type of service not designated in Notice 99–41, the actual date of receipt by IRS/MCC will be used as the filing date. The timely mailing rule also applies to furnishing statements to recipients and participants.

☛ **Note: Due to security regulations at MCC, the Internal Revenue police officers will only accept media from PDSs or couriers from 7:00 a.m. to 5:00 p.m., Monday through Friday**.

.04 Use this Revenue Procedure to prepare information returns filed electronically or magnetically beginning *January 1, 2003*, and received by IRS/MCC no later than *December 10, 2003*.

Sec. 10. Replacement Media

.01 *A replacement is an information return file sent by the filer* ***at the request of IRS/MCC*** *because of errors encountered while processing the filer's original file or correction file. After the necessary changes have been made, the entire file must be returned for processing along with the Media Tracking Slip (Form 9267) which was included in the correspondence from IRS/MCC. (****See Note.****)*

☛ ***Note: Filers should never send anything to IRS/MCC marked "Replacement" unless IRS/MCC has requested a replacement file in writing or via the FIRE System****.*

.02 *Magnetic Media filers will receive a Media Tracking Slip (Form 9267), listing, and letter detailing the reason(s) their media could not be processed. It is imperative that filers maintain backup copies and/or recreate capabilities for their information return files. Open all correspondence from IRS/MCC immediately.*

.03 *When possible, sample records identifying errors encountered will be provided with the returned information. It is the responsibility of the transmitter to check the entire file for similar errors.*

.04 *Before sending replacement media make certain the following items are in place*:

(a) *Make the required changes noted in the enclosed correspondence and check entire file for other errors.*

(b) *Code Transmitter "T" record, in positions 21–22 for replacement. See Part D, Sec. 3.*

(c) *Code Payer "A" record in position 49 with "1" for replacement file. See Part D, Sec. 4.*

(d) *Enclose the Form 9267, Media Tracking Slip, with your replacement media.*

(e) *Label your Media* ***"Replacement Data"*** *and indicate the appropriate Tax Year.*

(f) *Complete a new Form 4804* ***if any of your information has changed.***

.05 *Replacement files must be corrected and returned to IRS/MCC within 45 days from the date of the letter. Refer to Part B, Sec. 5 .05, for procedures for files submitted electronically. A penalty for failure to return a replacement file by the due date will be assessed if the files are not corrected and returned within the 45 days* ***or if filers are notified by IRS/MCC of the need for a replacement file more than two times****.* A penalty for intentional disregard of filing requirements will be assessed if a replacement file is not received. (For penalty information, refer to the Penalty section of the 2002 General Instructions for Forms 1099, 1098, 5498, and W–2G.)

Sec. 11. Corrected Returns

∇ A **correction** is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS/MCC, but contained erroneous information.

∇ While we encourage you to file your corrections electronically/magnetically, you may file up to 249 paper corrections even though your originals were filed electronically or magnetically.

∇ **DO NOT SEND YOUR ENTIRE FILE AGAIN**. Only send the information returns in need of correction.

∇ Information returns omitted from the original file **must not** be coded as corrections. Submit them under a separate Payer "A" Record as original returns.

∇ Before creating your correction file, review the following guidelines chart carefully.

.01 The magnetic media filing requirement of information returns of 250 or more applies separately to both original and corrected returns.

EXAMPLE

If a payer has 100 Forms 1099–A to be corrected, they can be filed on paper because they fall under the 250 threshold. However, if the payer has 300 Forms 1099–B to be corrected, they must be filed electronically or magnetically because they meet the 250 threshold. If for some reason a payer cannot file the 300 corrections electronically or magnetically, to avoid penalties, a request for a waiver must be submitted before filing on paper. If a waiver is approved for original documents, any corrections for the same type of return will be covered under this waiver.

.02 Corrections should be filed **as soon as possible**. Corrections filed after August 1 may be subject to the maximum penalty of $50 per return. Corrections filed by August 1 may be subject to a lesser penalty. (For information on penalties, refer to the Penalty Section of the *2002 General Instructions for Forms 1099, 1098, 5498, and W–2G.*) However, if payers discover errors after August 1, they should file corrections, as prompt correction is a factor considered in determining whether the intentional disregard penalty should be assessed or whether a waiver of the penalty for reasonable cause may be granted. All fields must be completed with the correct information, not just the data fields needing correction. Submit corrections only for the returns filed in error, not the entire file. Furnish corrected statements to recipients as soon as possible.

☛ **Note: Do NOT resubmit your entire file as corrections. This will result in duplicate filing and erroneous notices may**

be sent to payees. Submit only those returns which need to be corrected.

.03 There are numerous types of errors, and in some cases, more than one transaction may be required to correct the initial error. If the original return was filed as an aggregate, the filers must consider this in filing corrected returns.

.04 Corrected returns may be included on the same media as original returns; however, separate "A" Records are required. Corrected returns must be identified on the Form 4804 and the external media label by indicating "Correction." If filers discover that certain information returns were omitted on their original file, they must not code these documents as corrections. The file must be coded and submitted as originals.

.05 If a payer discovers errors for prior years that affect a large number of payees, in addition to sending IRS the corrected returns and notifying the payees, a letter containing the following information should be sent to IRS/MCC:

(a) Name and address of payer
(b) Type of error (please explain clearly)
(c) Tax year
(d) Payer TIN
(e) TCC
(f) Type of Return
(g) Number of Payees
(h) Filing method, paper, electronic, or magnetic media

This information will be forwarded to the appropriate office in an attempt to prevent erroneous notices from being sent to the payees. The corrections must be submitted on actual information return documents or filed electronically/magnetically. Form 4804 must be submitted with corrected files submitted magnetically. If filing magnetically, provide the correct tax year in Block 2 of the Form 4804 and on the external media label. The Form 4804 is not required for electronic filing through the FIRE System.

.06 Prior year data, original and corrected, **must** be filed according to the requirements of this Revenue Procedure. If submitting prior year corrections, use the record format for the current year and submit on separate media. However, use the actual year designation of the correction in Field Positions 2–5 of the "T", "A", and "B" Records. If filing electronically, a separate transmission must be made for each tax year.

.07 In general, filers should submit corrections for returns filed within the last 3 calendar years (4 years if the payment is a reportable payment subject to backup withholding under section 3406 of the Code and also for Form 1099–C, Cancellation of Debt).

.08 All paper returns, whether original or corrected, must be filed with the appropriate service center.

.09 The "B" Record provides a 20-position field for the Payer's Account Number for the Payee. This number will help identify the appropriate incorrect return if more than one return is filed for a particular payee. **Do not enter a TIN in this field**. A payer's account number for the payee may be a checking account number, savings account number, serial number, or any other number assigned to the payee by the payer that will distinguish the specific account. This number should appear on the initial return and on the corrected return in order to identify and process the correction properly.

.10 The record sequence for filing corrections is the same as for original returns.

.11 Review the chart that follows. Errors normally fall under one of the two categories listed. Next to each type of error made is a list of instructions on how to file the corrected return.

Guidelines for Filing Corrected Returns Electronically/Magnetically	
Error Made on the Original Return	How To File the Corrected Return
☛ **Note: References to Form 4804 apply to magnetically filed media only. Form 4804 is not required for files submitted electronically through the FIRE System.**	
Two (2) separate transactions are required to make the following corrections properly. Follow the directions for both Transactions 1 and 2. (See Note 1.)	
1. Original return was filed with one or more of the following errors:	**Transaction 1:** Identify incorrect returns.
(a) No payee TIN (SSN, ITIN, ATIN or EIN)	**A.** Prepare a new Form 4804 that includes information related to this new file.
(b) Incorrect payee TIN	
(c) Incorrect payee name	**B.** Mark "Correction" in Block 1 of Form 4804.
(d) Wrong type of indicator	**C.** Prepare a new file. The first record on the file will be the Transmitter "T" Record.

Guidelines for Filing Corrected Returns Electronically/Magnetically (Continued)

Error Made on the Original Return	How To File the Corrected Return

☛ **Note: References to Form 4804 apply to magnetically filed media only. Form 4804 is not required for files submitted electronically through the FIRE System.**

D. Make a separate "A" Record for each type of return and each payer being reported. The information in the "A" Record will be **exactly** the same as it was in the original submission with one exception; remove the "1" from Field Position 48, and set the Correction File Indicator (Field Position 50) to "1".

E. The Payee "B" Records must contain **exactly the same** information as submitted previously, **except**, insert a Corrected Return Indicator Code of "G" in Field Position 6 of the "B" Records, and enter "0" (zeros) in all payment amounts.

F. Corrected returns submitted to IRS/MCC using "G" coded "B" Records may be on the same file as those returns submitted with a "C" code; **however, separate "A" Records are required.**

G. Prepare a separate "C" Record for each type of return and each payer being reported.

H. Continue with Transaction 2 to complete the correction.

Transaction 2: Report the correct information.

A. Make a separate "A" Record for each type of return and each payer being reported. Remove the "1" in Field Position 48 and set the Correction File Indicator (Field Position 50), to "1" (one).

B. The Payee "B" Records must show the correct information as well as a Corrected Return Indicator Code of "C" in Field Position 6.

C. Corrected returns submitted to IRS/MCC using "C" coded "B" Records may be on the same file as those returns submitted with "G" codes; **however, separate "A" Records are required.**

D. Prepare a separate "C" Record for each type of return and each payer being reported.

E. The last record on the file will be the End of Transmission "F" Record.

G. Indicate "Correction" on the external media label.

☛ **Note 1: See the *2002 General Instructions for Forms 1099, 1098, 5498, and W–2G* for additional information on regulations affecting corrections and related penalties.**

*File layout **two** step corrections*

Transmitter "T" Record	*Payer "A" Record*	*"G" coded Payee "B" Record*	*"G" coded Payee "B" Record*	*End of Payer "C" Record*	*Payer "A" Record*

"C" coded Payee "B" Record	*"C" coded Payee "B" Record*	*End of Payer "C" Record*	*End of Transmission "F" Record*

One transaction is required to make the following corrections properly (See Note 2).

Guidelines for Filing Corrected Returns Electronically/Magnetically (Continued)	
Error Made on the Original Return	How To File the Corrected Return
2. Original return was filed with one or more of the following errors: **(a)** Incorrect payment amount codes in the Payer "A" Record **(b)** Incorrect payment amounts in the Payee "B" Record **(c)** Incorrect code in the distribution code field in the Payee "B" Record **(d)** Incorrect payee address **(e)** Incorrect Direct sales indicator	**A.** Prepare a new Form 4804 that includes information relating to this new file. **B.** Mark "Correction" in Block 1 of Form 4804. **C.** Prepare a new file. The first record on the file will be the Transmitter "T" Record. **D.** Make a separate "A" Record for each type of return and each payer being reported. Information in the "A" Record may be the same as it was in the original submission. However, remove the "1" in Field Position 48 and set the Correction File Indicator (Field Position 50), to "1" (one). **E.** The Payee "B" Records must show the correct record information as well as a Corrected Return Indicator Code of "G" in Field Position 6. **F.** Corrected returns submitted to IRS/MCC using "G" coded "B" Records may be on the same file as those returns submitted without the "G" coded "B" Records; however, **separate "A" Records are required**. **G.** Prepare a separate "C" Record for each type of return and each payer being reported. **H.** The last record on the file will be the End of Transmission "F" Record. **I.** Indicate "Correction" on the external media label.

*File layout **one** step corrections*

Transmitter "T" Record	*Payer "A" Record*	*"G" coded Payee "B" Record*	*"G" coded Payee "B" Record*	*End of Payer "C" Record*	*End of Transmission "F" Record*

☛ **Note 2: If a filer is correcting the name and/or TIN in addition to any errors listed in item 2 of the chart, two transactions will be required. If a filer is reporting "G" coded, "C" coded, and/or "Non-coded" (original) returns on the same media, each category must be reported under separate "A" Records.**

Sec. 12. Effect on Paper Returns and Statements to Recipients

.01 Electronic/Magnetic reporting of information returns eliminates the need to submit paper documents to the IRS. **CAUTION: Do not send Copy A of the paper forms to IRS/MCC for any forms filed electronically or magnetically**. This will result in duplicate filing; therefore, erroneous notices could be generated.

.02 Payers are responsible for providing statements to the payees as outlined in the *2002 General Instructions for Forms 1099, 1098, 5498, and W–2G*. Refer to those instructions for filing information returns on paper with the IRS and furnishing statements to recipients.

.03 Statements to recipients should be clear and legible. If the official IRS form is not used, the filer must adhere to the specifications and guidelines in Publication 1179, Rules and Specifications for Private Printing of Substitute Forms 1096, 1098, 1099, 5498, and W–2G.

Sec. 13. Combined Federal/State Filing Program

∇ Through the Combined Federal/State Filing (CF/SF) Program, IRS/MCC will forward certain original and corrected information returns filed electronically or magnetically to participating states for approved filers.

∇ For approval, the filer must submit a test file coded for this program. See Part A, Sec. 7, Test Files.

∇ For magnetic media test files, attach a letter to the Form 4804 requesting to participate in the CF/SF Program. The Form 4804 or letter is not required for tests sent electronically.

∇ Approved filers are sent a Form 6847, Consent for Internal Revenue Service to Release Tax Information, which must be completed and returned to IRS/MCC. A separate form is required for each payer.

.01 The Combined Federal/State Filing (CF/SF) Program was established to simplify information returns filing for the taxpayer. IRS/MCC will forward this information to participating states free of charge for approved filers. Separate reporting to those states is not necessary. The following information returns may be filed under the Combined Federal/State Filing Program:

Form 1099–DIV- - -	Dividends and Distributions
Form 1099–G- - - - -	Certain Government Payments
Form 1099–INT- - - -	Interest Income
Form 1099–MISC- -	Miscellaneous Income
Form 1099–OID- - -	Original Issue Discount
Form 1099–PATR- -	Taxable Distributions Received From Cooperatives
Form 1099–R- - - - -	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
Form 5498- - - - - -	IRA and Coverdell ESA Contribution Information

.02 To request approval to participate, a magnetic media test file coded for this program **must** be submitted to IRS/MCC between *November l, 2002, and December 16, 2002*. Electronic test files coded for this program must be submitted between *November 1, 2002, and February 15, 2003*.

.03 Attach a letter to the Form 4804 submitted with the test file to indicate a desire to participate in the Combined Federal/State Filing Program. Test files sent electronically do not require the Form 4804 or letter. If the test file is coded for the Combined Federal/State Filing Program and is acceptable, an approval letter and Form 6847 will be sent to the filer.

.04 A test file is only required for the first year. Each record, both in the test and the actual data file, must conform to this Revenue Procedure.

.05 If the test file is acceptable, IRS/MCC will send the filer an approval letter, and a Form 6847, Consent for Internal Revenue Service to Release Tax Information, which the payer **must** complete, sign, and return to IRS/MCC before any tax information can be released to the state. Filers must write their TCC on Form 6847.

.06 If the test file is not acceptable, IRS/MCC will send magnetic media filers a letter indicating the problems. Electronic filers must dial back within two days to the FIRE System to check the acceptability of their test file. The new test file must be received by IRS/MCC no later than December 16, 2002 for magnetic media, or February 15, 2003 for an electronically filed test.

.07 A separate Form 6847 is **required** for each payer. A transmitter may not combine payers on one Form 6847 even if acting as Attorney-in-Fact for several payers. Form 6847 may be computer-generated as long as it includes all information that is on the

original form or it may be photocopied. If the Form 6847 is signed by an Attorney-in-Fact, the written consent from the payer must clearly indicate that the Attorney-in-Fact is empowered to authorize release of the information.

.08 Only code the records for participating states and for those payers who have submitted Form 6847.

.09 Some participating states require separate notification that the payer is filing in this manner. Since IRS/MCC acts as a forwarding agent only, it is the payer's responsibility to contact the appropriate states for further information.

.10 All corrections properly coded for the Combined Federal/State Filing Program will be forwarded to the participating states.

.11 Participating states and corresponding valid state codes are listed in **Table 1** of this section. The appropriate state code **must** be entered for those documents that meet the state filing requirements; **do not use state abbreviations**.

.12 Each state's filing requirements are subject to change by the state. It is the payer's responsibility to contact the participating states to verify their criteria.

.13 Upon submission of the actual files, the transmitter must be sure of the following:

(a) All records must be coded exactly as required by this Revenue Procedure.

(b) A State Totals "K" Record(s) for each state being reported **must** follow the "C" Record.

(c) Payment amount totals and the valid participating state code must be included in the State Totals "K" Record(s).

(d) The last "K" Record **must be** followed by an "A" Record or an End of Transmission "F" Record (if this is the last record of the entire file).

Table 1. Participating States and Their Codes

State	Code	State	Code	State	Code
Alabama	01	Idaho	16	Missouri	29
Arizona	04	Indiana	18	Montana	30
Arkansas	05	Iowa	19	Nebraska	31
California	06	Kansas	20	New Jersey	34
Colorado	07	Louisiana	22	New Mexico	35
Connecticut	08	Maine	23	North Carolina	37
Delaware	10	Maryland	24	North Dakota	38
District of Columbia	11	Massachusetts	25	South Carolina	45
Georgia	13	Minnesota	27	Virginia	51
Hawaii	15	Mississippi	28	Wisconsin	55

Sample File Layout for Combined Federal/State Filer

Transmitter "T" Record	*Payer "A" Record coded with 1 in position 26*	*Payee "B" Record with state code 15 in position 747–748*	*Payee "B" Record with state code 06 in position 747–748*	*Payee "B" Record no state code*	*End of Payer "C" Record*

State Totals "K" Record for "B" records coded 15. "K" record coded 15 in positions 747–748.	*State Totals "K" Record for "B" records coded 06. "K" record coded 06 in positions 747–748.*	*End of Transmission "F" Record*

Sec. 14. Penalties Associated With Information Returns

.01 *The following penalties generally apply to the person required to file information returns. The penalties apply to electronic/magnetic media filers as well as to paper filers.*

.02 Failure To File Correct Information Returns by the Due Date (Section 6721). *If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file on magnetic media, you report an incorrect TIN or fail to report a TIN, or you fail to file paper forms that are machine readable.*

The amount of the penalty is based on when you file the correct information return. The penalty is:

∇ ***$15*** *per information return if you correctly file within 30 days of the due date of the return (See Part A, Sec. 9 .01); maximum penalty $75,000 per year ($25,000 for small businesses).*

∇ ***$30*** *per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty $150,000 per year ($50,000 for small businesses).*

∇ ***$50*** *per information return if you file after August 1 or you do not file required information returns; maximum penalty $250,000 per year ($100,000 for small businesses).*

.03 *A late filing penalty may be assessed for a replacement file which is not returned by the required date. Files which require replacement more than two times will also be subject to penalty. See Part A, Sec. 10, for more information on replacement files.*

.04 Intentional disregard of filing requirements*. If any failure to file a correct information return is due to intentional disregard of the filing or correct information requirements, the penalty is at least $100 per information return with no maximum penalty.*

.05 Failure To Furnish Correct Payee Statements (Section 6722)*. For information regarding penalties which may apply to failure to furnish correct payee statements, see General Instructions for Forms 1099, 1098, 5498, and W–2G.*

Sec. 15. State Abbreviations

.01 The following state and U.S. territory abbreviations are to be used when developing the state code portion of address fields. This table provides state and territory abbreviations only, and does not represent those states participating in the Combined Federal/State Filing Program.

State	Code	State	Code	State	Code
Alabama	AL	Kentucky	KY	Northern Mariana Islands	MP
Alaska	AK	Louisiana	LA	Ohio	OH
American Samoa	AS	Maine	ME	Oklahoma	OK
Arizona	AZ	Marshall Islands	MH	Oregon	OR
Arkansas	AR	Maryland	MD	Pennsylvania	PA
California	CA	Massachusetts	MA	Puerto Rico	PR
Colorado	CO	Michigan	MI	Rhode Island	RI
Connecticut	CT	Minnesota	MN	South Carolina	SC
Delaware	DE	Mississippi	MS	South Dakota	SD
District of Columbia	DC	Missouri	MO	Tennessee	TN
Federated States of Micronesia	FM	Montana	MT	Texas	TX
Florida	FL	Nebraska	NE	Utah	UT
Georgia	GA	Nevada	NV	Vermont	VT
Guam	GU	New Hampshire	NH	Virginia	VA
Hawaii	HI	New Jersey	NJ	(U.S.) Virgin Islands	VI
Idaho	ID	New Mexico	NM	Washington	WA
Illinois	IL	New York	NY	West Virginia	WV
Indiana	IN	North Carolina	NC	Wisconsin	WI
Iowa	IA	North Dakota	ND	Wyoming	WY
Kansas	KS				

.02 Filers must adhere to the city, state, and ZIP Code format for U.S. addresses in the "B" Record. This also includes American Samoa, Federated States of Micronesia, Guam, Marshall Islands, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

.03 For foreign country addresses, filers may use a 51 position free format which should include city, province or state, postal code, and name of country in this order. This is allowable only if a "1" (one) appears in the Foreign Country Indicator, Field Position 247, of the "B" Record.

.04 When reporting APO/FPO addresses use the following format:

EXAMPLE:

Payee Name	PVT Willard J. Doe
Mailing Address	Company F, PSC Box 100 167 Infantry REGT
Payee City	APO (or FPO)
Payee State	AE, AA, or AP*
Payee ZIP Code	098010100

*AE is the designation for ZIPs beginning with 090–098, AA for ZIP 340, and AP for ZIPs 962–966.

Sec. 16. Major Problems Encountered

IRS/MCC encourages filers to verify the format and content of each type of record to ensure the accuracy of the data. This may eliminate the need for IRS/MCC to request replacement files. This may be important for those payers who have either had their files prepared by a service bureau or who have purchased preprogrammed software packages.

Filers who engage a service bureau to prepare media on their behalf should be careful not to report duplicate data which may generate penalty notices.

The Major Problems Encountered lists some of the most frequently encountered problems with electronic/magnetic files submitted to IRS/MCC. These problems may result in IRS/MCC requesting replacement files. Some of the problems resulted from not referring to this publication for instructions.

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1. Incorrect Format

∇Multiple Files on diskettes — Each diskette must contain only **ONE** file, named **IRSTAX**. A file consists of one Transmitter "T" Record followed by a Payer "A" Record, Payee "B" Records, End of Payer "C" Record, State Totals "K" Record (if applicable for CF/SF Program), and the End of Transmission "F" Record. A file can contain multiple Payer "A" Records, but, only **one** Transmitter "T" Record. See Part D, Sec. 10, for file layout diagram.

∇Invalid record length — **ALL** Records must be 750 Positions in length.

∇Prior tax year data **must** be formatted in the **current** tax year format. Be sure to use the **current Revenue Procedure (Publication 1220)** for formatting prior tax year data.

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2. Unable to read tape cartridge.

Please review all tape cartridge specifications carefully (See Part C, Sections 1 and 2.)

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3. No Form 4804, Transmittal of Information Returns Reported Magnetically

Each shipment of media sent to IRS/MCC must include a signed Form 4804. More than one type of media may be sent in the same shipment, (*i.e.*, diskette, and tape cartridge) but must have a separate Form 4804 to accompany **each type of media**.

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4. Discrepancy Between IRS/MCC Totals and Totals in Payer "C" Records

The "C" Record is a summary record for a type of return for a given payer. IRS compares the total number of payees and payment amounts in the "B" records with totals in the "C" Records. The two totals **must** agree. Do **NOT** enter negative amounts except when reporting Forms 1099–B. Money amounts must be all numeric, right-justified and zero (0) filled. **Do Not Use Blanks**.

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5. The Payment Amount Fields in the "B" Record Do Not Correspond to the Amount Codes in the "A" Record

The Amount Codes used in the "A" record **MUST** correspond with the payment amount fields used in the "B" records. The amount codes must be left-justified, in ascending order with the unused positions blank. For Example: If the "B" records show payment amounts in payment amount fields 2, 4, and 7, then the "A" record must correspond with 2, 4, and 7 in the amount codes field.

---

6. Incorrect TIN in Payer "A" Record

The Payer's TIN reported in positions 12–20 of the "A" record must be nine numeric characters only. **(Do Not Enter Hyphen.)** The TIN and the First Payer Name Line provided in the "A" record must correspond.

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7. Incorrect Tax Year in the Transmitter "T" Record, Payer "A" Record and the Payee "B" Records

The tax year in the transmitter, payer and payee records should reflect the tax year of the information return being reported. For prior tax year data, there must be a "P" in position 6 of the Transmitter "T" record. This position must be blank for current tax year data.

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8. Incorrect Reporting of Form W–2 Information to IRS

Form W–2 information is submitted to SSA and **not** to IRS/MCC. **Any media received at IRS/MCC that contains W–2 information will be forwarded to SSA. The filer will be notified of this action by letter**. To inquire about filing Form W–2 information magnetically/electronically, call 1–800–SSA–6270.

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9. Incorrect use of Test Indicator

When sending a test file, position 28 of the Transmitter "T" record must contain a "T", otherwise blank fill.

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10. Incorrect Format for TINs in the Payee "B" Record

TINs entered in position 12–20 of the Payee "B" record must consist of nine numerics only. **(Do Not Enter Hyphens.)** Incorrect formatting of TINs may result in a penalty.

Payers/Transmitters who submit data with missing TINs, and have taken the required steps to obtain this information are encouraged to attach a letter of explanation to the required Form 4804. This letter, however, will not prevent backup withholding notices (CP2100 and CP2100A Notices) or proposed penalties (Notice 972CG) for missing or incorrect TINs. For penalty information, refer to the Penalty section of the *2002 General Instructions* for Forms 1099, 1098, 5498, and W–2G.

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11. Distribution Codes for Form 1099–R Reported Incorrectly

For Forms 1099–R, there must be valid Distribution Code(s) in position 545–546 of the Payee "B" record. For valid codes (and combinations), see Form 1099–R Distribution Code Chart 2002 in Part D. If only one distribution code is required, it must be entered in position 545 and position 546 must be blank. A blank in position 545 is not acceptable.

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12. Incorrect Record Totals Listed on Form 4804

The Combined Total Payee Records listed on the Form 4804 (Block 6) are used in the verification process of information returns. The figure in this block **must** be the total number of payee "B" records contained on individual piece of media submitted. A separate Form 4804 should be sent for each piece of media that contains a file.

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13. Missing Correction Indicator in Payee "B" Record

When a file is submitted as a correction file, there must be a correction indictor, "G" or "C" in position 6 of the Payee "B" record. See Part A, Sec. 11.

Part B. Electronic Filing Specifications

Sec. 1. General

.01 Electronic filing of Forms 1098, 1099, 5498, and W–2G, originals, corrections, and replacements of information returns is offered as an alternative to magnetic media (tape cartridge or diskette) or paper filing, but is not a requirement. Transmitters filing electronically will fulfill the magnetic media requirements for those payers who are required to file magnetically. Payers who are under the filing threshold requirement may also file electronically. If the original file was sent magnetically, but IRS/MCC has requested a replacement file, the replacement may be transmitted electronically. Also, if the original file was submitted via magnetic media, any corrections may be transmitted electronically.

.02 All electronic filing of information returns are received at IRS/MCC via the FIRE (Filing Information Returns Electronically) System. The FIRE System can be accessed via analog and ISDN BRI connections. The system is designed to support the electronic filing of information returns only. The telephone number for electronic filing is **(304–262–2400).**

.03 The electronic filing of information returns is not affiliated with the Form 1040 electronic filing program. These two programs are totally independent, and filers must obtain separate approval to participate in each of them. All inquiries concerning the electronic filing of information returns should be directed to IRS/MCC. IRS/MCC personnel cannot answer questions or assist taxpayers in the filing of Form 1040 and will direct taxpayers, to the Customer Service toll-free number (1–800–829–1040).

.04 Files submitted to IRS/MCC electronically must be in standard ASCII code. Do not send magnetic media or paper forms with the same information as the electronically submitted files. This would create duplicate reporting resulting in penalty notices.

.05 The record formats of the "T", "A", "B", "C", "K", and "F" records are the same for both electronically and magnetically filed records. See Part D, Record Format Specifications and Record Layouts.

Sec. 2. Advantages of Filing Electronically

Some of the advantages of filing electronically are as follows:

(1) Paperless, no Form 4804 requirements.
(2) Results available within 1–2 workdays regarding the acceptability of the data transmitted. It is the filer's responsibility to dial back in and check results.
(3) Later due date than magnetic media or paper for electronically filed Forms 1098, 1099, and W–2G (refer to Part A, Sec. 9.01).
(4) Allows more attempts than magnetic media filing to correct bad files within a specific time frame before imposing penalties (refer to Part B, Sec. 5.05).
(5) Better customer service due to on-line availability of transmitter's files for research purposes.
(6) Extended period to test electronic files: November 1, 2002 to February 15, 2003.

Sec. 3. Electronic Filing Approval Procedure

.01 Filers must obtain, or already have, a Transmitter Control Code (TCC) assigned prior to submitting files electronically. (Filers who currently have a TCC for magnetic media filing will not be assigned a second TCC for electronic filing.) Refer to Part A, Sec. 6, for information on how to obtain a TCC.

.02 Once a TCC is obtained, electronic filers assign their own logon name, password and PIN (Personal Identification Number) and do not need prior or special approval. See Part B, Sec. 6, for more information on the PIN.

.03 If a filer is submitting files for more than one TCC, it is not necessary to create a separate logon and password for each TCC.

.04 For all passwords, it is the user's responsibility to remember the password and not allow the password to be compromised. Passwords are user assigned at first logon and must be 8 alpha/numerics containing at least 1 uppercase, 1 lowercase, and 1 numeric. However, if filers forget their password or PIN, call ***toll-free 1–866–455–7438*** for assistance. The FIRE System will require users to change their passwords on a yearly basis.

Sec. 4. Test Files

.01 Filers are not required to submit a test file; however, the submission of a test file is encouraged for all new electronic filers to test hardware and software. If filers wish to submit an electronic test file for Tax Year *2002* (returns to be filed in *2003*), it **must** be submitted to IRS/MCC **no earlier than** November 1, 2002, and **no later than** February 15, 2003.

.02 If a filer encounters problems while transmitting the electronic test file, contact IRS/MCC ***toll-free at 1–866–455–7438*** for assistance.

.03 Filers can verify the status of the transmitted test data by connecting to the FIRE System at **304–262–2400**. This information will be available within 1–2 workdays after the transmission is received by IRS/MCC.

.04 Form 4804 is not required for test files submitted electronically. See Part B, Sec. 6.

.05 A test file is required from filers who want approval for the Combined Federal/State Filing Program. See Part A, Sec. 13, for further details.

Sec. 5. Electronic Submissions

.01 Electronically filed information may be submitted to IRS/MCC 24 hours a day, 7 days a week. Technical assistance will be available Monday through Friday between 8:30 a.m. and 4:30 p.m. Eastern time by calling ***toll-free at 1–866–455–7438.***

.02 The FIRE System will be down from December 27, 2002, through January 7, 2003. This allows IRS/MCC to update its system to reflect current year changes.

.03 Data compression is encouraged when submitting information returns electronically. WinZip and PKZip are acceptable compression packages. UNIX COMPRESS may be acceptable; however, a test file is recommended to verify compatibility. IRS/MCC cannot accept self-extracting zip files or compressed files containing multiple files.

The time required to transmit information returns electronically will vary depending on the modem speed and the type of data compression used, if any. **The time required to transmit a file can be reduced by as much as 95 percent by using compression.**

The following are transmission rates achieved in test uploads at MCC using compressed files. The transmission rates will vary depending on the modem speeds.

Transmission Speed in bps	1000 Records	10,000 Records	100,000 Records
19.2K	34 Sec.	6 Min.	60 Min.
56K	20 Sec.	3½ Min.	33 Min.
128K (ISDN)	8 Sec.	1 Min.	10 Min.

.04 Files submitted electronically will be assigned a unique filename by the FIRE System (the users may name files anything they choose from their end). The filename assigned by the FIRE System will consist of submission type (TEST, ORIG [original], CORR [correction], and REPL [replacement]), the filer's TCC and a four digit number sequence. The sequence number will be incremented for every file sent. For example, if it is your first original file for the calendar year and your TCC is 44444, the IRS assigned filename would be ORIG.44444.0001. **Record the filename**. This information will be needed by MCC to identify the file, if assistance is required.

.05 If a file was submitted timely and is bad, the filer will have up to 60 days from the day the file was transmitted or 4 replacement attempts within that 60 day period, whichever comes first, to transmit an acceptable file. If an acceptable file is not received within 60 days or within 4 replacement attempts, then the payer could be subject to late filing penalties. This only applies to files originally sent electronically.

.06 The following definitions have been provided to help distinguish between a correction and a replacement:

∇A **correction** is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS/MCC, but contained erroneous information. **(See Note.)**

☛ **Note: Corrections should only be made to records that have been submitted incorrectly, not the entire file.**

∇A **replacement** is an information return file sent by the filer because FILE STATUS on the FIRE System indicated the original file was bad. After the necessary changes have been made, the file must be transmitted through the FIRE System. (**See Note.)**

☛ **Note: Filers should never transmit anything to IRS/MCC as a "Replacement" file unless FILE STATUS on the FIRE System indicates the file is bad.**

.07 The TCC in the Transmitter "T" Record must be the TCC used to transmit the file; otherwise, the file will be considered an error.

Sec. 6. PIN Requirements

.01 The Form 4804 is not required for electronic files. The user will be prompted to create a PIN consisting of 10 numerics when establishing their initial logon name and password.

.02 Filers must provide some on-line information, such as, company name, contact person and telephone number, before establishing their PIN number.

.03 The PIN is required each time a file is sent electronically and is permission to release the file. An authorized agent may enter their PIN, however, the payer is responsible for the accuracy of the returns. The payer will be liable for penalties for failure to comply with filing requirements. If you forget your PIN, please call ***toll-free 1–866–455–7438*** for assistance.

.04 If the file is good, it is released for mainline processing 10 calendar days from receipt. Contact us ***toll-free 1–866–455–7438*** within this 10-day period if there is a reason the file should not be released for further processing. If the file is bad, normal replacement procedures are followed.

Sec. 7. Electronic Filing Specifications

.01 The FIRE System is designed exclusively for the filing of Forms 1042–S, 1098, 1099, 5498, 8027, W–2G and W–4.

.02 A transmitter must have a TCC before a file can be transmitted. A TCC assigned for magnetic media filing, should also be used for electronic filing.

.03 The results of the electronic transmission will be available in the File Status area of the FIRE System within 1-2 business days. It is the filer's responsibility to dial back to verify the acceptability of files submitted by checking the File Status area of the system. Forms 1042–S, 8027 and W–4 require a longer processing time.

.04 Connect to the FIRE System by dialing **304–262–2400**. This number supports analog connections from 1200bps to 56Kbps or ISDN BRI 128Kbps. The system can be accessed via Dial-up network/web browser (see Part B, Sec. 8) or communications software such as Hyperterminal, Procomm, PCAnywhere or other VT100 emulation products (see Part B, Sec.9). The Dial-up network/web browser (point-to-point) will provide an Internet-like look, however, it is not the Internet.

Sec. 8. Dial-up Network/Browser Specifications (Web Interface)

.01 The following are some general instructions (many of these may already be set by default in your software):

Dial-up network settings:

(a) Set dial-up server type to PPP

(b) Set network protocol to TCP/IP

(c) Disable software compression

(d) Windows NT — Disable PPP-LCP extensions by clicking the 'More' option on the 'Dial' screen, then click on 'Edit entry and modem properties' and the Server folder.

(e) Windows 2000 and XP — Disable the LCP extension by going to your Dial-up Networking Properties, Networking and Settings.

Browser settings:

(a) Browser must be capable of file uploads (*i.e.*, Internet Explorer 4.0, Netscape 2.0 or higher)

(b) Enter the URL address of *http://10.225.224.2* after you have connected via dial-up. (Remember, this is a point-to-point connection, not the Internet.)

.02 Before dialing have your TCC and EIN available.

.03 Due to the large number of communication products available, it is impossible to provide specific information on all software/hardware configurations. However, since most filers use Windows 95, 98, NT, 2000 or ME software (more current versions are similar), the following instructions are geared toward those products:

Web-like Interface

Select ***Programs***
Accessories
Communications *(Windows 98, NT, 2000)*
Dial-Up Networking

First time connecting with Dial-Up Network

(If you have logged on previously, skip to Subsequent Dial-up Network Connections.)

The first time you dial-in, you will need to configure your Dial-Up Networking.

Select ***"Make new connection".***
Type a descriptive name for the system you are calling.
Select your modem.
Click ***"Next".***
Enter area code ***304*** and telephone number ***262–2400.***
Click ***"Next".***
When you receive a message that you have successfully created a new Dial-Up Networking connection, click ***"Finish"***.
Click ***"Connect"*** to dial. If you are prompted for a user name and password, complete according to local procedures; otherwise, click ***"OK"***.

When you receive the message that you have connected to our system, Click on your Web Browser ***(remember, you are not connecting via the Internet — this is a point-to-point connection).***
In the URL Address enter ***http://10.225.224.2*** and press ***ENTER.***

Subsequent Dial-Up Network Connections

Click ***"Connect".***
If prompted for user name and password, complete according to local procedures; otherwise, click ***"OK".***
When you receive **"Connection Complete"**, click ***"OK".***
Click on your Web Browser ***(remember, you are not connecting via the Internet).***
In the URL Address enter ***http://10.225.224.2*** and press ***ENTER.***

First time connection to The FIRE System

(If you have logged on previously, skip to Subsequent Connections to the FIRE System.)

Click ***"Create New Account".***
Fill out the registration form and click ***"Submit".***
Enter your ***logon name*** (most users logon with their first and last name).

Enter your ***password*** (the password is user assigned and must be 8 alpha/numerics, containing at least 1 uppercase, 1 lowercase and 1 numeric). FIRE will force you to change the password once a year.
Complete the online survey by choosing one of the options.
Click ***"Create".***
If you receive the message **"account created"**, click ***"OK".***
Enter your 10 digit self-assigned PIN (Personal Identification Number) and verify.
Click ***"Submit".***
If you receive the message **"Your PIN has been successfully created!"**, click ***"OK".***
Read the bulletin(s) and/or click ***"Start the FIRE application".***

Subsequent connections to The FIRE System

Click ***"Log On".***
Enter your ***logon name*** (most users logon with their first and last name).
Enter your ***password*** (the password is user assigned and is case sensitive).

At Menu Options:
Click ***"Information Returns"***
Enter your ***TCC***:
Enter your ***EIN***:
Click ***"Submit".***

The system will then display the company name, address, city, state, ZIP code and phone number. This information will be used to contact or send any correspondence regarding this transmission. Update as appropriate and/or Click ***"Accept".***

Click one of the following:
Original File
Correction File
Test File
Replacement File (if you select this option, select one of the following):
FIRE Replacement (file was originally transmitted on this system)
Click file to be replaced

Magnetic Media Replacement File
Enter the alpha character from Form 9267, Media Tracking Slip, that was sent with the request for replacement file.

Click ***"Submit".***
Enter your 10 digit PIN.
Click ***"Submit".***
Enter the ***drive/path/filename*** of the file you want to upload or click **"Browse"** to locate the file.
Click ***"Upload".***

When the upload is complete, the screen will display the total bytes received and tell you the name of the file you just uploaded.

If you have more files to upload for that TCC:
Click ***"File Another?"***; otherwise,
Click ***"Main Menu".***

It is your responsibility to check the acceptability of your file; therefore, be sure to dial back into the system in 1-2 business days.

At the Main Menu:
Click ***"File Stats".***
Enter your ***TCC***:
Enter your ***EIN***:
Click ***"Search".***

If “Results” indicate:

“Good, Not Released” and you agree with the “Count of Payees”, you are finished with this file. The file will automatically be released in 10 calendar days unless you contact us within this timeframe.

“File Released” — File has been released to our mainline processing.

“File Bad” — Correct the errors and timely resubmit the file as a “replacement”.

“Not Yet Processed” — File has been received, but we do not have results available yet. Please check back in a few days.

Click on the desired file for a detailed report of your transmission.
When you are finished, click on ***Main Menu***.
Click ***“Logoff”***.
Close your Web Browser.

IMPORTANT

Go back into your Dial-Up Network and click “hang-up”; otherwise, you may stay connected and incur unnecessary phone charges.

Sec. 9. Communications Software Specifications (Text Interface)

.01 Communications software settings must be:
-No parity
-Eight data bits
-One stop bit
.02 Terminal Emulation must be VT100.
.03 Before dialing have your TCC and EIN available.
.04 Due to the large number of communication products available, it is impossible to provide specific information on all software/hardware configurations. However, since most filers use Windows 95, 98, NT, 2000 or ME software (more current versions are similar), the following instructions are geared toward those products:

Text Interface

Select ***Programs***
Accessories
Communications (*Windows 98, NT, 2000*)
Hyperterminal
The first time you log on, select ***Hyperterminal***, ***Hyperterm*** or ***Hyperterm.exe***, whichever is available on your system. Thereafter, you can just select the icon that you have saved.

A box will appear titled ***“Connection Description”***.
Enter a name and choose an icon for the connection:
Country Code: ***United States of America***
Area Code: ***304***
Phone Number: ***262–2400***

Connect Using: (default)
(If you need to modify the phone number, select ***File***, then ***Properties*** to enter defaults for the area code, phone numbers and/or special access codes.)
Click on “***Dial***.”
A ***“Connect”*** box will appear to show the status.
Once you have connected to The FIRE System, if you do not get a menu within a few seconds, press the ***ENTER*** key one time.
Press ***“1”*** to connect to the system.
Read the Information notice and/or press ***ENTER*** to continue.

First Time Logon

When you have connected to the system, enter ***“new”*** to create your logon name and password.
Complete the registration information and enter ***“y”*** to create account.

Logon Name and Password

Logon Name: Enter a logon name. Most users enter their first and last name as the logon name.
Password: Enter a password (the password is user assigned and must be 8 alpha/numerics, containing at least 1 uppercase, 1 lowercase and 1 numeric). FIRE will force you to change the password once a year.
After entering the password and completing the survey, press ***ENTER***.
Enter your 10 digit self-assigned PIN (Personal Identification Number) and verify. Enter ***"y"*** to create the PIN. If successful, you will receive a message that the PIN creation has been completed. Press ***ENTER***.
Read the information notice and/or press ***ENTER***.

Transferring Your Electronic File

From the Main Menu,
Enter ***"A"*** for Electronic Filing.
Enter ***"A"*** for Forms 1098, 1099, 5498, W–2G, 1042–S, 8027 and Questionable Forms W–4.
Press the Tab key to advance to TCC box; otherwise, enter ***"E"*** to exit.
Enter your ***TCC***:
Enter your ***EIN***:

The system will then display the company name, address, city, state, ZIP code and phone number. This information will be used to contact or send correspondence (if necessary) regarding this transmission. If you need to update, enter **"n"** to correct; otherwise, enter **"y"** to accept.

Select one of the following:
"A" for an Original file
"B" for a Replacement file
"C" for a Correction file
"D" for a Test file

If you selected "B" for a replacement file, select one of the following:

"A" Replacement Files For This System
This option is to replace an original/correction file that was submitted electronically on this system but was bad and needs to be replaced. Select the file to be replaced.
"B" Magnetic media replacement files
Enter the alpha character from Form 9267, Media Tracking Slip, that was sent with the request for replacement file.

Press ***ENTER*** to continue or ***"e"*** to exit.

Enter your 10 digit PIN and press ***ENTER***.

Choose one of the following protocols (Hyperterminal is normally set to Zmodem by default):
X — Xmodem
Y — Ymodem
Z — Zmodem (Zmodem will normally give you the fastest transfer rate.)

At this point, you must start the upload from your PC.
To send a file:
Go to the hyperterminal menu bar.
Click on ***Transfer***.
Click on ***Send file***. (Be sure the protocol selected matches the protocol selected earlier. If Zmodem was selected, set to Zmodem **not** Zmodem with crash recovery.)
A box will appear titled ***"Send File"***.
Enter the drive/path/filename or click on ***Browse*** to locate your file.
Click on ***Send***.

When the upload is complete, the screen will display the total bytes received and the name IRS assigned to your file.

Press ***ENTER*** to continue.
If you have more files to send for the same TCC/EIN, enter ***"y"***; otherwise, enter ***"n"***.

It is your responsibility to check the acceptability of your file; therefore, be sure to dial back into the system in 1-2 business days.

At the Main Menu:
Enter ***"B"*** for file status.
Press the Tab key to advance to TCC box; otherwise, enter ***"E"*** to exit.
Enter your ***TCC***:
Enter your ***EIN***:
Enter ***"B"*** for the current year file results.
Tab to the appropriate file and press ***ENTER***.

If "Results" indicate:
"Good, Not Released" and you agree with the "Count of Payees", you are finished with this file. The file will automatically be released in 10 calendar days unless you contact us within this timeframe.

"File Released" — File has been released to our mainline processing.

"File Bad" — Correct the errors and timely resubmit the file as a replacement.

"Not Yet Processed" — File has been received, but we do not have results available yet. Please check back in a few days.

When you are finished, enter ***"E"*** from the Main Menu to logoff.
Enter ***"2"*** to hang-up.

Sec. 10. Modem Configuration

.01 Hardware features
(a) Enable hardware flow control
(b) Enable modem error control
(c) Enable modem compression

Sec. 11. Common Problems and Questions Associated with Electronic Filing

.01 Refer to Part A, Sec. 16, for common format errors associated with electronic/magnetic files.
.02 The following are the major non-format errors associated with electronic filing:

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1. Transmitter does not dial back to the electronic system to determine file acceptability.

The results of your file transfer are posted to the FIRE System within two business days. It is your responsibility to verify file acceptability and, if the file contains errors, you can get an online listing of the errors. Date received and number of payee records are also displayed. If the file is good, but you do not want the file processed, you must contact IRS/MCC within 10 days from the transmission of your file.

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2. Incorrect file is not replaced timely.

If your file is bad, correct the file and timely resubmit as a replacement.

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3. Transmitter compresses several files into one.

Only compress one file at a time. For example, if you have 10 uncompressed files to send, compress each file separately and send 10 separate compressed files.

---

4. Transmitter sends a file and File Status indicates that the file is good, but the transmitter wants to send a replacement or correction file to replace the original/correction/replacement file.

Once a file has been transmitted, you cannot send a replacement file unless File Status indicates the file is bad (1-2 business days after file was transmitted). If you do not want us to process the file, you must first contact us ***toll-free at 1–866–455–7438*** to see if this is a possibility.

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5. Transmitter sends an original file that is good, then sends a correction file for the entire file even though there are only a few changes.

The correction file, containing the proper coding, should only contain the records requiring correction, not the entire file.

---

6. File is formatted as EBCDIC.

All files submitted electronically must be in standard ASCII code.

---

7. Transmitter has one TCC number, but is filing for multiple companies, which EIN should be used when logging into the system to send the file?

When sending the file electronically, you will need to enter the EIN of the company assigned to the TCC. When you upload the file, it will contain the EIN's for the companies, for whom you are filing. This information will be passed forward.

---

8. Transmitter sent the wrong file, what should be done?

Call us as soon as possible ***toll-free at 1–866–455–7438, ext. 3***. We may be able to stop the file before it has been processed. **Please do not send a replacement for a file that is marked as a good file.**

.03 The following are the most common problems encountered when connecting with dial-up networking/web browser:

---

1. Transmitter is unable to connect to the FIRE System using dial-up networking.

∇The user name and password should be blank when trying to connect unless it is needed by your system.
∇Windows 95/98: Disable **"enable software compression"**
∇Windows NT/2000: Disable both **"enable software compression"** and **"enable PPP/LCP extensions"**
∇TCP/IP should be the only network protocol that is enabled.

(Make sure you are using analog lines rather than digital.)

---

2. Transmitter is connecting using dial-up networking, but is unable to bring up the URL address using the web browser.

∇Proxy server should be disabled for a dial-up connection.
∇**"Using a modem"** option should be selected.
∇The home page should either display **http://10.225.224.2** or be set to **"about:blank"**.
∇The security level should be set at medium.
∇The option **"enable software compression"** should be disabled under Dial-Up Networking.

---

3. Transmitter clicks on "start the fire application", but the logon screen is displayed again.

Your browser must be set to receive **"cookies"**.

---

4. Transmitter is getting a menu when connecting with dial-up networking.

The option **"pop-up a terminal window"** should be disabled.

---

5. Transmitter cannot find the browse button to upload file.

If using Internet Explorer, you must have version 4.0 or higher. If using Netscape Navigator, it must be version 2.0 or higher.

---

6. The line is busy when dialed.

We have enough lines available that you should not get this message. Check the phone number being dialed. It should be **304–262–2400**. If you need a number such as an 8 or a 9 to access an outside line, make sure it is present. Also, some companies require an access code for long distance dialing.

---

7. I am receiving the error message "Remote PPP Peer Not Responding" or receiving a 718 error with Windows 2000 or XP.

Disable **"enable LCP Extensions"** in Dial-Up Networking. (This is located in Dial-up Networking Properties, Networking, and Settings.)

.04 The following are the most common problems encountered when connecting with hyperterminal.

---

1. Transmitter is unable to connect using hyperterminal.

∇If you need a number such as an 8 or a 9 to access an outside line, make sure it is present.
∇Set the terminal emulation to VT100.
∇Try lowering the modem speed.
∇Turn the modem off and then back on to reset it.

(Make sure you are using analog lines rather than digital.)

---

2. Transmitter is getting the message "annex command line interpreter".

Disconnect and try again. You may need to lower the modem speed if this happens several times in a row.

---

3. When trying to logon, the cursor is not in the correct box, or the menus are distorted.

The terminal emulation must be set to VT100. Also, verify that the data bits are set at 8, the stop bit is set at 1 and parity is set at None.

---

4. Transmitter was able to connect and the menu is displayed, but is unable to type anything.

Scroll lock cannot be turned on.

---

5. When transmitter connects, the menus keep scrolling and display garbage characters.

Make sure **"Use error control"** and **"Compress data"** are enabled under the Advanced Connection Settings.

---

6. Transmitter receives message "bad data packet" when the file is transmitting. What does this mean?

Your modem is having problems sending the data, so it is trying to resubmit it. Normally, if the transfer does not abort, the file will be sent successfully.

Part C. Magnetic Media Specifications

.01 Transmitters should be consistent in the use of recording codes and density on files. If the media does not meet these specifications, IRS/MCC will request a replacement file. Filers are encouraged to submit a test prior to submitting the actual file. Contact IRS/MCC for further information ***toll-free at 1–866–455–7438***. Transmitters should also check media for viruses before submitting it to IRS/MCC.

Sec. 1. Tape Cartridge Specifications

.01 In most instances, IRS/MCC can process tape cartridges that meet the following specifications:
(a) Must be IBM 3480, 3490, 3490E, 3590, 3590E or AS400 compatible.
(b) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
(1) Tape cartridges will be ½-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.
(2) Magnetic tape will be chromium dioxide particle based ½-inch tape.
(3) Cartridges must be 18-track, 36-track, 128-track or 256-track parallel (**See Note**).
(4) Cartridges will contain 37,871 CPI, 75,742 CPI, or 3590 CPI (characters per inch).
(5) Mode will be full function.
(6) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
(7) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used.

.02 The tape cartridge records defined in this Revenue Procedure may be blocked subject to the following:
(a) A block **must not** exceed 32,250 tape positions.
(b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9s; however, the last block of the file may be filled with 9s or truncated. **Do not pad a block with blanks.**
(c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item **(b)** above). The block length must be evenly divisible by 750.
(d) Records may not span blocks.

.03 Tape cartridges may be labeled or unlabeled.

.04 For the purposes of this Revenue Procedure, the following must be used:
Tape Mark:
(a) Signifies the physical end of the recording on tape.
(b) For even parity, use BCD configuration 001111 (8421).
(c) May follow the header label and precede and/or follow the trailer label.

☛ **Note: Filers should indicate on the external media label whether the cartridge is 18-track, 36-track, 128-track or 256-track.**

Sec. 2. 8mm, 4mm, and Quarter-Inch Cartridge Specifications

☛ **Note: Beginning in calendar year 2004 for Tax Year 2003, IRS/MCC will no longer accept 8mm, 4mm, and Quarter Inch Cartridges (QIC).**

.01 In most instances, IRS/MCC can process tape cartridges that meet the following specifications:
(a) General
(1) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
∇Created from an AS400 operating system only.
∇Mode will be full function.
∇Compressed data is not acceptable.
∇Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used. However, IRS/MCC encourages the use of EBCDIC. This information must appear on the external media label affixed to the cartridge.
∇A file may consist of more than one cartridge; however, no more than 250,000 documents may be transmitted per file or per cartridge. The filename, for example, IRSTAX, will contain a three digit extension. The extension will indicate the sequence of the cartridge within the file (e.g., 1 of 3, 2 of 3, and 3 of 3 will appear in the header label as IRSTAX.001, IRSTAX.002, and IRSTAX.003 on each cartridge of the file). The Transmitter "T" Record must only appear on the first cartridge. The End of Transmission "F" Record should be placed only on the last cartridge for files containing multiple cartridges.
(2) The tape cartridge records defined in this Revenue Procedure may be blocked subject to the following:
∇A block **must not** exceed 32,250 tape positions.
∇If the use of blocked records would result in a short block, the last block of the file may be filled with 9s or truncated.
∇All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see above). The block length must be evenly divisible by 750.

∇Various COPY commands have been successful; however, the **SAVE OBJECT COMMAND** is not acceptable.

∇Extraneous data following the "F" Record will result in IRS/MCC requesting a replacement file. Therefore, IRS/MCC encourages transmitters to use a blank tape cartridge, rather than used cartridges, in the preparation of data when submitting information returns.

∇Records may not span blocks.

∇No more than 250,000 documents per cartridge and per file.

(3) For faster processing, IRS/MCC encourages transmitters to use header labeled cartridges. Filers should use IRSTAX as a filename.

(4) For the purposes of this Revenue Procedure, the following must be used:

Tape Mark:

∇Signifies the physical end of the recording on tape.

∇For even parity, use BCD configuration 001111 (8421).

∇May follow the header label and precede and/or follow the trailer label.

(5) IRS/MCC can only read one data file on a tape. A data file is a group of records which may or may not begin with a tapemark, but must end with a trailer label. Any data beyond the trailer label cannot be read by IRS programs.

(b) 8mm cartridge specifications

(1) 8mm (.315-inch) tape cartridges will be 2½-inch by 3¾-inch.

(2) These are the **only** 8mm tape cartridges IRS/MCC can accept:

Tracks	Density	Capacity
1	20 (43245 BPI)	2.3 Gb
1	21 (45434 BPI)	5 Gb

☛ **Note: Advanced Metal Evaporated (AME) cartridges are not acceptable.**

(c) 4mm cartridge specifications

(1) 4mm (.157-inch) cartridges will be 2¼-inch by 3-inch.

(2) These are the **only** 4mm cartridges IRS/MCC can accept:

Tracks	Density	Capacity
1	19 (61000 BPI)	1.3 Gb (60 meter) DDS
1	19 (61000 BPI)	2 Gb (90 meter) DDS
1	19 (61000 BPI)	4 Gb (120 meter) DDS-2

(d) Quarter-Inch Cartridges (QIC) (1/4-inch) specifications

(1) QIC cartridges will be 4∀by 6∀.

(2) These are the **only** QIC cartridges IRS/MCC accepts:

Size	Tracks	Density	Capacity
QIC-24	8/9	5 (8000 BPI)	45Mb or 60Mb
QIC-120	15	15 (10000 BPI)	120Mb or 200Mb
QIC-150	18	16 (10000 BPI)	150Mb or 250Mb
QIC-525	26	17 (16000 BPI)	525Mb
QIC-1000	30	21 (36000 BPI)	1Gb
QIC-2Gb	42	34 (40640 BPI)	2Gb

.02 IRS/MCC strongly recommends filers using 8mm, 4mm or Quarter-Inch cartridges send in test media.(See Part A, Sec. 7).

Sec. 3. 3½-Inch Diskette Specifications

.01 To be compatible, a diskette file must meet the following specifications:

(a) 3½-inches in diameter.

(b) Data **must** be recorded in standard ASCII code.

(c) Records must be a fixed length of 750 bytes per record.

(d) Delimiter character commas (,) must not be used.

(e) Positions 749 and 750 of each record have been reserved for use as carriage return/line feed (cr/lf) characters, if applicable.

(f) Filename of IRSTAX must be used. Do not enter any other data in this field. If a file will consist of more than one diskette, the filename IRSTAX will contain a three-digit extension. This extension will indicate the sequence of the diskettes within the file. For example, if the file consists of three diskettes, the first diskette will be named IRSTAX.001, the second will be IRSTAX.002, and the third will be IRSTAX.003. The first diskette, IRSTAX.001 will begin with a "T" Record and the third diskette, IRSTAX.003 will have an "F" Record at the end of the file.

(g) A diskette cannot contain multiple files. A file can have only **ONE** Transmitter "T" Record.

(h) Failure to comply with instructions will result in IRS/MCC requesting a replacement file.

(i) Diskettes must meet one of the following specifications:

Capacity	Tracks	Sides/Density	Sector Size
1.44 mb	96tpi	hd	512
1.44 mb	135tpi	hd	512

.02 IRS/MCC encourages transmitters to use blank or currently formatted diskettes when preparing files. If extraneous data follows the End of Transmission "F" Record, IRS/MCC will request a replacement file.

.03 IRS/MCC will **only** accept 3½-inch diskettes created using MS-DOS.

.04 3½-inch diskettes created on a System 36 or iSeries(AS400) are not acceptable.

.05 *Compressed data is not acceptable.*

Part D. Record Format Specifications and Record Layouts

Sec. 1. General

.01 The specifications contained in this part of the Revenue Procedure define the required formation and contents of the records to be included in the electronic or magnetic media files.

.02 A provision is made in the "B" Records for entries which are optional. If the field is not used, enter blanks to maintain a fixed record length of 750 positions. Each field description explains the intended use of specific field positions.

Sec. 2. Transmitter "T" Record — General Field Descriptions

.01 The Transmitter "T" Record identifies the entity transmitting the electronic/magnetic media file and contains information which is critical if it is necessary for IRS/MCC to contact the filer.

.02 The Transmitter "T" Record is the first record on each file and is followed by a Payer "A" Record. A file format diagram is located at the end of Part D. A replacement file will be requested by IRS/MCC if the "T" Record is not present. For transmitters with multiple diskettes, refer to Part C, Sec. 3, 3½-Inch Diskette Specifications.

.03 For all fields marked **"Required"**, the transmitter must provide the information described under Description and Remarks. For those fields not marked **"Required"**, a transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated field positions and for the indicated length.

.04 All records must be a fixed length of 750 positions.

.05 All alpha characters entered in the "T" Record must be upper-case, except email addresses which may be case sensitive. ***Do not*** *use punctuation in the name and address fields.*

Record Name: Transmitter "T" Record			
Field Position	**Field Title**	**Length**	**Description and Remarks**
1	Record Type	1	**Required**. Enter "T."
2–5	Payment Year	4	**Required**. Enter *"2002"* (unless reporting prior year data; report the year which applies [2000, 2001, etc.] and set the Prior Year Data Indicator in field position 6).
6	Prior Year Data Indicator	1	**Required**. Enter "P" **only** if reporting prior year data; otherwise, enter blank. Do not enter a "P" if tax year is *2002*.
7–15	Transmitter's TIN	9	**Required**. Enter the transmitter's nine-digit TIN Taxpayer Identification Number. May be an EIN, SSN or ITIN.
16–20	Transmitter Control Code	5	**Required**. Enter the five character alpha/numeric Transmitter Control Code (TCC) assigned by IRS/MCC. A TCC must be obtained to file data with this program.

Record Name: Transmitter "T" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
21–22	Replacement Alpha Character	2	**Required for replacement files only**. Enter the alpha/numeric character which appears immediately following the TCC number on the Media Tracking Slip (Form 9267). The Form 9267 accompanies correspondence sent by IRS/MCC when files can not be processed. This field must be blank unless a replacement file has been requested. If the file is being replaced magnetically, information is required in this field. If the file was originally sent magnetically, but the replacement is being sent electronically, the information is required in this field. Otherwise, leave blank for electronic files. Left-justify information and fill unused positions with blanks. **If this is not a replacement file, enter blanks**.
23–27	Blank	5	Enter blanks.
28	Test File Indicator	1	**Required for test files only**. Enter a "T" if this is a test file; otherwise, enter a blank.
29	Foreign Entity Indicator	1	Enter a "1" (one) if the transmitter is a foreign entity. If the transmitter is not a foreign entity, enter a blank.
30–69	Transmitter Name	40	**Required**. Enter the name of the transmitter in the manner in which it is used in normal business. Left-justify and fill unused positions with blanks.
70–109	Transmitter Name (Continuation)	40	**Required**. Enter any additional information that may be part of the name. Left-justify information and fill unused positions with blanks.
110–149	Company Name	40	**Required**. Enter the name of the company to be associated with the address where correspondence should be sent.
150–189	Company Name (Continuation)	40	Enter any additional information that may be part of the name of the company where correspondence should be sent.
190–229	Company Mailing Address	40	**Required**. Enter the mailing address where correspondence should be sent.
☛ **Note: Any correspondence relating to problem media or electronic files will be sent to this address. This should be the same address as in box 5 of Form 4804.**			
For U.S. addresses, the payer city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. **Filers must adhere to the correct format for the payer city, state, and ZIP Code**.			
For foreign addresses, filers may use the payer city, state, and ZIP Code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 29 must contain a "1" (one).			
230–269	Company City	40	**Required**. Enter the city, town, or post office where correspondence should be sent.
270–271	Company State	2	**Required**. Enter the valid U. S. Postal Service state abbreviation. Refer to the chart for valid state codes in Part A, Sec. 15.
272–280	Company ZIP Code	9	**Required**. Enter the valid nine-digit ZIP assigned by the U. S. Postal Service. If only the first five digits are known, left-justify information and fill unused positions with blanks.
281–295	Blank	15	Enter blanks.
296–303	Total Number of Payees	8	Enter the total number of Payee "B" reported in the file. Right-justify information and fill unused positions with zeros.

Record Name: Transmitter "T" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
304–343	Contact Name	40	**Required**. Enter the name of the person to be contacted if IRS/MCC encounters problems with the file or transmission.
344–358	Contact Phone Number & Extension	15	**Required**. Enter the telephone number of the person to contact regarding electronic or magnetic files. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks. For example, the IRS/MCC *Customer Service Section* phone number of ***866–455–7438*** with an extension of **52345** would be **866455743852345**.
359–393	*Contact Email Address*	*35*	***Required if available**. Enter the email address of the person to contact regarding electronic or magnetic files. Left-justify information. If no email address is available, enter blanks.*
394–395	*Cartridge Tape File Indicator*	*2*	***Required for tape cartridge filers only**. Enter the letters "LS" (in uppercase only). Use of this field by filers using other types of media will be acceptable but is not required.*
396–410	*Electronic File Name For a Replacement File*	*15*	***Required**. Use for an electronic file which "FILE STATUS" has indicated was rejected. Enter the ORIGINAL or CORRECTION electronic file name assigned by the IRS electronic FIRE system. If you are sending an original, correction, or test file, enter blanks.*
EXAMPLE: If you have sent an original file, the TCC is 44444 and it is your first original file, then the filename would be ORIG.44444.0001			
411–416	*Transmitter's Media Number*	*6*	*For magnetic media filers only. Enter the number used to identify a particular piece of media.*
417–499	*Blank*	*83*	*Enter blanks.*
500–507	*Record Sequence Number*	*8*	***Required**. Enter the number of the record as it appears within your file. The record sequence number for the "T" record will always be "1" (one), since it is the first record on your file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e. 2, 3, 4, etc. Right-justify numbers with leading zeroes in the field. For example, the "T" record sequence number would appear as "00000001" in the field.*
508–517	*Blank*	*10*	*Enter blanks.*
518	*Vendor Indicator*	*1*	***Required**. Enter the appropriate code from the table below to indicate if your software was provided by a vendor or produced in-house.* ***Indicator*** — ***Usage*** *V* — *Your software was purchased from a vendor or other source.* *I* — *Your software was produced by in-house programmers.*
☛ ***Note: In-house programmer is defined as an employee or a hired contract programmer. If your software is produced in-house the following Vendor information fields are not required.***			
519–558	*Vendor Name*	*40*	***Required**. Enter the name of the company from whom you purchased your software.*
559–598	*Vendor Mailing Address*	*40*	***Required**. Enter the mailing address.*
599–638	*Vendor City*	*40*	***Required**. Enter the city, town, or post office.*
639–640	*Vendor State*	*2*	***Required**. Enter the valid U.S. Postal Service state abbreviation. Refer to the chart of valid state codes in Part A, Sec. 15.*

Record Name: Transmitter "T" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
641–649	*Vendor ZIP Code*	*9*	***Required**. Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five digits are known, left-justify information and fill unused positions with blanks.*
650–689	*Vendor Contact Name*	*40*	***Required**. Enter the name of the person who can be contacted concerning any software questions.*
690–704	*Vendor Contact Phone Number & Extension*	*15*	***Required**. Enter the telephone number of the person to contact concerning software questions. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks.*
705–739	*Vendor Contact Email Address*	*35*	***Required***. Enter the email address of the person to contact concerning software questions.
740–748	*Blank*	*9*	*Enter blanks.*
749–750	Blank	2	Enter blanks, or carriage return/line feed characters (CR/LF).

Sec. 3. Transmitter "T" Record — Record Layout

Record Type	Payment Year	Prior Year Data Indicator	Transmitter's TIN	Transmitter Control Code	Replacement Alpha Character	Blank
1	2–5	6	7–15	16–20	21–22	23–27

Test File Indicator	Foreign Entity Indicator	Transmitter Name	Transmitter Name (Continuation)	Company Name	Company Name (Continuation)
28	29	30–69	70–109	110–149	150–189

Company Mailing Address	Company City	Company State	Company ZIP Code	Blank	Total Number of Payees	Contact Name
190–229	230–269	270–271	272–280	281–295	296–303	304–343

Contact Phone Number & Extension	*Contact Email Address*	*Cartridge Tape File Indicator*	*Electronic File Name For a Replacement File*	*Transmitter's Media Number*	*Blank*	*Record Sequence Number*
344–358	359–393	394–395	396–410	411–416	417–499	500–507

Blank	*Vendor Indicator*	*Vendor Name*	*Vendor Mailing Address*	*Vendor City*	*Vendor State*
508–517	518	519–558	559–598	599–638	639–640

Sec. 3. Transmitter "T" Record—Record Layout (Continued)

Vendor ZIP Code	*Vendor Contact Name*	*Vendor Contact Phone Number & Extension*	*Vendor Contact Email Address*	Blank	Blank or CR/LF
641–649	*650–689*	*690–704*	*705–739*	740–748	749–750

Sec. 4. Payer "A" Record — General Field Descriptions

.01 The Payer "A" Record identifies the person making payments, a recipient of mortgage or student loan interest payments, an educational institution, a broker, a person reporting a real estate transaction, a barter exchange, a creditor, a trustee or issuer of any IRA or MSA plan, and a lender who acquires an interest in secured property or who has a reason to know that the property has been abandoned. The payer will be held responsible for the completeness, accuracy, and timely submission of electronic/magnetic files.

.02 The second record on the file must be an "A" Record. A transmitter may include Payee "B" Records for more than one payer in a file. However, **each group** of "B" Records must be preceded by an "A" Record and followed by an End of Payer "C" Record. A single file may contain different types of returns but the types of returns **must not** be intermingled. A separate "A" Record is required for each payer and each type of return being reported.

.03 The number of "A" Records depends on the number of payers and the different types of returns being reported. Do not submit separate "A" Records for each payment amount being reported. For example, if a payer is filing Form 1099-DIV to report Amount Codes 1, 2 and 3, all three amount codes should be reported under one "A" Record, not three separate "A" Records.

.04 The maximum number of "A" Records allowed on a file is 90,000.

.05 All records must be a fixed length of 750 positions.

.06 All alpha characters entered in the "A" Record must be upper-case.

.07 For all fields marked **"Required"**, the transmitter must provide the information described under Description and Remarks. For those fields not marked **"Required"**, a transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated media position(s) and for the indicated length.

Record Name: Payer "A" Record			
Field Position	**Field Title**	**Length**	**Description and Remarks**
1	Record Type	1	**Required**. Enter an "A"
2–5	Payment Year	4	**Required**. Enter *"2002"* (unless reporting prior year data; report the year which applies [2000, 2001, etc.]).
6–11	Blank	6	Enter blanks.
12–20	Payer's Taxpayer Identification Number(TIN)	9	**Required**. Must be the valid nine-digit Taxpayer Identification Number assigned to the payer. **Do not enter blanks, hyphens, or alpha characters**. All zeros, ones, twos, etc., will have the effect of an incorrect TIN.
☛ **Note: For foreign entities that are not required to have a TIN, this field must be blank. However, the Foreign Entity Indicator, position 52 of the "A" Record, must be set to "1" (one).**			
21–24	Payer Name Control	4	The Payer Name Control can be obtained only from the mail label on the Package 1099 that is mailed to most payers each December. Package 1099 contains Form 7018-C, Order Blank for Forms, and the mail label on the package contains a four (4) character name control. If a Package 1099 has not been received, you can determine your name control using the following simple rules or you can leave the field blank. For a business, use the first four significant characters of the business name. Disregard the word "the" when it is the first word of the name, unless there are only two words in the name. A dash (-) and an ampersand (&) are the only acceptable special characters. Names of less than four (4) characters should be left-justified, filling the unused positions with blanks.

Record Name: Payer "A" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
25	Last Filing Indicator	1	Enter a "1" (one) if this is the **last year** this payer name and TIN will file information returns electronically, magnetically or on paper; otherwise, enter blank.
26	Combined Federal/State Filer	1	**Required for the Combined Federal/State Filing Program**. Enter "1" (one) if approved to participate in the Combined Federal/State Filing Program; otherwise, enter blank. Refer to Part A, Sec. 13, for further information.
27	Type of Return	1	**Required**. Enter the appropriate code from the table below:

Type of Return	Code
1098	3
1098-E	2
1098-T	8
1099-A	4
1099-B	B
1099-C	5
1099-DIV	1
1099-G	F
1099-INT	6
1099-LTC	T
1099-MISC	A
1099-MSA	M
1099-OID	D
1099-PATR	7
1099-Q	*Q*
1099-R	9
1099-S	S
5498	L
5498-MSA	K
W-2G	W

28–39	Amount Codes (**See Note**)	12	**Required**. Enter the appropriate amount codes for the type of return being reported. In most cases, the box numbers on paper information returns correspond with the amount codes used to file electronically or magnetically. However, if discrepancies occur, this Revenue Procedure governs. Enter the amount codes in ascending sequence, left-justify, and fill unused positions with blanks.

☛ **Note: A type of return and an amount code must be present in every Payer "A" Record even if no money amounts are being reported. For a detailed explanation of the information to be reported in each amount code, refer to the appropriate paper instructions for each form.**

Amount Codes **Form 1098** – Mortgage Interest Statement

For Reporting Mortgage Interest Received From Payers/ Borrowers (Payer of Record) on Form 1098:

Amount Code	Amount Type
1	Mortgage interest received from payer(s)/borrower(s)
2	Points paid on purchase of principal residence
3	Refund (or credit) of overpaid interest
4	Blank (Filer's use)

Record Name: Payer "A" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
Amount Codes **Form 1098-E** – Student Loan Interest			For Reporting Interest on Student Loans on Form 1098-E: **Amount Code** — **Amount Type** 1 — Student loan interest received by lender
Amount Codes **Form 1098-T** – Tuition Payments Statement See the *2002 Instructions for Form 1098-E and T* for further information			For Reporting Tuition Payments on Form 1098-T: **Amount Code** — **Amount Type** 1 — Qualified tuition and related expenses 2 — Reimbursements or refunds 3 — Scholarships or grants
Amount Codes **Form 1099-A** – Acquisition or Abandonment of Secured Property See the *2002 Instructions for Forms 1099-A and 1099-C* for further information on coordination with Form 1099-C			For Reporting the Acquisition or Abandonment of Secured Property on Form 1099-A: **Amount Code** — **Amount Type** 2 — Balance of principal outstanding 4 — Fair market value of property
Amount Codes **Form 1099-B** – Proceeds From Broker and Barter Exchange Transactions			For Reporting Payments on Form 1099-B: **Amount Code** — **Amount Type** 2 — Stocks, bonds, etc. (For forward contracts, see **Note 1.**) 3 — Bartering (Do not report negative amounts.) 4 — Federal income tax withheld (backup withholding) (Do not report negative amounts.) 6 — Profit (or loss) realized in 2002 7 — Unrealized profit (or loss) on open contracts–12/31/2001 (See **Note 2.**) 8 — Unrealized profit (or loss) on open contracts–12/31/2002 (See **Note 2.**) 9 — Aggregate profit (or loss) (See **Note 2.**)

☛ **Note 1: The payment amount field associated with Amount Code 2 may be used to report a loss from a closing transaction on a forward contract. Refer to the "B" Record — General Field Descriptions and Record Layouts, Payment Amount Fields, for instructions on reporting negative amounts.**

☛ **Note 2: Payment Amount Fields 6, 7, 8, and 9 are to be used for the reporting of regulated futures or foreign currency contracts.**

Record Name: Payer "A" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
Amount Codes **Form 1099-C** – Cancellation of Debt			For Reporting Cancellation of Debt on Form 1099-C: **Amount Code** — **Amount Type** 2 — Amount of debt canceled 3 — Interest, if included in Amount Code 2 7 — Fair market value of property (**See Note**.) ☛ **Note: Use Amount Code 7 only if a combined Form 1099–A and 1099–C is being filed.**
Amount Codes **Form 1099-DIV** – Dividends and Distributions See the *2002 Instructions for Form 1099–DIV* for further information			For Reporting Payments on Form 1099-DIV: **Amount Code** — **Amount Type** 1 — Ordinary dividends 2 — Total capital gains distributions 3 — 28% rate gain 4 — Qualified 5-year gain 5 — Unrecaptured section 1250 gain 6 — Section 1202 gain 7 — Nontaxable distributions 8 — Federal income tax withheld (backup withholding) 9 — Investment expenses A — Foreign tax paid B — Cash liquidation distribution C — Noncash liquidation distribution
Amount Codes **Form 1099-G –** Certain Government Payments			For Reporting Payments on Form 1099-G: **Amount Code** — **Amount Type** 1 — Unemployment compensation 2 — State or local income tax refunds, credits, or offsets 4 — Federal income tax withheld (backup withholding or voluntary withholding on unemployment compensation or Commodity Credit Corporation Loans, or certain crop disaster payments) 6 — Taxable grants 7 — Agriculture payments
Amount Codes **Form 1099-INT** – Interest Income			For Reporting Payments on Form 1099-INT: **Amount Code** — **Amount Type** 1 — Interest income not included in Amount Code 3 2 — Early withdrawal penalty 3 — Interest on U.S. Savings Bonds and Treasury obligations 4 — Federal income tax withheld (backup withholding) 5 — Investment expenses 6 — Foreign tax paid
Amount Codes **Form 1099-LTC** Long-Term Care and Accelerated Death Benefits			For Reporting Payments in Form 1099-LTC: **Amount Code** — **Amount Type** 1 — Gross long-term care benefits paid 2 — Accelerated death benefits paid

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes **Form 1099-MISC** – Miscellaneous Income (**See Note 1**.)			For Reporting Payments on Form 1099-MISC:

Amount Code	Amount Type
1	Rents
2	Royalties (**See Note 2.**)
3	Other income
4	Federal income tax withheld (backup withholding or withholding on Indian gaming profits)
5	Fishing boat proceeds
6	Medical and health care payments
7	Nonemployee compensation
8	Substitute payments in lieu of dividends or interest
A	Crop insurance proceeds
B	Excess golden parachute payments
C	Gross proceeds paid to an attorney in connection with legal services

☛ **Note 1: When using the Direct Sales Indicator in position 547 of the Payee "B" Record, use Type of Return Code A and Amount Code 1 in the Payer "A" Record. All payment amount fields in the Payee "B" Record will contain zeros.**

☛ **Note 2: Do not report timber royalties under a "pay-as-cut" contract; these must be reported on Form 1099-S.**

Amount Codes **Form 1099-MSA** – Distributions From an Archer MSA or Medicare+Choice MSA

For Reporting Distributions from an Archer Medical Savings Account or Medicare+Choice MSA on Form 1099-MSA:

Amount Code	Amount Type
1	Gross distribution
2	Earnings on excess contributions
4	Fair market value of the account on date of death

Amount Codes **Form 1099-OID** – Original Issue Discount

See the *2002 Instructions for Forms 1099-INT and 1099-OID* for further reporting information

For Reporting Payments on Form 1099-OID:

Amount Code	Amount Type
1	Original issue discount for 2002
2	Other periodic interest
3	Early withdrawal penalty
4	Federal income tax withheld (backup withholding)
6	Original issue discount on U.S. Treasury Obligations
7	Investment expenses

Amount Codes **Form 1099-PATR** – Taxable Distributions Received From Cooperatives

For Reporting Payments on Form 1099–PATR:

Amount Code	Amount Type
1	Patronage dividends
2	Nonpatronage distributions
3	Per-unit retain allocations
4	Federal income tax withheld (backup withholding)
5	Redemption of nonqualified notices and retain allocations

Field Position	Field Title	Length	Description and Remarks

Pass-Through Credits

Amount Code	Amount Type
6	For filer's use for pass-through credits
7	Investment credit
8	Work opportunity credit
9	Patron's alternative minimum tax (AMT) adjustment

*Amount Codes **Form 1099-Q** – Qualified Tuition Program Payments (Under Section 529)*

For Reporting Distributions or Earnings from Qualified Tuition Plan on a Form 1099-Q:

Amount Code	***Amount Type***
1	Gross distribution
2	*Earnings*
3	*Basis*

Amount Codes **Form 1099-R** – Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

For Reporting Payments on Form 1099-R:

Amount Code	**Amount Type**
1	Gross distribution
2	Taxable amount (**See Note 1.**)
3	Capital gain (included in Amount Code 2)
4	Federal income tax withheld
5	Employee contributions or insurance premiums
6	Net unrealized appreciation in employer's securities
8	Other
9	Total employee contributions
A	Traditional IRA/SEP/SIMPLE distribution or Roth conversion (**See Note 2.**)

☛ **Note 1: If the taxable amount cannot be determined, enter a "1" (one) in position 547 of the "B" Record. Payment Amount 2 must contain zeroes.**

☛ **Note 2: For Form 1099–R, report the Roth conversion or total amount distributed from an IRA, SEP, or SIMPLE in Payment Amount Field A (IRA/SEP/SIMPLE distribution or Roth conversion) of the Payee "B" Record, and generally, the same amount in Payment Amount Field 1 (Gross Distribution). The IRA/SEP/SIMPLE indicator should be set to "1" (one) in Field Position 548 of the Payee "B" Record.**

Amount Codes **Form 1099-S** – Proceeds From Real Estate Transactions

For Reporting Payments on Form 1099-S:

Amount Code	**Amount Type**
2	Gross proceeds (**See Note.**)
5	Buyer's part of real estate tax

☛ **Note: Include payments of timber royalties made under a "pay-as-cut" contract, reportable under IRC section 6050N. If timber royalties are being reported, enter "TIMBER" in the description field of the "B" Record.**

Amount Codes **Form 5498** – IRA and *Coverdell ESA Contribution Information*

For Reporting Information on Form 5498:

Amount Code	**Amount Type**
1	IRA contributions (other than amounts in Amount Codes 2, 3, 4, 8, 9, A and B) (**See Notes 1 and 2.**)

Record Name: Payer "A" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**

Amount Code	**Amount Type**
2	Rollover contributions
3	Roth conversion amount
4	Recharacterized contributions
5	Fair market value of account
6	Life insurance cost included in Amount Code 1
8	SEP contributions
9	SIMPLE contributions
A	Roth IRA contributions
B	Coverdell ESA contributions

☛ **Note 1: If reporting IRA contributions for a participant in a military operation, see *2002 Instructions for Forms 1099-R and 5498.***

☛ **Note 2: Also include employee contributions to an IRA under a SEP plan but not salary reduction contributions. DO NOT include EMPLOYER contributions; these are included in *Amount Code 8.***

Amount Codes **Form 5498** –
Archer MSA or Medicare+Choice
MSA Information

For Reporting Information on 5498-MSA:

Amount Code	**Amount Type**
1	Employee or self-employed person's MSA contributions made in *2002* and *2003* for *2002*
2	Total contributions made in *2002* (*See current 2002 Instructions.*)
3	Total MSA contributions made in *2003* for *2002*
4	Rollover contributions (**See Note.**)
5	Fair market value of Archer MSA or M+C MSA *account on December 31, 2002*

☛ **Note: This is the amount of any rollover made to this MSA in *2002* after a distribution from another MSA. For detailed information on reporting, see the *2002 Instructions for Forms 1099-MSA and 5498-MSA.***

Amount Codes **Form W-2G** –
Certain Gambling Winnings

For Reporting Payments on Form W-2G:

Amount Code	**Amount Type**
1	Gross winnings
2	Federal income tax withheld
7	Winnings from identical wagers

40–47	Blank	8	Enter blanks.
48	Original File Indicator	1	**Required for original files only**. Enter "1" (one) if the information is original data. Otherwise, enter a blank.
49	Replacement File Indicator	1	**Required for replacement files only**. Enter "1" (one) if this file is to replace a file that IRS/MCC has informed you in writing cannot be processed or the FIRE System indicated a FILE STATUS of bad. Otherwise, enter a blank.

☛ **Note: If selecting the Replacement File Indicator in Position 49, Field Positions 48 and 50 must be blank. Only one indicator may be selected for each Payer "A" Record.**

Record Name: Payer "A" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
50	Correction File Indicator	1	**Required for correction files only**. Enter "1" (one) if this file is to correct information which was previously submitted to IRS/MCC, was processed, but contained erroneous information. Any information return which was inadvertently omitted from a file must be submitted as original. Otherwise, enter a blank.
51	Blank	1	Enter a blank.
52	Foreign Entity Indicator	1	Enter a "1" (one) if the payer is a foreign entity and income is paid by the foreign entity to a U. S. resident. Otherwise, enter a blank.
53–92	First Payer Name Line	40	**Required**. Enter the name of the payer whose TIN appears in positions 12–20 of the "A" Record. Any extraneous information must be deleted. Left-justify information, and fill unused positions with blanks. (Filers should not enter a transfer agent's name in this field. Any transfer agent's name should appear in the Second Payer Name Line Field.)
93–132	Second Payer Name Line	40	If the Transfer (or Paying) Agent Indicator (position 133) contains a "1" (one), this field must contain the name of the transfer (or paying) agent. If the indicator contains a "0" (zero), this field may contain either a continuation of the First Payer Name Line or blanks. Left-justify information and fill unused positions with blanks.
133	Transfer Agent Indicator	1	**Required**. Identifies the entity in the Second Payer Name Line Field. **Code** — **Meaning** 1 — The entity in the Second Payer Name Line Field is the transfer (or paying) agent. 0 (zero) — The entity shown is **not** the transfer (or paying) agent (i.e., the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).
134–173	Payer Shipping Address	40	**Required**. If the Transfer Agent Indicator in position 133 is a "1" (one), enter the shipping address of the transfer (or paying) agent. Otherwise, enter the **actual** shipping address of the payer. The street address should include number, street, apartment or suite number (or PO Box if mail is not delivered to street address). Left-justify information, and fill unused positions with blanks.
For U.S. addresses, the payer city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. **Filers must adhere to the correct format for the payer city, state, and ZIP Code.** **For foreign addresses**, filers may use the payer city, state, and ZIP Code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 52 must contain a "1" (one).			
174–213	Payer City	40	**Required**. If the Transfer Agent Indicator in position 133 is a "1" (one), enter the city, town, or post office of the transfer agent. Otherwise, enter the city, town, or post office of the payer. Left-justify information, and fill unused positions with blanks. Do not enter state and ZIP Code information in this field.
214–215	Payer State	2	**Required**. Enter the valid U.S. Postal Service state abbreviations. Refer to the chart of valid state abbreviations in Part A, Sec.15.

Record Name: Payer "A" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
216–224	Payer ZIP Code	9	**Required**. Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Entity Indicator, located in Field Position 52 of the "A" Record.
225–239	Payer Number & Extension	15	Enter the payer's phone number and extension.
240–499	Blank	260	Enter blanks.
500–507	*Record Sequence Number*	*8*	***Required**. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file. Each record thereafter, must be incremented by one in ascending numerical sequence, i.e. 2, 3, 4 etc. Right-justify numbers with leading zeroes in the field. For example, the "T" Record sequence number would appear as "00000001" in the field.*
508–748	Blank	241	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Sec. 5. Payer "A" Record — Record Layout

Record Type	Payment Year	Blank	Payer TIN	Payer Name Control	Last Filing Indicator
1	2–5	6–11	12–20	21–24	25

Combined Federal/State Filer	Type of Return	Amount Codes	Blank	Original File Indicator	Replacement File Indicator	Correction File Indicator
26	27	28–39	40–47	48	49	50

Blank	Foreign Entity Indicator	First Payer Name Line	Second Payer Name Line	Transfer Agent Indicator	Payer Shipping Address
51	52	53–92	93–132	133	134–173

Payer City	Payer State	Payer ZIP Code	Payer Phone Number and Extension	Blank	*Record Sequence Number*	Blank	Blank or CR/LF
174–213	214–215	216–224	225–239	240–499	500–507	508–748	749–750

Sec. 6. Payee "B" Record — General Field Descriptions and Record Layouts

.01 The "B" Record contains the payment information from the information returns. The record layout for field positions 1 through 543 is the same for all types of returns. Field positions 544 through 750 vary for each type of return to accommodate special fields for individual forms. In the "B" Record, the filer **must** allow for all twelve Payment Amount Fields. For those fields not used, enter "0s" (zeros).

.02 The following specifications include a field in the payee records called "Name Control" in which the first four characters of the payee's surname are to be entered by the filer;

(a) If filers are unable to determine the first four characters of the surname, the Name Control Field may be left blank. Compliance with the following will facilitate IRS computer programs in identifying the correct name control:

(1) The surname of the payee whose TIN is shown in the "B" Record should always appear first. If, however, the records have been developed using the first name first, the filer must leave a blank space between the first and last names.

(2) In the case of multiple payees, only the surname of the payee whose TIN (SSN, EIN, ITIN, or ATIN) is shown in the "B" Record must be present in the First Payee Name Line. Surnames of any other payees may be entered in the Second Payee Name Line.

.03 For all fields marked **"Required"**, the transmitter must provide the information described under "Description and Remarks". For those fields not marked **"Required"**, the transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated field position(s) and for the indicated length.

.04 All records must be a fixed length of 750 positions.

.05 A field is also provided in these specifications for Special Data Entries. This field may be used to record information required by state or local governments, or for the personal use of the filer. IRS does not use the data provided in the Special Data Entries Field; therefore, the IRS program does not check the content or format of the data entered in this field. It is the filer's option to use the Special Data Entry Field.

.06 Following the Special Data Entries Field in the "B" Record, payment fields have been allocated for State Income Tax Withheld and Local Income Tax Withheld. These fields are for the convenience of the filers. The information will not be used by IRS/MCC.

.07 Those payers participating in the Combined Federal/State Filing Program must adhere to all of the specifications in Part A, Sec. 13, to participate in this program.

.08 All alpha characters in the "B" Record must be uppercase.

.09 Do not use decimal points (.) to indicate dollars and cents. Payment Amount Fields must be all numerics.

Record Name: Payee "B" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	**Required**. Enter "B".
2–5	Payment Year	4	**Required**. Enter *"2002"* (unless reporting prior year data; report the year which applies [2000, 2001, etc.]).
6	Corrected Return Indicator (**See Note.**)	1	**Required for corrections only**. Indicates a corrected return. **Code** — **Definition** G — If this is a one-transaction correction or the first of a two-transaction correction. C — If this is the second transaction of a two-transaction correction. Blank — If this is not a return being submitted to correct information already processed by IRS.

☛ **Note: C, G, and non-coded records must be reported using separate Payer "A" Records. Refer to Part A, Sec. 11, for specific instructions on how to file corrected returns.**

Record Name: Payer "B" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
7–10	Name Control	4	If determinable, enter the first four characters of the surname of the person whose TIN is being reported in positions 12–20 of the "B" Record; otherwise, **enter blanks**. This usually is the payee. If the name that corresponds to the TIN is not included in the first or second payee name line and the correct name control is not provided, a backup withholding notice may be generated for the record. Surnames of less than four characters should be left-justified, filling the unused positions with blanks. Special characters and imbedded blanks should be removed. In the case of a business, other than a sole proprietorship, use the first four significant characters of the business name. Disregard the word "the" when it is the first word of the name, unless there are only two words in the name. A dash (-) and an ampersand (&) are the only acceptable special characters. Surname prefixes are considered, e.g., for Van Elm, the name control would be VANE. For a sole proprietorship use the name of the owner to create the name control and report the owner's name in positions 248 – 287, First Payer Name Line.

☛ **Note: Imbedded blanks, extraneous words, titles, and special characters (i.e., Mr., Mrs., Dr., period [.], apostrophe ['']) should be removed from the Payee Name Lines. This information may be dropped during subsequent processing at IRS/MCC. A dash (-) and an ampersand (&) are the only acceptable special characters.**

The following examples may be helpful to filers in developing the Name Control:

Name	Name Control
Individuals:	
Jane **Brow**n	BROW
John A. **Lee**	LEE*
James P. **En**, Sr.	EN*
John **O'Nei**ll	ONEI
Mary **Van B**uren	VANB
Juan **De Je**sus	DEJE
Gloria A. **El-R**oy	EL-R
Mr. John **Smi**th	SMIT
Joe **McCa**rthy	MCCA
Pedro **Torr**es-Lopes	TORR
Maria **Lope**z Moreno**	LOPE
Binh To **La**	LA*
Nhat Thi **Pham**	PHAM
Mark **D'All**esandro	DALL
Corporations:	
The **Firs**t National Bank	FIRS
The Hideaway	THEH
A & B Cafe	A&BC
11TH Street Inc.	11TH
Sole Proprietor:	
Mark **Heml**ock	HEML
DBA The Sunshine Club	

Record Name: Payer "B" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**

Partnership:

Robert **Asp**en and Bess Willow	ASPE
Harold **Fir**, Bruce Elm, and Joyce Spruce et al Ptr	FIR*

Estate:

Frank **Whit**e Estate	WHIT
Estate of Sheila **Blue**	BLUE

Trusts and Fiduciaries:

Daisy Corporation Employee Benefit Trust	DAIS
Trust FBO The **Cher**ryblossom Society	CHER

Exempt Organization:

Laborer's Union, AFL-CIO	LABO
St. Bernard's Methodist Church Bldg. Fund	STBE

*Name Controls of less than four significant characters must be left-justified and blank-filled.

**For Hispanic names, when two last names are shown for an individual, derive the name control from the first last name.

11	Type of TIN	1	This field is used to identify the Taxpayer Identification Number (TIN) in positions 12–20 as either an Employer Identification Number (EIN), a Social Security Number (SSN), an Individual Taxpayer Identification Number (ITIN) or an Adoption Taxpayer Identification Number(ATIN). Enter the appropriate code from the following table:

Code	Type of TIN	Type of Account
1	EIN	A business, organization, sole proprietor, or other entity
2	SSN	An individual, including a sole proprietor
2	ITIN	An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN
2	ATIN	An adopted individual prior to the assignment of a social security number
Blank	N/A	If the type of TIN is not determinable, enter a blank.

Record Name: Payee "B" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
12–20	Payee's Taxpayer Identification Number(TIN)	9	**Required**. Enter the nine-digit Taxpayer Identification Number of the payee (SSN, ITIN, ATIN, or EIN). If an identification number has been applied for but not received, enter blanks. **Do not enter hyphens or alpha characters**. All zeros, ones, twos, etc., will have the effect of an incorrect TIN. If the TIN is not available, enter blanks. Payers who submit data with missing TINs, and have taken the required steps to obtain this information, should submit a letter with their media.
☛ **Note: If you are required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the *2002 General Instruction for Forms 1099, 1098, 5498 and W–2G* beginning on page 13 for reporting requirements.**			
21–40	Payer's Account Number For Payee	20	Enter any number assigned by the payer to the payee (e.g., checking or savings account number). Filers are encouraged to use this field. This number helps to distinguish individual payee records and should be unique for each document. Do not use the payee's TIN since this will not make each record unique. This information is particularly useful when corrections are filed. This number will be provided with the backup withholding notification and may be helpful in identifying the branch or subsidiary reporting the transaction. Do not define data in this field in packed decimal format. If fewer than twenty characters are used, filers may either left or right-justify, filling the remaining positions with blanks.
41–44	Payer's Office Code	4	Enter office code of payer; otherwise, enter blanks. For payers with multiple locations, this field may be used to identify the location of the office submitting the information return. This code will also appear on backup withholding notices.
45–54	Blank	10	Enter blanks
	Payment Amount Fields (Must be numeric)		**Required. Filers should allow for all payment amounts. For those not used, enter zeros**. Each payment field must contain 12 numeric characters. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. **Do not enter dollar signs, commas, decimal points, or negative payments, except those items that reflect a loss on Form 1099-B**. Positive and negative amounts are indicated by placing a "+" (plus) or "-" (minus) sign in the left-most position of the payment amount field. A negative over punch in the units position may be used, instead of a minus sign, to indicate a negative amount. If a plus sign, minus sign, or negative over punch is not used, the number is assumed to be positive. Negative over punch cannot be used in PC created files. Payment amounts must be right-justified and unused positions must be zero-filled.
55–66	Payment Amount 1*	12	The amount reported in this field represents payments for Amount Code 1 in the "A" Record.
67–78	Payment Amount 2*	12	The amount reported in this field represents payments for Amount Code 2 in the "A" Record.
79–90	Payment Amount 3*	12	The amount reported in this field represents payments for Amount Code 3 in the "A" Record.
91–102	Payment Amount 4*	12	The amount reported in this field represents payments for Amount Code 4 in the "A" Record.
103–114	Payment Amount 5*	12	The amount reported in this field represents payments for Amount Code 5 in the "A" Record.

Record Name: Payee "B" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
115–126	Payment Amount 6*	12	The amount reported in this field represents payments for Amount Code 6 in the "A" Record.
127–138	Payment Amount 7*	12	The amount reported in this field represents payments for Amount Code 7 in the "A" Record.
139–150	Payment Amount 8*	12	The amount reported in this field represents payments for Amount Code 8 in the "A" Record.
151–162	Payment Amount 9*	12	The amount reported in this field represents payments for Amount Code 9 in the "A" Record.
163–174	Payment Amount A*	12	The amount reported in this field represents payments for Amount Code A in the "A" Record.
175–186	Payment Amount B*	12	The amount reported in this field represents payments for Amount Code B in the "A" Record.
187–198	Payment Amount C*	12	The amount reported in this field represents payments for Amount Code C in the "A" Record.
*** If there are discrepancies between the payment amount fields and the boxes on the paper forms, the instructions in this Revenue Procedure govern.**			
199–246	Reserved	48	Enter blanks.
247	Foreign Country Indicator	1	**If the address of the payee is in a foreign country, enter a "1" (one) in this field**; otherwise, enter blank. When filers use this indicator, they may use a free format for the payee city, state, and ZIP Code. Enter information in the following order: city, province or state, postal code, and the name of the country. Address information must not appear in the First or Second Payee Name Line.
248–287	First Payee Name Line	40	**Required**. Enter the name of the payee (preferably surname first) whose Taxpayer Identification Number (TIN) was provided in positions 12–20 of the "B" Record. Left-justify and fill unused positions with blanks. If more space is required for the name, use the Second Payee Name Line Field. The names of any other payees may be entered in the Second Payee Name Line Field. If reporting information for a sole proprietor, the individual's name must always be present, preferably on the First Payee Name Line. The use of the business name is optional in the Second Payee Name Line Field. End the First Payee Name Line with a full word. Use appropriate spacing. Extraneous words, titles, and special characters (i.e., Mr., Mrs., Dr., period, apostrophe) should be removed from the Payee Name Lines. This information may be dropped during subsequent processing at IRS/MCC. A dash (-) and an ampersand (&) are the only acceptable special characters.
☛ **Note: If you are required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the *2002 General Instruction for Forms 1099, 1098, 5498 and W-2G* beginning on page 13 for reporting requirements.**			
288–327	Second Payee Name Line	40	If there are multiple payees (e.g., partners, joint owners, or spouses), use this field for those names not associated with the TIN provided in positions 12–20 of the "B" Record, or if not enough space was provided in the First Payee Name Line, continue the name in this field. **Do not enter address information**. It is important that filers provide as much payee information to IRS/MCC as possible to identify the payee associated with the TIN. Left-justify and fill unused positions with blanks. **See Note above in First Payee Name Line**.
328–367	Blank	40	Enter blanks.

Record Name: Payee "B" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
368–407	Payee Mailing Address	40	**Required**. Enter mailing address of payee. Street address should include number, street, apartment or suite number (or PO Box if mail is not delivered to street address). Left-justify information and fill unused positions with blanks. This field **must not** contain any data other than the payee's mailing address.
408–447	Blank	40	Enter blanks.
448–487	Payee City	40	**Required**. Enter the city, town or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO if applicable. Do not enter state and ZIP Code information in this field.
488–489	Payee State	2	**Required**. Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 15.
490–498	Payee ZIP Code	9	**Required**. Enter the valid ZIP Code (nine or five digit) assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Country Indicator, located in position 247 of the "B" Record.
499	Blank	1	Enter blank.
500–507	*Record Sequence Number*	*8*	***Required**. Enter the number of the record as it appears within your file. The record sequence number for the "T" record will always be "1" (one), since it is the first record on your file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e. 2, 3, 4 etc. Right- justify numbers with leading zeroes in the field. For example, the "T" record sequence number would appear as "00000001" in the field.*
508–543	Blank	36	Enter Blanks.

Standard Payee "B" Record Format For All Types of Returns, Positions 1–543

Record Type	Payment Year	Corrected Return Indicator	Name Control	Type of TIN	Payee's TIN	Payer's Account Number For Payee
1	2–5	6	7–10	11	12–20	21–40

Payer's Office Code	Blank	Payment Amount 1	Payment Amount 2	Payment Amount 3	Payment Amount 4	Payment Amount 5
41–44	45–54	55–66	67–78	79–90	91–102	103–114

Payment Amount 6	Payment Amount 7	Payment Amount 8	Payment Amount 9	Payment Amount A	Payment Amount B
115–126	127–138	139–150	151–162	163–174	175–186

Standard Payee "B" Record Format For All Types of Returns, Positions 1–543 (Continued)

Payment Amount C	Reserved	Foreign Country Indicator	First Payee Name Line	Second Payee Name Line	Blank
187–198	199–246	247	248–287	288–327	328–367

Payee Mailing Address	Blank	Payee City	Payee State	Payee ZIP Code	Blank	*Record Sequence Number*	Blank
368–407	408–447	448–487	488–489	490–498	499	500–507	508–543

The following sections define the field positions for the different types of returns in the Payee "B" Record (positions 544–750):

(l) Form 1098
(2) Form 1098-E
(3) Form 1098-T
(4) Form 1099-A
(5) Form 1099-B
(6) Form 1099-C
(7) Form 1099-DIV*
(8) Form 1099-G*
(9) Form 1099-INT*
(10) Form 1099-LTC
(11) Form 1099-MISC*
(12) Form 1099-MSA
(13) Form 1099-OID*
(14) Form 1099-PATR*
(15) Form 1099-Q
(16) Form 1099-R*
(17) Form 1099-S
(18) Form 5498*
(19) Form 5498-MSA
(20) Form W-2G

* These forms may be filed through the Combined Federal/State Filing Program. IRS/MCC will forward these records to participating states for filers who have been approved for the program. See Part A, Sec. 13, for information about the program, including specific codes for the record layouts.

(1) Payee "B" Record — Record Layout Positions 544–750 for Form 1098

Field Position	Field Title	Length	Description and Remarks
544–662	Blank	119	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks, or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750
Forms 1098

Blank	Special Data Entries	Blank	Blank or CR/LF
544–662	663–722	723–748	749–750

(2) Payee "B" Record — Record Layout Positions 544–750 for Form 1098–E

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Origination Fees/ Capitalized Interest Indicator	1	Enter "1" (one) if the amount reported in Payment Amount Field 1 includes loan origination fees and/or capitalized interest. Otherwise, enter a blank.
548–662	Blank	115	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750
Forms 1098-E

Blank	Origination Fees/ Capitalized Interest Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548–662	663–722	723–748	749–750

(3) Payee "B" Record — Record Layout Positions 544–750 for Form 1098-T

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Half-time Student Indicator	1	Enter "1" (one) if the student was at least a half-time student during any academic period that began in 2002. Otherwise, enter a blank.
548	Graduate Student Indicator	1	Enter "1" (one) if the student is enrolled exclusively in a graduate level program. Otherwise, enter a blank.
549–662	Blank	114	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750
Form 1098-T

Blank	Half-time Student Indicator	Graduate Student Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548	549–662	663–722	723–748	749–750

(4) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–A

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Personal Liability Indicator	1	Enter the appropriate indicator from the table below: **Indicator** — **Usage** 1 — Borrower was personally liable for repayment of the debt. Blank — Borrower was not personally liable for repayment of the debt.
548–555	Date of Lender's Acquisition or Knowledge of Abandonment	8	Enter the acquisition date of the secured property or the date the lender first knew or had reason to know the property was abandoned, in the format YYYYMMDD (e.g., January 5, 2002, would be 20020105). **Do not enter hyphens or slashes.**
556–594	Description of Property	39	Enter a brief description of the property. For real property, enter the address, or, if the address does not sufficiently identify the property, enter the section, lot and block. For personal property, enter the type, make and model (e.g., Car-1999 Buick Regal or Office Equipment). Enter "CCC" for crops forfeited on Commodity Credit Corporation loans. If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.
595–662	Blank	68	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks, or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750
Form 1099–A

Blank	Personal Liability Indicator	Date of Lender's Acquisition or Knowledge of Abandonment	Description of Property	Blank
544–546	547	548–555	556–594	595–662

Special Data Entries	Blank	Blank or CR/LF
663–722	723–748	749–750

(5) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–B			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547	Gross Proceeds Indicator	1	Enter the appropriate indicator from the following table, to identify the amount reported in Amount Code 2; otherwise, enter a blank. **Indicator** **Usage** 1 Gross proceeds 2 Gross proceeds less commissions and options premiums
548–555	Date of Sale	8	For broker transactions, enter the trade date of the transaction. For barter exchanges, enter the date when cash, property, a credit, or scrip is actually or constructively received in the format YYYYMMDD (e.g., January 5, 2002, would be 20020105). Enter blanks if this is an aggregate transaction. **Do not enter hyphens or slashes.**
556–568	CUSIP Number	13	For broker transactions only, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the item reported for Amount Code 2 (stocks, bonds, etc.). Enter blanks if this is an aggregate transaction. Enter "0s" (zeros) if the number is not available. Right-justify information and fill unused positions with blanks.
569–607	Description	39	If fewer than 39 characters are required, left-justify information and fill unused positions with blanks. For broker transactions, enter a brief description of the disposition item (e.g., 100 shares of XYZ Corp). For regulated futures and forward contracts, enter "RFC" or other appropriate description. For bartering transactions, show the services or property provided.
608–662	Blank	55	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks, or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099–B

Second TIN Notice (Optional)	Blank	Gross Proceeds Indicator	Date of Sale	CUSIP Number	Description
544	545–546	547	548–555	556–568	569–607

Payee "B" Record — Record Layout Positions 544–750
for Form 1099–B (Continued)

Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
608–662	663–722	723–734	735–746	747–748	749–750

(6) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–C

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Bankruptcy Indicator	1	Enter "1" (one) to indicate the debt was discharged in bankruptcy, if known. Otherwise, enter a blank.
548–555	Date Canceled	8	Enter the date the debt was canceled in the format of YYYYMMDD (e.g., January 5, 2002, would be 20020105). **Do not enter hyphens or slashes.**
556–594	Debt Description	39	Enter a description of the origin of the debt, such as student loan, mortgage, or credit card expenditure. If a combined Form 1099-C and 1099–A is being filed, also enter a description of the property.
595–662	Blank	68	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks, or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-C

Blank	Bankruptcy Indicator	Date Canceled	Debt Description	Blank	Special Data Entries
544–546	547	548–555	556–594	595–662	663–722

Blank	Blank or CR/LF
723–748	749–750

(7) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–DIV

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code A) applies. Otherwise, enter blanks.
587–662	Blank	76	Enter blanks.

(7) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-DIV (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program enter the valid state code from Part A, Sec. 13, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544-750 for Form 1099-DIV

Second TIN Notice (Optional)	Blank	Foreign Country or U.S. Possession	Blank	Special Data Entries
544	545–546	547–586	587–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/ State Code	Blank or CR/LF
723–734	735–746	747–748	749–750

(8) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-G			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544–546	Blank	3	Enter blanks.
547	Trade or Business Indicator	1	Enter "1" (one) to indicate the state or local income tax refund, credit, or offset (Amount Code 2) is attributable to income tax that applies exclusively to income from a trade or business. **Indicator** — **Usage** 1 — Income tax refund applies exclusively to a trade or business. Blank — Income tax refund is a general tax refund.

(8) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-G (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
548–551	Tax Year of Refund	4	Enter the tax year for which the refund, credit, or Offset (Amount Code 2) was issued. **The tax year must reflect the tax year for which the payment was made, not the tax year of the Form 1099-G. The tax year must be in the four position format of YYYY (e.g., *1999*)**. The valid range of years for the refund is 1992 through 2001.
☛ **Note: This data is not considered prior year data since it is required to be reported in the current tax year. Do NOT enter "P" in field position 6 of the Transmitter "T" Record.**			
552–662	Blank	111	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. You may enter your routing and transit number (RTN) here. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 13, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-G

Blank	Trade or Business Indicator	Tax Year of Refund	Blank	Special Data Entries	State Income Tax Withheld
544–546	547	548–551	552–662	663–722	723–734

Local Income Tax Withheld	Combined Federal/ State Code	Blank or CR/LF
735–746	747–748	749–750

(9) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-INT			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544	Second TIN Notice (Optional)	1	Enter "2" to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code 6) applies. Otherwise, enter blanks.
587–662	Blank	76	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. You may enter your routing and transit number (RTN) here. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 13, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-INT

Second TIN Notice (Optional)	Blank	Foreign Country or U.S. Possession	Blank	Special Data Entries	State Income Tax Withheld
544	545–546	547–586	587–662	663–722	723–734

Local Income Tax Withheld	Combined Federal/ State Code	Blank or CR/LF
735–746	747–748	749–750

(10) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-LTC			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544–546	Blank	3	Enter blanks.
547	Type of Payment Indicator	1	Enter the appropriate indicator from the following table; otherwise, enter blanks.

(10) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-LTC (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
			Indicator **Usage** 1 Per diem 2 Reimbursed amount
548–556	Social Security Number of Insured	9	**Required**. Enter the Social Security Number of the insured.
557–596	Name of Insured	40	**Required**. Enter the name of the insured.
597–636	Address of Insured	40	**Required**. Enter the address of the insured. Street address should include number, street, apartment, or suite number (or PO Box if mail is not delivered to street address). Left-justify information and fill unused positions with blanks. This field **must not** contain any data other than payee's address.
For U.S. addresses, the payee city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. **Filers must adhere to the correct format for the insured's city, state, and ZIP Code**. **For foreign addresses**, filers may use the insured's city, state, and ZIP Code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Country Indicator in position 247 must contain a "1" (one).			
637–676	City of Insured	40	**Required**. Enter the city, town, or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO, if applicable. Do not enter state and ZIP Code information in this field.
677–678	State of Insured	2	**Required**. Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 15.
679–687	ZIP Code of Insured	9	**Required**. Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Country Indicator, located in position 247 of the "B" Record.
688	Status of Illness Indicator (Optional)	1	Enter the appropriate code from the table below to indicate the status of the illness of the insured; otherwise, enter blank: **Indicator** **Usage** 1 Chronically ill 2 Terminally ill
689–696	Date Certified (Optional)	8	Enter the latest date of a doctor's certification of the status of the insured's illness. The format of the date is YYYYMMDD (e.g., January 5, 2002, would be 20020105). **Do not enter hyphens or slashes.**
697	Qualified Contract (Optional)	1	Enter a "1" (one) if benefits were from a qualified long-term care insurance contract; otherwise, enter blank.
698–722	Blank	25	Enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.

(10) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-LTC (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-LTC

Blank	Type of Payment Indicator	SSN of Insured	Name of Insured	Address of Insured	City of Insured	State of Insured	ZIP Code of Insured
544–546	547	548–556	557–596	597–636	637–676	677–678	679–687

Status of Illness Indicator (Optional)	Date Certified (Optional)	Qualified Contract Indicator (Optional)	Blank	State Income Tax Withheld	Local Income Tax Withheld
688	689–696	697	698–722	723–734	735–746

Blank	Blank or CR/LF
747–748	749–750

(11) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-MISC			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544	Second TIN Notice (Optional)	1	Enter "2" to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547	Direct Sales Indicator (**See Note.**)	1	Enter a "1" (one) to indicate sales of $5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or any other commission basis for resale anywhere other than in a permanent retail establishment. Otherwise, enter a blank.

☛ **Note: If reporting a direct sales indicator only, use Type of Return "A" in Field Position 27 and Amount Code 1 in Field Position 28 of the Payer "A" Record. All payment amount fields in the Payee "B" Record will contain zeros.**

548–662	Blank	115	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not used, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.

(11) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-MISC (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 13, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-MISC

Second TIN Notice (Optional)	Blank	Direct Sales Indicator	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld
544	545–546	547	548–662	663–722	723–734	735–746

Combined Federal/ State Code	Blank or CR/LF
747–748	749–750

(12) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-MSA			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544	Blank	1	Enter blank.
545	Distribution Code	1	**Required**. Enter the applicable code to indicate the type of payment: **Code** — **Category** 1 — Normal distribution 2 — Excess contribution 3 — Disability 4 — Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.) 5 — Prohibited transaction 6 — Death distribution **after year of death** to a nonspouse beneficiary (Do not use for distribution to an estate.)
546	Blank	1	Enter a blank.
547	Medicare+Choice MSA Indicator	1	Enter "1" (one) if distributions are from a Medicare+Choice MSA. Otherwise, enter a blank.
548–662	Blank	115	Enter blanks.

(12) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-MSA (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-MSA

Blank	Distribution Code	Blank	Medicare+ Choice MSA Indicator	Blank	Special Data Entries
544	545	546	547	548–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
723–734	735–746	747–748	749–750

(13) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-OID			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544	Second TIN (Optional)	1	Enter "2" to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–585	Description	39	**Required**. Enter the CUSIP number, if any. If there is no CUSIP number, enter the abbreviation for the stock exchange and issuer, the coupon rate, and year (**must be 4-digit year**) of maturity (e.g., NYSE XYZ 12 / *2002*). Show the name of the issuer if other than the payer. If fewer than 39 characters are required, left-justify information and fill unused positions with blanks.
586–662	Blank	77	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.

(13) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-OID (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 13, Table l. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-OID

Second TIN Notice (Optional)	Blank	Description	Blank	Special Data Entries	State Income Tax Withheld
544	545–546	547–585	586–662	663–722	723–734

Local Income Tax Withheld	Combined Federal/ State Code	Blank or CR/LF
735–746	747–748	749–750

(14) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-PATR			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–662	Blank	118	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.

(14) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-PATR (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 13, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for 1099-PATR

Second TIN Notice (Optional)	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/ State Code	Blank or CR/LF
544	545–662	663–722	723–734	735–746	747–748	749–750

(15) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-Q			
Field Position	***Field Title***	***Length***	***Description and Remarks***
544–546	*Blank*	*3*	*Enter blanks.*
547	*Trustee to Trustee Rollover Indicator*	*1*	***Required**. Enter a "1" (one) if reporting a trustee to trustee rollover; otherwise, enter blank.*
548	*Type of Tuition Payment*	*1*	***Required**. Enter the appropriate code from the table below to indicate the type of tuition payment; otherwise, leave blank.* ***Indicator*** ***Usage*** *1 Private Payment* *2 State Payment*
549	*Designated Beneficiary*	*1*	***Required**. Enter a "1" (one) if the recipient is not the designated beneficiary; otherwise, enter a blank.*
550–662	*Blank*	*113*	*Enter blanks.*
663–722	*Special Data Entries*	*60*	*This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.*
723–748	*Blank*	*26*	*Enter blanks.*
749–750	*Blank*	*2*	*Enter blanks or carriage return/line feed (CR/LF) characters.*

Payee "B" Record — Record Layout Positions 544–750 for 1099-Q

Blank	*Trustee to Trustee Rollover Indicator*	*Type of Tuition Payment*	*Designated Beneficiary*	*Blank*	*Special Data Entries*	*Blank*	*Blank or CR/LF*
544–546	*547*	*548*	*549*	*550–662*	*663–722*	*723–748*	*749–750*

(16) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-R			
Field Position	**Field Title**	**Length**	**Description and Remarks**
544	Blank	1	Enter blank.
545–546	Distribution Code (For a detailed explanation of distribution codes, see the *2002 Instructions for Forms 1099-R and 5498.*) ***See chart at the end of this record layout for a diagram of valid combinations of Distribution Codes.***	2	**Required**. Enter at least one distribution code from the table below. More than one code may apply. If only one code is necessary, it must be entered in position 545. If two codes are necessary, and one of the codes is an alpha code (except code A), the alpha code must be entered in position 545 and the numeric code in position 546 (for example G4, J8, etc.). Distribution code A, when applicable, must be entered in position 546 with a numeric code in position 545 (for example 7A). When using Code P for an IRA distribution under section 408(d)(4) of the Internal Revenue Code, the filer may also enter Code 1, 2, or 4, if applicable. Only three numeric combinations are acceptable: Codes 8 and 1, 8 and 2, and 8 and 4 on one return. These three combinations can be used only if both codes apply to the distribution being reported. If more than one numeric code is applicable to different parts of a distribution, report two separate "B" Records. Distribution Codes E, F, H, N, R, and S cannot be used with any other codes. Distribution Code G may be used with Distribution Code 4 only if applicable. **Code** — **Category** 1 — *Early distribution, no known exception (in most cases, under age 59 1/2) 2 — *Early distribution, exception applies (Under age 59 1/2) 3 — *Disability 4 — *Death 5 — *Prohibited transaction 6 — Section 1035 exchange (a tax-free exchange of life insurance, annuity, or endowment contracts) 7 — *Normal distribution 8 — *Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in *2002* 9 — PS 58 costs (premiums paid by a trustee or custodian for current insurance protection) A — May be eligible for 10-year tax option D — *Excess contributions plus earnings/excess deferrals taxable in *2000* E — Excess annual additions under section 415 F — Charitable gift annuity G — Direct rollover to IRA H — *Direct rollover to qualified plan or tax-sheltered annuity or a transfer from a conduit IRA to a qualified plan J — Early distribution from a Roth IRA, no known exception (This code may be used with Code 5, 8, or P.) L — Loans treated as deemed distributions under section 72(p) M — Distribution from a Coverdell ESA N — Recharacterized IRA contribution made for *2002* P — *Excess contributions plus earnings/excess deferrals taxable in *2001*

(16) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-R (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
			R — Recharacterized IRA contribution made for *2001* (**See Note.**) S — *Early distribution from a SIMPLE IRA in first 2 years, no known exception T — Roth IRA distribution, exception applies (This code may be used with Code 5, 8, or P.)
***If reporting a traditional IRA, SEP, or SIMPLE distribution or a Roth conversion, use the IRA/SEP/SIMPLE Indicator of "1" (one) in position 548 of the Payee "B" Record.** ☛ **Note: The trustee of the first IRA must report the recharacterization as a distribution on Form 1099-R (and the original contribution and its character on Form 5498).**			
547	Taxable Amount Not Determined	1	Enter "1" (one) only if the taxable amount of the payment entered for Payment Amount Field 1 (Gross Distribution) of the "B" Record cannot be computed; otherwise, enter blank. (If Taxable Amount Not Determined Indicator is used, enter "0's" [zeros] in Payment Amount Field 2 of the Payee "B" Record.) Please make every effort to compute the taxable amount.
548	IRA/SEP/SIMPLE Indicator	1	Enter "1" (one) for a traditional IRA, SEP, or SIMPLE distribution or Roth conversion; otherwise, enter a blank. (**See Note.**) If the IRA/SEP/SIMPLE Indicator is used, enter the amount of the Roth conversion or distribution in Payment Amount Field A of the Payee "B" Record. **Do not use the indicator for a distribution from a Roth or Coverdell ESA or for an IRA recharacterization.**
☛ **Note: For Form 1099-R, generally, report the Roth conversion or total amount distributed from a traditional IRA, SEP, or SIMPLE in Payment Amount Field A (traditional IRA/SEP/SIMPLE distribution or Roth conversion), as well as Payment Amount Field 1 (Gross Distribution) of the "B" Record. Refer to the *2002 Instructions for Forms 1099-R and 5498* for exceptions (Box 2a instructions).**			
549	Total Distribution Indicator (**See Note.**)	1	Enter a "1" (one) only if the payment shown for Distribution Amount Code 1 is a total distribution that closed out the account; otherwise, enter a blank.
☛ **Note: A total distribution is one or more distributions within one tax year in which the entire balance of the account is distributed. Any distribution that does not meet this definition is not a total distribution.**			
550–551	Percentage of Total Distribution	2	Use this field when reporting a total distribution to more than one person, such as when a participant is deceased and a payer distributes to two or more beneficiaries. Therefore, if the percentage is 100, leave this field blank. If the percentage is a fraction, round off to the nearest whole number (for example, 10.4 percent will be 10 percent; 10.5 percent will be 11 percent). Enter the percentage received by the person whose TIN is included in positions 12–20 of the "B" Record. This field must be right-justified and unused positions must be zero-filled. If not applicable, enter blanks. Filers are not required to enter this information for any IRA distribution or for direct rollovers.
552–662	Blank	111	Enter blanks.

(16) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-R (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. The state/payer's state number, state distribution, name of locality, and/or local distribution can be entered in this field. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 13, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

FORM 1099-R DISTRIBUTION CODE CHART 2002

	Blank	1	2	3	4	5	6	7	8	9	A	D	E	F	G	H	J	L	M	N	P	R	S	T
1	X								X			X						X			X			
2	X								X			X						X			X			
3	X																		X					
4	X								X		X	X			X			X	X		X			
5	X																X							X
6	X																							
7	X										X													
8	X	X	X		X												X		X					X
9	X																							
A	X				X			X																
D	X	X	X		X																			
E	X																							
F	X																							
G	X				X																			
H	X																							
J	X					X			X												X			
L	X	X	X		X																			
M	X			X	X				X												X			
N	X																							
P	X	X	X		X												X		X					X
R	X																							
S	X																							
T	X					X			X												X			

X – Denotes valid combinations

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-R

Blank	Distribution Code	Taxable Amount Not Determined Indicator	IRA/SEP/SIMPLE Indicator	Total Distribution Indicator
544	545–546	547	548	549

Percentage of Total Distribution	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/ State Code	Blank or CR/LF
550–551	552–662	663–722	723–734	735–746	747–748	749–750

(17) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-S

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Property or Services Indicator	1	**Required**. Enter "1" (one) if the transferor received or will receive property (other than cash and consideration treated as cash in computing gross proceeds) or services as part of the consideration for the property transferred. Otherwise, enter a blank.
548–555	Date of Closing	8	**Required**. Enter the closing date in the format YYYYMMDD (e.g., January 5, 2002, would be 20020105). **Do not enter hyphens or slashes.**
556–594	Address or Legal Description	39	**Required**. Enter the address of the property transferred (including city, state, and ZIP Code). If the address does not sufficiently identify the property, also enter a legal description, such as section, lot, and block. For timber royalties, enter "TIMBER." If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.
595–662	Blank	68	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1099-S

Blank	Property or Services Indicator	Date of Closing	Address or Legal Description	Blank	Special Data Entries
544–546	547	548–555	556–594	595–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
723–734	735–746	747–748	749–750

(18) Payee "B" Record — Record Layout Positions 544–750 for Form 5498

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	**IRA** Indicator (**I**ndividual **R**etirement **A**ccount)	1	**Required, if applicable**. Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for an IRA. Otherwise, enter a blank.
548	**SEP** Indicator (**S**implified **E**mployee **P**ension)	1	**Required, if applicable**. Enter "1" (one) if reporting rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a SEP. Otherwise, enter a blank.
549	**SIMPLE Indicator** (**S**avings **I**ncentive **M**atch **P**lan for **E**mployees)	1	**Required, if applicable**. Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a SIMPLE. Otherwise, enter a blank.
550	**Roth IRA** Indicator	1	**Required, if applicable**. Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a Roth IRA. Otherwise, enter a blank.
551	Blank	1	Enter blank.
552	***Coverdell ESA*** *Indicator*	1	***Required, if applicable****. Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a Coverdell ESA. Otherwise, enter a blank.*
553–662	Blank	110	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–746	Blank	24	Enter blanks.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 13, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 5498

Blank	IRA Indicator	SEP Indicator	SIMPLE Indicator	Roth IRA Indicator	Blank	*Coverdell ESA Indicator*
544–546	547	548	549	550	551	552

Blank	Special Data Entries	Blank	Combined Federal/ State Code	Blank or CR/LF
553–662	663–722	723–746	747–748	749–750

(19) Payee "B" Record — Record Layout Positions 544–750 for Form 5498-MSA

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Medicare+ Choice MSA Indicator	1	Enter "1" (one) for Medicare+Choice MSA.
548–662	Blank	115	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 5498–MSA

Blank	Medicare+ Choice MSA Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548–662	663–722	723–748	749–750

(20) Payee "B" Record — Record Layout Positions 544–750 for Form W-2G

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Type of Wager Code	1	**Required**. Enter the applicable type of wager code from the table below: **Code** — **Category** 1 — Horse race track (or off-track betting of a horse track nature) 2 — Dog race track (or off-track betting of a dog track nature) 3 — Jai-alai 4 — State-conducted lottery 5 — Keno 6 — Bingo 7 — Slot machines 8 — Any other type of gambling winnings

(20) Payee "B" Record — Record Layout Positions 544–750 for Form W-2G (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
548–555	Date Won	8	**Required**. Enter the date of the winning transaction in the format YYYYMMDD (e.g., January 5, 2002, would be 20020105). **Do not enter hyphens or slashes**. This is not the date the money was paid if paid after the date of the race (or game).
556–570	Transaction	15	**Required**. For state-conducted lotteries, enter the ticket or other identifying number. For keno, bingo, and slot machines, enter the ticket or card number (and color, if applicable), machine serial number, or any other information that will help identify the winning transaction. For all others, enter blanks.
571–575	Race	5	If applicable, enter the race (or game) relating to the winning ticket; otherwise, enter blanks.
576–580	Cashier	5	If applicable, enter the initials or number of the cashier making the winning payment; otherwise, enter blanks.
581–585	Window	5	If applicable, enter the window number or location of the person paying the winning payment; otherwise, enter blanks.
586–600	First ID	15	For other than state lotteries, enter the first identification number of the person receiving the winning payment; otherwise, enter blanks.
601–615	Second ID	15	For other than state lotteries, enter the second identification number of the person receiving the winnings; otherwise, enter blanks.
616–662	Blank	47	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form W–2G

Blank	Type of Wager Code	Date Won	Transaction	Race	Cashier	Window	First ID
544–546	547	548–555	556–570	571–575	576–580	581–585	586–600

Second ID	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
601–615	616–662	663–722	723–734	735–746	747–748	749–750

Sec. 7. End of Payer "C" Record — General Field Descriptions and Record Layout

.01 The "C" Record consists of the total number of payees and the totals of the payment amount fields filed for each payer and/or particular type of return. The "C" Record must follow the last "B" Record for each type of return for each payer.

.02 For each "A" Record and group of "B" Records on the file, there must be a corresponding "C" Record.

.03 The End of Payer "C" Record is a fixed length of 750 positions. The control fields are each 18 positions in length.

Record Name: End of Payer "C" Record			
Field Position	**Field Title**	**Length**	**Description and Remarks**
1	Record Type	1	**Required**. Enter "C".
2–9	Number of Payees	8	**Required**. Enter the total number of "B" Records covered by the preceding "A" Record. Right-justify information and fill unused positions with zeros.
10–15	Blank	6	Enter blanks.
16–33	Control Total 1	18	**Required.** Accumulate totals of any payment amount fields in the "B" Records into the appropriate control total fields of the "C" Record. **Control totals must be right-justified and unused control total fields zero-filled.** All control total fields are 18 positions in length.
34–51	Control Total 2	18	
52–69	Control Total 3	18	
70–87	Control Total 4	18	
88–105	Control Total 5	18	
106–123	Control Total 6	18	
124–141	Control Total 7	18	
142–159	Control Total 8	18	
160–177	Control Total 9	18	
178–195	Control Total A	18	
196–213	Control Total B	18	
214–231	Control Total C	18	
232–499	Blank	268	Enter blanks.
500–507	*Record Sequence Number*	*8*	***Required**. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e. 2, 3, 4, etc. Right-justify numbers with leading zeroes in the field. For example, the "T" Record sequence number would appear as "00000001" in the field.*
508–748	Blank	241	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

End of Payer "C" Record — Record Layout

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3	Control Total 4	Control Total 5	Control Total 6
1	2–9	10–15	16–33	34–51	52–69	70–87	88–105	106–123

Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Blank	*Record Sequence Number*
124–141	142–159	160–177	178–195	196–213	214–231	232–499	500–507

End of Payer "C" Record — Record Layout (Continued)

Blank	Blank or CR/LF
508–748	749–750

Sec. 8. State Totals "K" Record — General Field Descriptions and Record Layout

.01 The State Totals "K" Record is a summary for a given payer and a given state in the Combined Federal/State Filing Program, used **only** when state reporting approval has been granted.

.02 The "K" Record will contain the total number of payees and the total of the payment amount fields filed by a given payer for a given state. The "K" Record(s) must be written after the "C" Record for the related "A" Record. A file format diagram is located at the end of Part D.

.03 The "K" Record is a fixed length of 750 positions. The control total fields are each 18 positions in length.

.04 In developing the "K" Record, for example, if a payer used Amount Codes 1, 3, and 6 in the "A" Record, the totals from the "B" Records coded for this state would appear in Control Totals 1, 3, and 6 of the "K" Record.

.05 There must be a separate "K" Record for **each state** being reported.

.06 Refer to Part A, Sec. 13, for the requirements and conditions that **must** be met to file via this program.

State Totals "K" Record — Record Layout Forms 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	**Required**. Enter "K".
2–9	Number of Payees	8	**Required**. Enter the total number of "B" Records being coded for this state. Right-justify information and fill unused positions with zeros.
10–15	Blank	6	Enter blanks.
16–33	Control Total 1	18	**Required.** Accumulate totals of any payment amount fields in the "B" Records for each state being reported into the appropriate control total fields of the appropriate "K" Record. **Control totals must be right-justified and unused control total fields zero-filled.** All control total fields are 18 positions in length.
34–51	Control Total 2	18	
52–69	Control Total 3	18	
70–87	Control Total 4	18	
88–105	Control Total 5	18	
106–123	Control Total 6	18	
124–141	Control Total 7	18	
142–159	Control Total 8	18	
160–177	Control Total 9	18	
178–195	Control Total A	18	
196–213	Control Total B	18	
214–231	Control Total C	18	
232–499	Blank	268	Enter blanks.
500–507	*Record Sequence Number*	*8*	**Required**. *Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e. 2, 3, 4, etc. Right-justify numbers with leading zeroes in the field. For example, the "T" Record sequence number would appear as "00000001" in the field.*
508–706	Blank	199	Enter blanks.

State Totals "K" Record — Record Layout Forms 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498 (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
707–724	State Income Tax Withheld Total	18	State income tax withheld total is for the convenience of the filers. Aggregate totals of the state income tax withheld field in the Payee "B" Records; otherwise, enter blanks.
725–742	Local Income Tax Withheld Total	18	Local income tax withheld total is for the convenience of the filers. Aggregate totals of the local income tax withheld field in the Payee "B" Records; otherwise, enter blanks.
743–746	Blank	4	Enter blanks.
747–748	Combined Federal/State Code	2	**Required**. Enter the code assigned to the state which is to receive the information. (Refer to Part A, Sec. 13, Table l.)
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

State Totals "K" Record — Record Layout Forms 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3	Control Total 4	Control Total 5	Control Total 6
1	2–9	10–15	16–33	34–51	52–69	70–87	88–105	106–123

Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Blank	*Record Sequence Number*	Blanks
124–141	142–159	160–177	178–195	196–213	214–231	232–499	500–507	508–706

State Income Tax Withheld Total	Local Income Tax Withheld Total	Blank	Combined Federal/ State Code	Blank or CR/LF
707–724	725–742	743–746	747–748	749–750

Sec. 9. End of Transmission "F" Record — General Field Descriptions and Record Layout

.01 The End of Transmission "F" Record is a summary of the number of payers in the entire file.
.02 The "F" Record is a fixed record length of 750 positions.
.03 This record must be written after the last "C" Record (or last "K" Record, when applicable) of the entire file.

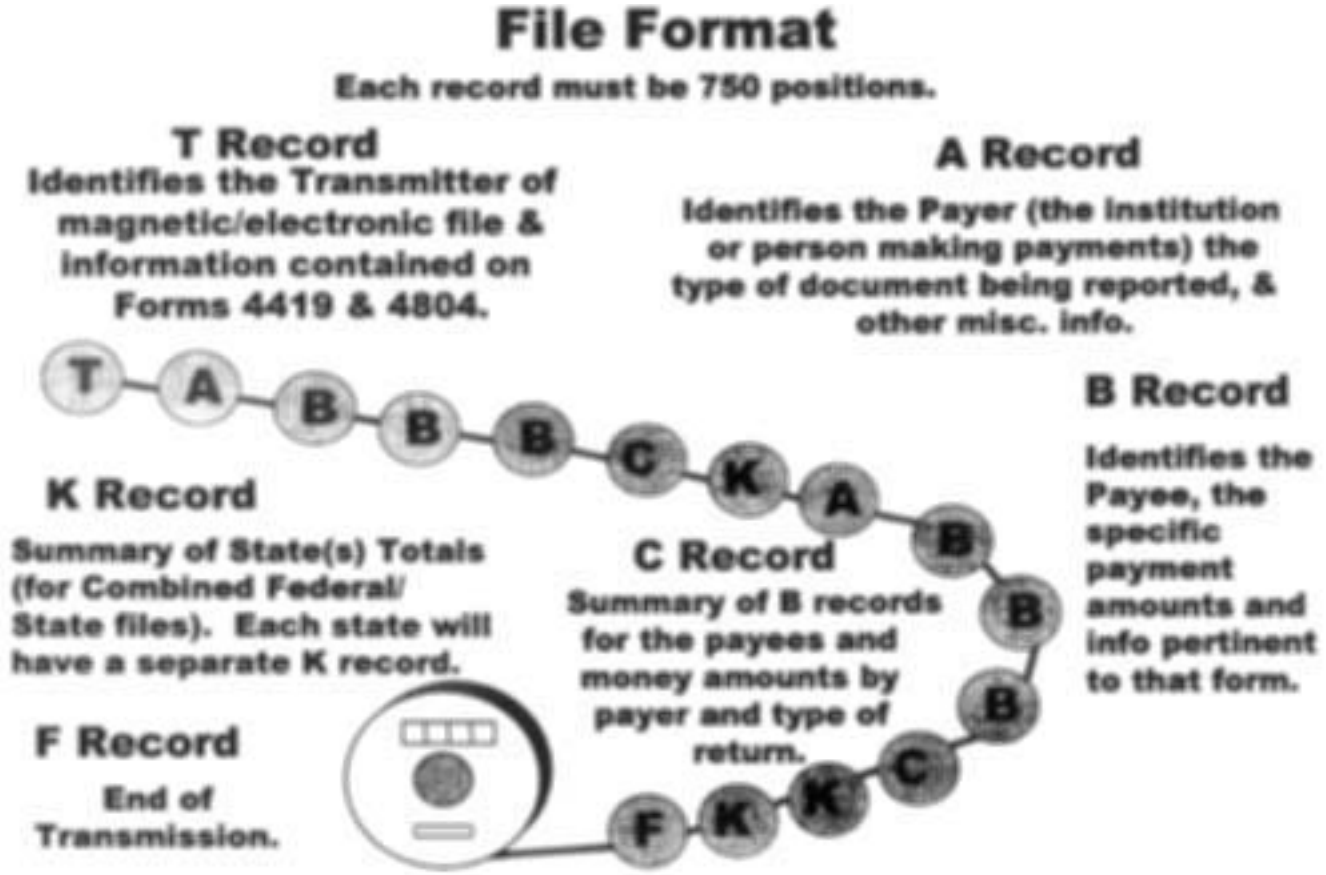
Record Name: End of Transmission "F" Record			
Field Position	**Field Title**	**Length**	**Description and Remarks**
1	Record Type	1	**Required**. Enter "F".
2–9	Number of "A" Records	8	Enter the total number of Payer "A" Records in the entire file (right-justify and zero-fill) or enter all zeros.
10–30	Zero	21	Enter zeros.
31–49	Blank	19	Enter blanks.
50–57	*Total Number Payees*	8	*Enter the total number of Payee "B" Records reported in the file. Right-justify information and fill unused positions with zeros. If you have entered this total in the "T" Record, you may leave this field blank.*

Record Name: End of Transmission "F" Record (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
58–499	*Blank*	*442*	*Enter blanks.*
500–507	*Record Sequence Number*	*8*	***Required**. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e. 2, 3, 4, etc. Right-justify numbers with leading zeroes in the field. For example, the "T" Record sequence number would appear as "00000001" in the field.*
508–748	Blank	241	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

End of Transmission "F" Record — Record Layout

Record Type	Number of "A" Records	Zero	Blank	*Total Number of Payees*	Blank	*Record Sequence Number*	Blank	Blank or CR/LF
1	2–9	10–30	31–49	50–57	58–499	500–507	508–748	749–750

Sec. 10. File Layout Diagram



Part E. Extensions of Time and Waivers

Sec. 1. General — Extensions

.01 An extension of time to file may be requested for Forms 1098, 1099, 5498, 5498-MSA, W-2G, W-2 series, 8027 and 1042-S.

.02 Form 8809, Request for Extension of Time To File Information Returns, should be submitted to IRS/MCC at the address listed in .08 of this section. This form may be used to request an extension of time to file information returns submitted on paper, electronically, or magnetically to the IRS. Use a separate Form 8809 for each method of filing information returns you intend to use, i.e. electronically and/or magnetically.

.03 To be considered, an extension request must be postmarked or transmitted by the due date of the returns; otherwise, the request will be denied. (See Part A, Sec. 9, for due dates.) If requesting an extension of time to file several types of forms, use one Form 8809; however, the Form 8809 or file must be postmarked no later than the earliest due date. For example, if requesting an extension of time to file both Forms 1099-INT and 5498, submit Form 8809 on or before February 28, 2003. (**See Note.**)

☛ **Note: For Tax Year 2002, if you will be filing Forms 1098, 1099, or W-2G *electronically,* the Form 8809 is not required unless an extension is needed beyond March 31, 2003.**

.04 As soon as it is apparent that a 30-day extension of time to file is needed, an extension request should be submitted. It will take a minimum of 30 days for IRS/MCC to respond to an extension request. Generally, IRS/MCC does not begin processing extension requests until January. Extension requests received prior to January are input on a first come, first serve basis.

.05 Under certain circumstances, a request for an extension of time could be denied. When a denial letter is received, any additional or necessary information may be resubmitted within 20 days.

.06 Requesting an extension of time for multiple payers (50 or less) may be done by submitting Form 8809 and attaching a list of the payer names and associated TINs (EIN or SSN). **The listing must be attached to ensure an extension is recorded for all payers**. Form 8809 may be computer-generated or photocopied. Be sure that all the pertinent information is included.

.07 Requests for an extension of time to file for more than 50 payers are **required** to be submitted electronically or magnetically. IRS encourages requests for 10 to 50 payers to be filed electronically or magnetically. (See Sec. 3, for the file format.) The request may be filed electronically, on tape cartridges, 8mm, 4mm, Quarter-Inch Cartridges (QIC), or 3½–inch diskette.

.08 All requests for an extension of time filed on Form 8809 or magnetic media should be sent using the following address:

IRS-Martinsburg Computing Center
Information Reporting Program
Attn: Extension of Time Coordinator
240 Murall Drive
Kearneysville, WV 25430

☛ **Note: Due to the large volume of mail received by IRS/MCC and the time factor involved in processing the Form 8809, it is imperative that the attention line be present on all envelopes or packages containing Extension of Time (EOT) requests.**

.09 Requests for extensions of time to file postmarked by the United States Postal Service on or before the due date of the returns, and delivered by United States mail to the IRS/MCC after the due date, are treated as timely under the "timely mailing as timely filing" rule. A similar rule applies to designated private delivery services (PDSs). See Part A, Sec. 9, for more information on PDSs. For requests delivered by a designated PDS, but through a non-designated service, the actual date of receipt by IRS/MCC will be used as the filing date.

.10 Transmitters requesting an extension of time for multiple payers will receive one approval letter, accompanied by a list of payers covered under that approval.

.11 If an additional extension of time is needed, a second Form 8809 or file must be filed by the initial extended due date. Check line 7 on the form to indicate that an additional extension is being requested. A second 30-day extension will be approved only in cases of extreme hardship or catastrophic event. **If requesting a second 30-day extension of time, submit the information return files as soon as prepared. Do not wait for MCC's response to your second extension request.**

.12 If an extension request is approved, the approval letter should be kept on file. The approval letter or copy of the approval letter for an extension of time should **not** be sent to IRS/MCC with the magnetic media file or to the service center where the paper returns are filed.

.13 Request an extension for only one tax year.

.14 The extension request must be signed by the payer or a person who is duly authorized to sign a return, statement, or other document for the payer.

.15 Failure to properly complete and sign Form 8809 may cause delays in processing the request or result in a denial. Carefully read and follow the instructions on the back of the Form 8809.

.16 Form 8809 may be obtained by calling **1–800–TAX-FORM (1–800–829–3676)**. The form is also available on the **IRS Web Site at www.irs.gov**. A copy of Form 8809 is also provided in the back of Publication 1220.

Sec. 2. Specifications for Electronic Filing or Magnetic Media Extensions of Time

.01 The specifications in Sec. 3 include the required 200-byte record format for extensions of time to file requests submitted electronically or magnetically. Also included are the instructions for the information that is to be entered in the record. **Filers are advised to read this section in its entirety to ensure proper filing.**

.02 If a filer does not have an IRS/MCC assigned Transmitter Control Code (TCC), a Form 4419, Application for Filing Information Returns Electronically/Magnetically, **must** be submitted to obtain a TCC. This number **must** be used to submit an extension request electronically/magnetically. (See Part A, Sec. 6.)

.03 For extension requests filed on magnetic media, the transmitter must mail the completed, signed Form 8809, Request for Extension of Time To File Information Returns, in the same package as the corresponding media or fax it to 304–264–5602. For extension requests filed electronically, the transmitter must fax the Form 8809 the same day the transmission is made.

.04 Transmitters submitting an extension of time electronically or magnetically should not submit a list of payer names and TINs with the Form 8809 since this information is included on the electronic or magnetic file. However, Line 6 of the Form 8809 must be completed with the total number of records included on the electronic file or magnetic media.

.05 Do not submit Tax Year 2002 extensions of time to file requests on magnetic media before *January 1, 2003*, or electronically before *January 7, 2003.*

.06 Each piece of magnetic media **must** have an external media label containing the following information:

(a) Transmitter name
(b) Transmitter Control Code (TCC)
(c) Tax year
(d) The words "Extension of Time"
(e) Record count

.07 *Electronic filing, tape cartridge, 8mm, 4mm, QIC, and 3½-inch diskette specifications for extensions are the same as the specifications for filing of information returns. (See Part B or C for specific technical information.)*

Sec. 3. Record Layout — Extension of Time

.01 Positions 6 through 185 of the following record should contain information about the **payer** for whom the extension of time to file is being requested. Do not enter transmitter information in these fields. **Only one TCC may be present in a file.**

Record Layout for Extension of Time

Field Position	Field Title	Length	Description and Remarks
1–5	Transmitter Control Code	5	**Required**. Enter the five-digit Transmitter Control Code (TCC) issued by IRS. **Only one TCC per file is acceptable.**
6–14	Payer TIN	9	**Required**. Must be the valid nine-digit EIN/SSN assigned to the payer. **Do not enter blanks, hyphens, or alpha characters**. All zeros, ones, twos, etc., will have the effect of an incorrect TIN. For foreign entities that are not required to have a TIN, this field may be blank; however, the Foreign Entity Indicator, position 187, **must** be set to "X".
15–54	Payer Name	40	**Required**. Enter the name of the payer whose TIN appears in positions 6–14. Left-justify information and fill unused positions with blanks.
55–94	Second Payer Name	40	If additional space is needed, this field may be used to continue name line information (e.g., c/o First National Bank); otherwise, enter blanks.
95–134	Payer Address	40	**Required**. Enter the payer's address. Street address should include number, street, apartment, or suite number (or PO Box if mail is not delivered to a street address).
135–174	Payer City	40	**Required**. Enter payer city, town, or post office.

Record Layout for Extension of Time (Continued)			
Field Position	**Field Title**	**Length**	**Description and Remarks**
175–176	Payer State	2	**Required**. Enter the payer valid U.S. Postal Service state abbreviation. (Refer to Part A, Sec. 15.)
177–185	Payer ZIP Code	9	**Required**. Enter payer ZIP Code. If using a five-digit ZIP Code, left-justify information and fill unused positions with blanks.
186	Document Indicator (**See Note.**)	1	**Required**. Enter the appropriate code of the Document Indicator for which you are requesting an extension of time. **Code** — **Document** 1 — W-2 2 — 1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-DIV, 1099-G, 1099-INT, 1099-LTC, 1099-MISC, 1099-MSA, 1099-OID, 1099-PATR, 1099-Q, 1099-R, 1099-S, or W-2G 3 — 5498 4 — 1042–S 5 — REMIC Documents (1099–INT or 1099–OID) 6 — 5498–MSA
☛ **Note: Do not enter any other values in this field. Submit a separate record for each document. For example, if you are requesting an extension for Form 1099-INT and Form 5498 for the same payer, submit one record with "2" coded in this field and another record with "3" coded in this field. If you are requesting an extension for Form 1099-DIV and Form 1099-MISC for the same payer, submit one record with "2" coded in this field.**			
187	Foreign Entity Indicator	1	Enter character "X" if the payer is a foreign entity.
188–198	Blank	11	Enter blanks.
199–200	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Extension of Time Record Layout

Transmitter Control Code	Payer TIN	Payer Name	Second Payer Name	Payer Address	Payer City	Payer State
1–5	6–14	15–54	55–94	95–134	135–174	175–176

Payer ZIP Code	Document Indicator	Foreign Entity Indicator	Blank	Blank or CR/LF
177–185	186	187	188–198	199–200

Sec. 4. Extension of Time for Recipient Copies of Information Returns

.01 Request an **extension of time to furnish the statements to recipients** of Forms 1098, 1099, 5498, W-2G, W-2 series, and 1042-S by submitting a letter to IRS/MCC at the address listed in Part E, Sec. 1.08. The letter should contain the following information:

(a) Payer name
(b) TIN
(c) Address
(d) Type of return
(e) Specify that the extension request is to provide statements to recipients
(f) Reason for delay
(g) Signature of payer or duly authorized person

.02 Requests for an extension of time to furnish the statements to recipients for Forms 1098, 1099, 5498, W-2G, W-2 series, and 1042-S are not automatically approved; however, if approved, generally an extension will allow a maximum of 30 additional days from the due date to furnish the statements to the recipients. The request must be postmarked by the date on which the statements are due to the recipients.

.03 Generally, only the payer may sign the letter requesting the extension for recipient copies. A transmitter may sign if given power of attorney; however, a letter signed by the payer stating this fact must be attached to the extension request letter. A transmitter **must** submit a separate extension request letter for each payer. **Do not** submit a list of payers.

Sec. 5. Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media

.01 If a payer is required to file on magnetic media but fails to do so (or fails to file electronically in lieu of magnetic media filing) and does not have an approved waiver on record, the payer will be subject to a penalty of $50 per return in excess of 250. (For penalty information, refer to the Penalty Section of the *2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.*)

.02 If payers are required to file original or corrected returns on magnetic media, but such filing would create a hardship, they may request a waiver from these filing requirements by submitting Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media, to IRS/MCC. A Form 8508 can be obtained on the IRS Web Site at *www.irs.gov* or by calling toll-free 1–800–829–3676.

.03 Even though a payer may submit as many as 249 corrections on paper, IRS encourages electronic or magnetic filing of corrections. Once the 250 threshold has been met, filers are required to submit any returns of 250 or more electronically or magnetically. However, if a waiver for original documents is approved, any corrections for the same type of returns will be covered under this waiver.

.04 Generally, only the payer may sign the Form 8508. A transmitter may sign if given power of attorney; however, a letter signed by the payer stating this fact must be attached to the Form 8508.

.05 A transmitter must submit a separate Form 8508 for each payer. Do not submit a list of payers.

.06 All information requested on the Form 8508 must be provided to IRS for the request to be processed.

.07 The waiver, if approved, will provide exemption from the magnetic media filing requirement for the current tax year only. Payers may not apply for a waiver for more than one tax year at a time; application must be made each year a waiver is necessary.

.08 Form 8508 may be photocopied or computer-generated as long as it contains all the information requested on the original form.

.09 Filers are encouraged to submit Form 8508 to IRS/MCC at least 45 days before the due date of the returns. Generally, IRS/MCC does not process waiver requests until January. Waiver requests received prior to January are processed on a first come, first serve basis.

10. All requests for a waiver should be sent using the following address:

IRS-Martinsburg Computing Center
Information Reporting Program
240 Murall Drive
Kearneysville, WV 25430

.11 File Form 8508 for the W-2 series of forms with IRS/MCC not SSA.

.12 Waivers are evaluated on a case-by-case basis and are approved or denied based on criteria set forth in the regulations under Section 6011(e) of the Internal Revenue Code. The transmitter must allow a minimum of 30 days for IRS/MCC to respond to a waiver request.

.13 If a waiver request is approved, the transmitter should keep the approval letter on file. The transmitter should not send a copy of the approved waiver to the service center where the paper returns are filed.

.14 An approved waiver from filing information returns on magnetic media does not provide exemption from all filing. The payer must timely file information returns on Copy A of acceptable paper forms with the appropriate service center.

IRS
Department of the Treasury
Internal Revenue Service
www.irs.gov

2002

Instructions for Forms 1099, 1098, 5498, and W-2G

What's Inside

General Instructions for Forms 1099, 1098, 5498, and W-2G

Specific Instructions for:

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- Forms 1099-A and 1099-C
- Form 1099-B
- Form 1099-DIV
- Form 1099-G
- Forms 1099-INT and 1099-OID
- Form 1099-LTC
- Form 1099-MISC
- Forms 1099-MSA and 5498-MSA
- Form 1099-PATR
- Form 1099-Q
- Forms 1099-R and 5498
- Form 1099-S
- Forms W-2G and 5754

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- Instructions for Form 1099-LTC LTC-1
- Instructions for Form 1099-MISC MISC-1
- Instructions for Forms 1099-MSA and 5498-MSA MSA-1
- Instructions for Form 1099-PATR PATR-1
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2002

Department of the Treasury
Internal Revenue Service

General Instructions for Forms 1099, 1098, 5498, and W-2G

Section references are to the Internal Revenue Code.

What's New for 2002

Except as otherwise noted, the following changes are the result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16).

Regular gambling withholding. The regular gambling withholding rate will be 27% (36.98% for certain non cash payments) for reportable payments made in 2002 and 2003.

Backup withholding. The backup withholding rate will be 30% for reportable payments made in 2002 and 2003.

Electronic payee statements. Section 401 of the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147) allows issuers, with the consent of the recipient, to furnish, electronically, statements required to be filed under sections 6041 through 6050S. For Forms 1098-E and 1098-T, also see Temporary Regulations section 1.6050S-2T. See part **H** on page GEN-9.

Martinsburg Computing Center (MCC) Information Reporting Call Site. The call site has a new toll-free telephone number, 1-866-455-7438. See **Information reporting call site** on page GEN-2.

Revised title of Form 1099-G. Form 1099-G is re-titled Certain Government Payments. Distributions of earnings from a qualified tuition program are reported on new Form 1099-Q, not Form 1099-G. See **New Form 1099-Q** below.

Forms 1099-MSA and 5498-MSA. Effective after December 21, 2000, the name of medical savings accounts changed to Archer MSAs. For 2002, Forms 1099-MSA and 5498-MSA and the separate instructions reflect the change.

New Form 1099-Q. The definition of qualified tuition programs includes programs established and maintained by state governments and private eligible educational institutions. New Form 1099-Q is used to report earnings from qualified tuition programs.

Form 1099-R. The title for distribution code **M** for box 7 has been changed to "Distribution from a Coverdell education savings account (ESA)."

Distributions and income tax withholding on distributions from a section 457(b) plan maintained by a state or local government employer are reportable on Form 1099-R and not Form W-2.

Until further guidance is issued, report after-tax contributions included in the total amount rolled over in Box 5, Employee contributions or insurance premiums.

Form 5498. The title for Form 5498 has been changed to "IRA and Coverdell ESA Contribution Information" and all the references to Education IRAs have been changed to "Coverdell ESAs" in the instructions for Forms 1099-R and 5498. The contribution limit for a Coverdell ESA has increased to $2,000. Also, the form and the instructions have been changed to reflect that the amounts reported for Box 11, Coverdell ESA Contributions, reflect contributions made in 2002 and through April 15, 2003, designated for 2002.

Participants who are age 50 or older by the end of the year may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The annual IRA regular contribution limit of $3,000 is increased to $3,500 for participants who are age 50 or older. Catch-up elective deferral contributions may be made under a salary reduction SEP (SARSEP) or under a SIMPLE IRA plan. Up to $1,000 in catch-up elective deferrals may be made to a SARSEP, and up to $500 to a SIMPLE IRA plan.

The instructions have been expanded for reporting contributions to IRAs for combat zone participants. Newly designated combat zones are listed.

Form 1098-E. The instructions have been revised to reflect reporting rules described in final Regulations section 1.6050S-3 (TD 8992, 67 FR 20901), effective for 2002. Box 2 is used to indicate that box 1 includes loan origination fees and/or capitalized interest. However, lenders are not required to report loan origination fees and/or capitalized interest for loans made before January 1, 2004. See Regulations section 1.6050S-3(e)(1). Also, the Economic Growth and Tax Relief Reconciliation Act of 2001 has eliminated the 60-month limitation (the covered period) during which interest paid on a qualified education loan is deductible.

Form 1098-T. The form and instructions have been revised to reflect reporting rules described in Proposed Regulations section 1.6050S-1 (67 FR 20923). Eligible educational institutions are not required to, but may, use these rules in preparing Form 1098-T for 2002. Eligible educational institutions may report either the net amount of payments received (box 1) or the net amount billed (box 2), for qualified tuition and related expenses during the calendar year. Only adjustments made to payments received, or amounts billed, for qualified expenses that were reported in a prior year will be reported separately (box 3). Scholarships and grants will be reported in box 4 and only adjustments made during the year to scholarships reported in a prior year are reported separately (box 5). If the amount reported in box 1 or 2 includes payments received or amounts billed for an academic period beginning in January through March of 2003, box 6 must be checked. An insurer may report reimbursements and refunds of qualified tuition and related expenses from an insurance contract in box 7.

CAUTION *If you ordered (or downloaded from the IRS Web Site) copies of Forms 1099-OID, 1099-LTC, and 5498 prior to February 25, 2002, the instructions have been changed as a result of the Economic Growth and Tax Relief Reconciliation Act of 2001. Similarly, the Instructions for Forms 1099-R and 5498 have also changed after the above date. To order, see* **How To Get Forms and Publications** *on page GEN-3.*

Items You Should Note

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the

photographs and calling **1-800-THE-LOST** (1-800-843-5678) if you recognize a child.

Available Products

To help make it easier for you to get only the information you need to complete the Forms 1099, 1098, 5498, and W-2G you file, we provide general and specific form instructions as separate products. The products you should use for 2002 are these **General Instructions for Forms 1099, 1098, 5498, and W-2G**, which contain general information concerning Forms 1099, 1098, 5498, and W-2G, and for instructions on completing a specific form, get the instructions you need from the following list of separate instructions:

- **Instructions for Forms W-2G and 5754**
- **Instructions for Form 1098**
- **Instructions for Forms 1098-E and 1098-T**
- **Instructions for Forms 1099-A and 1099-C**
- **Instructions for Form 1099-B**
- **Instructions for Form 1099-DIV**
- **Instructions for Form 1099-G**
- **Instructions for Forms 1099-INT and 1099-OID**
- **Instructions for Form 1099-LTC**
- **Instructions for Form 1099-MISC**
- **Instructions for Forms 1099-MSA and 5498-MSA**
- **Instructions for Form 1099-PATR**
- **Instructions for Form 1099-Q**
- **Instructions for Forms 1099-R and 5498**
- **Instructions for Form 1099-S**

If you prefer to have all the specific and general instructions in one booklet, the **2002 Instructions for Forms 1099, 1098, 5498, and W-2G** is also available. See **How To Get Forms and Publications** on page GEN-3.

Reporting Backup Withholding on Forms 1099 and W-2G

If you backup withhold on a payment, you must file the appropriate Form 1099 or W-2G with the IRS and furnish a statement to the recipient to report the amount of the payment and the amount withheld. This applies even though the amount of the payment may be below the normal threshold for filing Form 1099 or W-2G. See **Backup Withholding** on page GEN-3.

Form 945—Withholding Tax Return

Report backup withholding, voluntary withholding on certain government payments, and withholding from gambling winnings, pensions, annuities, IRAs, military retirement, and Indian gaming profits on **Form 945**, Annual Return of Withheld Federal Income Tax. Generally, file Form 945 for 2002 by January 31, 2003. Any income tax withholding reported on **Form W-2**, Wage and Tax Statement, including withholding on distributions to plan participants from nonqualified plans, must be reported on **Form 941**, Employer's Quarterly Federal Tax Return. For more information, including the deposit requirements for Form 945, see the separate **Instructions for Form 945** and **Circular E**, Employer's Tax Guide (Pub. 15).

Use Form 1096 To Send Forms to the IRS

You must send Copies A of all paper Forms 1099, 1098, 5498, and W-2G to the IRS with **Form 1096**, Annual Summary and Transmittal of U.S. Information Returns. Instructions for completing Form 1096 are contained on Form 1096. Also see part **D** on page GEN-7.

Substitute Statements to Recipients

If you are using a substitute form to furnish statements to recipients (generally Copy B), be sure your substitute statements comply with the rules in **Pub. 1179**, Rules and Specifications for Private Printing of Substitute Forms 1096, 1098, 1099, 5498, and W-2G. Pub. 1179, which is revised annually, explains the requirements for format and content of substitute statements to recipients. **If you are using a substitute form to furnish information to recipients, it must comply with the requirements in Pub. 1179.**

CAUTION *All substitute statements to recipients must contain the tax year, form number, and form name prominently displayed together in one area of the statement. For example, they could be shown in the upper right part of the statement.*

Guide to Information Returns

See the chart on pages GEN-15 and GEN-16 for a brief summary of information return reporting rules.

Need Help?

Information reporting call site. If you have questions about reporting on Forms 1096, 1098, 1099, 5498, W-2, W-2G, and W-3, you may call a new toll-free number, **1-866-455-7438**. You may still use the original telephone number, 304-263-8700 (not toll free). For TTY/TDD equipment, call 304-267-3367 (not toll free). The call site can also be reached by e-mail at **mccirp@irs.gov.** The hours of operation for the call site are Monday through Friday from 8:30 a.m. to 4:30 p.m., Eastern time.

For other tax information, call 1-800-829-1040; for TTY/TDD equipment, call 1-800-829-4059.

Internal Revenue Bulletin. The Internal Revenue Bulletin (IRB), published weekly, contains newly issued regulations, notices, announcements, legislation, court decisions, and other items of general interest. You may find this publication useful to keep you up to date with current developments. See **How To Get Forms and Publications** on page GEN-3.

Unresolved Tax Issues

If you have attempted to deal with an IRS problem unsuccessfully, you should contact the Taxpayer Advocate. The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels.

While Taxpayer Advocates cannot change the tax law or make a technical decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

Your assigned personal advocate will listen to your point of view and will work with you to address your concerns. You can expect the advocate to provide:

- A "fresh look" at a new or on-going problem.
- Timely acknowledgement.
- The name and phone number of the individual assigned to your case.
- Updates on progress.
- Timeframes for action.
- Speedy resolution.
- Courteous service.

When contacting the Taxpayer Advocate, you should provide the following information:

- Your name, address, and employer identification number (EIN).
- The name and telephone number of an authorized contact person and the hours he or she can be reached.
- The type of tax return and year(s).
- A detailed description of the problem.
- Previous attempts to solve the problem and the office that had been contacted.
- A description of the hardship you are facing (if applicable).

You may contact a Taxpayer Advocate by calling a toll-free number, **1-877-777-4778**. Persons who have access to TTY/TDD equipment may call 1-800-829-4059 and ask for Taxpayer Advocate assistance. If you prefer, you may call, write, or fax the Taxpayer Advocate office in your area. See **Pub. 1546**, The Taxpayer Advocate Service of the IRS, for a list of addresses and fax numbers.

How To Get Forms and Publications

Because the IRS processes paper forms by machine (optical character recognition equipment), you cannot file with the IRS Form 1096 or Copy A of Forms 1098, 1099, or 5498 that you print from the IRS Web Site or the CD-ROM.

Personal computer. You can access the IRS Web Site 24 hours a day, 7 days a week, at **www.irs.gov** to:

- Download forms, instructions, and publications.
- See answers to frequently asked tax questions.
- Search publications on-line by topic or keyword.
- Send us comments or request help by e-mail.
- Sign up to receive local and national tax news by e-mail.

You can also reach us using File Transfer Protocol at ftp.irs.gov.

CD-ROM. Order **Pub. 1796**, Federal Tax Products on CD-ROM, and get:

- Current year forms, instructions, and publications.
- Prior year forms, instructions, and publications.
- Frequently requested tax forms that may be filled in electronically, printed out for submission, and saved for recordkeeping.
- The Internal Revenue Bulletin.

Buy the CD-ROM on the Internet at **www.irs.gov/cdorders** from the National Technical Information Service (NTIS) for $21 (no handling fee) or call **1-877-CDFORMS** (1-877-233-6767) toll free to buy the CD-ROM for $21 (plus a $5 handling fee).

By phone and in person. You can order forms and publications 24 hours a day, 7 days a week, by calling **1-800-TAX-FORM** (1-800-829-3676). You can also get most forms and publications at many IRS offices, post offices, and libraries.

Backup Withholding

Interest, dividends, rents, royalties, commissions, nonemployee compensation, and certain other payments (including broker and barter exchange transactions, reportable gross proceeds paid to attorneys, and certain payments made by fishing boat operators) may be subject to backup withholding at a 30% rate. To be subject to backup withholding, a payment must be a reportable interest or dividend payment under section 6049(a), 6042(a), or 6044 (if the patronage dividend is paid in money or qualified check), or an "other" reportable payment under section 6041, 6041A(a), 6045, 6050A, or 6050N. If the payment is one of these reportable payments, **backup withholding will apply if:**

1. The payee fails to furnish his or her taxpayer identification number (TIN) to you,

2. For interest, dividend, and broker and barter exchange accounts opened or instruments acquired after 1983, the payee fails to certify, under penalties of perjury, that the TIN provided is correct,

3. The IRS notifies you to impose backup withholding because the payee furnished an incorrect TIN ("B" notice),

4. For interest and dividend accounts or instruments, you are notified that the payee is subject to backup withholding (under section 3406(a)(1)(C), "C" notice), or

5. For interest and dividend accounts opened or instruments acquired after 1983, the payee fails to certify to you, under penalties of perjury, that he or she is **not** subject to backup withholding under **4** above.

Except as explained in **2** above, reportable "other" payments are subject to backup withholding only if **1** or **3** above applies.

Some payees are exempt from backup withholding. For a list of exempt payees and other information, see **Form W-9**, Request for Taxpayer Identification Number and Certification, and the separate **Instructions for the Requester of Form W-9**.

Backup withholding will not apply to the following:

1. Real estate transactions reportable under section 6045(e),

2. Foreclosures and abandonments reportable under section 6050J,

3. Canceled debts reportable under section 6050P,

4. Distributions from Archer MSAs,

5. Long-term care benefits,

6. Distributions from any retirement account, including IRAs,

7. Section 404(k) distributions from an employee stock ownership plan (ESOP),

8. Fish purchases for cash reportable under section 6050R,

9. Unemployment compensation,

10. State or local income tax refunds, and

11. Qualified tuition program earnings.

When to apply backup withholding. Generally, the period for which the 30% should be withheld is as follows:

1. Failure to furnish TIN in the manner required. Withhold on payments made until the TIN is furnished in the manner required. Special backup withholding rules may apply if the payee has applied for a TIN. The payee may certify to this on Form W-9 by noting "Applied For" in the TIN block and by signing the form. This form then becomes an "awaiting-TIN" certificate, and the payee has 60 days to obtain a TIN and furnish it to you. If you do not receive a TIN from the payee within 60 days and you have not already begun backup withholding, begin backup withholding and continue until the TIN is provided.

The 60-day exemption from backup withholding applies only to interest and dividend payments and certain payments made with respect to readily tradable instruments. Therefore, any other payment, such as nonemployee compensation, is subject to backup withholding even if the payee has applied for and is awaiting a TIN. For information about whether backup withholding applies during the 60-day period, see Regulations section 31.3406(g)-3.

2. Notice from the IRS that payee's TIN is incorrect ("B" notice). You may choose to withhold on any reportable payment made to the account(s) subject to backup withholding after receipt of the "B" notice, but you must withhold on any reportable payment made to the account more than 30 business days after you received the "B" notice. Stop withholding within 30 days after you receive a certified Form W-9 (or acceptable substitute).

The IRS will furnish a notice to you, and you are required to promptly furnish a copy of such notice, or an acceptable substitute, to the payee. For further information, see Regulations section 31.3406(d)-5 and Rev. Proc. 93-37, 1993-2 C.B. 477.

If you receive two incorrect TIN notices within 3 years for the same account, follow the procedures in Regulations section 31.3406(d)-5(g) and Rev. Proc. 93-37.

3. Notice from the IRS that payee is subject to backup withholding due to notified payee underreporting ("C" notice). You may choose to withhold on any reportable payment made to the account(s) subject to backup withholding after receipt of the "C" notice, but you must withhold on any reportable payment made to the account more than 30 business days after you receive the "C" notice. The IRS will notify you in writing when to stop withholding, or the payee may furnish you a written certification from the IRS stating when the withholding should stop. In most cases, the stop date will be January 1 of the year following the year of the notice.

You must notify the payee when withholding under this procedure starts. For further information, see Regulations section 31.3406(c)-1(d).

4. Payee failure to certify that he or she is not subject to backup withholding. Withhold on reportable interest and dividends until the certification has been received.

For exceptions to these general timing rules, see section 3406(e).

*For information about backup withholding on gambling winnings, see the separate **Instructions for Forms W-2G and 5754**.*

Reporting backup withholding. Report backup withholding on Form 945. For more information, see the Instructions for Form 945. Also, report backup withholding and the amount of the payment on Forms W-2G, 1099-B, DIV, G, INT, MISC, OID, or PATR even if the amount of the payment is less than the amount for which an information return is normally required.

Additional information. For more information about backup withholding, see **Pub. 1679**, A Guide to Backup Withholding for Missing and Incorrect Name/TINs, and **Pub. 1281**, Backup Withholding on Missing and Incorrect Name/TINs (including Instructions for Reading Tapes).

Penalties

The following penalties generally apply to the person required to file information returns. The penalties apply to paper filers as well as to magnetic media/electronic filers.

Failure To File Correct Information Returns by the Due Date (Section 6721)

If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file on magnetic media, you report an incorrect TIN or fail to report a TIN, or you fail to file paper forms that are machine readable.

The amount of the penalty is based on when you file the correct information return. The penalty is:

- **$15** per information return if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty $75,000 per year ($25,000 for small businesses, defined below).
- **$30** per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty $150,000 per year ($50,000 for small businesses).
- **$50** per information return if you file after August 1 or you do not file required information returns; maximum penalty $250,000 per year ($100,000 for small businesses).

*If you **do not** file corrections and you do not meet any of the exceptions to the penalty described below, the penalty is **$50** per information return.*

Small businesses—lower maximum penalties. You are a small business if your average annual gross receipts for the 3 most recent tax years (or for the period you were in existence, if shorter) ending before the calendar year in which the information returns were due are $5 million or less.

Exceptions to the penalty. The following are exceptions to the failure to file penalty:

1. The penalty will not apply to any failure that you can show was due to reasonable cause and not to willful neglect. In general, you must be able to show that your failure was due to an event beyond your control or due to significant mitigating factors. You must also be able to show that you acted in a responsible manner and took steps to avoid the failure.

2. An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission does not prevent or hinder the IRS from processing the return, from correlating the information required to be shown on the return with the information shown on the payee's tax return, or from otherwise putting the return to its intended use. Errors and omissions that are never inconsequential are those related to **(a)** a TIN, **(b)** a payee's surname, and **(c)** any money amount.

3. De minimis rule for corrections. Even though you cannot show reasonable cause, the penalty for failure to file correct information returns will not apply to a certain number of returns if you:

a. Filed those information returns,

b. Either failed to include all the information required on a return or included incorrect information, and

c. Filed corrections by August 1.

If you meet all the conditions in **a**, **b**, and **c** above, the penalty for filing incorrect returns (but not for filing late) will not apply to the greater of 10 information returns or ½ of 1% of the total number of information returns you are required to file for the calendar year.

Intentional disregard of filing requirements. If any failure to file a correct information return is due to intentional disregard of the filing or correct information requirements, the penalty is at least $100 per information return with no maximum penalty.

Failure To Furnish Correct Payee Statements (Section 6722)

If you fail to provide correct payee statements and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to provide the statement by January 31 (see part **H** on page GEN-9), you fail to include all information required to be shown on the statement, or you include incorrect information on the statement. "Payee statement" has the same meaning as "statement to recipient" as used in part **H** on page GEN-9.

The penalty is $50 per statement, no matter when the correct statement is furnished, with a maximum of $100,000 per year. The penalty is **not** reduced for furnishing a correct statement by August 1.

Exception. An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission cannot reasonably be expected to prevent or hinder the payee from timely receiving correct information and reporting it on his or her income tax return or from otherwise putting the statement to its intended use. Errors and omissions that are never inconsequential are those relating to **(a)** a dollar amount, **(b)** a significant item in a payee's address, **(c)** the appropriate form for the information provided (i.e., whether the form is an acceptable substitute for the official IRS form), and **(d)** whether the statement was furnished in person or by "statement mailing," when required.

Intentional disregard of payee statement requirements. If any failure to provide a correct payee statement is due to intentional disregard of the requirements to furnish a correct payee statement, the penalty is at least $100 per payee statement with no maximum penalty.

Forms 1099-MSA, 1099-Q, 1099-R, 5498, and 5498-MSA

The penalties under sections 6721 and 6722 **do not** apply to:

- Forms 1099-MSA and 5498-MSA, which are filed under section 220(h).
- Form 1099-Q, filed under section 529(d).
- Form 1099-R for distributions from Coverdell ESAs, which is filed under section 530(h).
- Form 5498, which is filed under sections 408(i), 408(l), and 530(h).

The penalty for failure to timely file Form 1099-MSA, 5498-MSA, 1099-Q, 1099-R (for Coverdell ESAs only), or 5498 is $50 per return with no maximum, unless the failure is due to reasonable cause. See section 6693.

Civil Damages for Fraudulent Filing of Information Returns

If you willfully file a fraudulent information return for payments you claim you made to another person, that person may be able to sue you for damages. You may have to pay $5,000 or more.

Magnetic Media/Electronic Reporting

Magnetic media reporting may be required for filing all information returns discussed in this publication (see **Who must file on magnetic media** on page GEN-5). Acceptable forms of magnetic media are IBM 3480, 3490, or AS400

compatible tape cartridges (including 8mm); and 3½-inch diskettes.

If you are required to file on magnetic media, you may choose to file electronically instead. You may choose magnetic media or electronic filing even if you are not required to file on magnetic media.

Pub. 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically, is the revenue procedure for magnetic media and electronic reporting. Different types of payments, such as interest, dividends, and rents, may be reported on the same tape or other submission.

Electronic submissions are filed using the Filing Information Returns Electronically System (FIRE System). The FIRE System operates 24 hours a day, 7 days a week, and is accessed using your personal computer and modem. You may dial the FIRE System at 304-262-2400. For more information, see Pub. 1220 or go to **www.irs.gov/efile** and click on the link for the FIRE System.

Due dates. File Forms 1098, 1099, or W-2G on magnetic media by February 28, 2003. If you file electronically, you may file by March 31, 2003. File Form 5498 or 5498-MSA by June 2, 2003. See part **H** on page GEN-9 about providing Forms 1098, 1099, 5498, and W-2G or statements to recipients.

Extension of time to file. For information about requesting an extension of time to file, see **Extension** on page GEN-7.

If you file on magnetic media or electronically, do not file the same returns on paper.

Who must file on magnetic media. If you are required to file 250 or more information returns, you must file on magnetic media. The 250-or-more requirement applies separately to each type of form. For example, if you must file 500 Forms 1098 and 100 Forms 1099-A, you must file Forms 1098 on magnetic media, but you are not required to file Forms 1099-A on magnetic media.

The magnetic media filing requirement does not apply if you apply for and receive a hardship waiver. See **How to request a waiver from filing on magnetic media** below.

The IRS encourages you to file on magnetic media or electronically even though you are filing fewer than 250 returns.

Filing requirement applies separately to originals and corrections. The magnetic media filing requirements apply separately to original returns and corrected returns. Originals and corrections are not aggregated to determine whether you are required to file on magnetic media. For example, if you file 400 Forms 1098 on magnetic media and you are making 75 corrections, your corrections can be filed on paper because the number of corrections for Form 1098 is less than the 250 filing requirement. However, if you were filing 250 or more Form 1098 corrections, they would have to be filed on magnetic media.

How to get approval to file on magnetic media. File **Form 4419,** Application for Filing Information Returns Magnetically/Electronically, at least 30 days before the due date of the returns. File only one Form 4419 for all types of returns that will be filed on magnetic media. Once you have received approval, you need not reapply each year. The IRS will provide a written reply to the applicant and further instructions at the time of approval, usually within 30 days. A magnetic media reporting package, which includes all the necessary transmittals and instructions, will be mailed to all approved filers.

How to request a waiver from filing on magnetic media. To receive a waiver from the required filing of information returns on magnetic media, submit **Form 8508**, Request for Waiver From Filing Information Returns on Magnetic Media, at least 45 days before the due date of the returns. You cannot apply for a waiver for more than 1 tax year at a time. If you need a waiver for more than 1 tax year, you must reapply at the appropriate time each year.

If a waiver for original returns is approved, any corrections for the same types of returns will be covered under the waiver. However, if you submit original returns on magnetic media but you want to submit your corrections on paper, a waiver must be approved for the corrections if you must file 250 or more corrections.

If you receive an approved waiver, do not send a copy of it to the service center where you file your paper returns. Keep the waiver for your records only.

Single application. Submit both Forms 4419 and 8508 to apply for approval for filing returns on magnetic media, and if the approval is not granted, to apply for a waiver from the magnetic media requirement.

Penalty. If you are required to file on magnetic media but fail to do so, and you do not have an approved waiver, you may be subject to a penalty of $50 per return for failure to file on magnetic media unless you establish reasonable cause. However, you can file up to 250 returns on paper; those returns will not be subject to a penalty for failure to file on magnetic media.

The penalty applies separately to original returns and corrected returns. See **Filing requirement applies separately to originals and corrections** above.

Paper Document Reporting

If you are required to file 250 or more information returns, see **Magnetic Media/Electronic Reporting** on page GEN-4.

Common errors. Be sure to check your returns to prevent the following common errors:

1. Duplicate filing. **Do not** send the same information to the IRS more than once.

2. Filer's name, address, and TIN are not the same on Form 1096 and the attached Forms 1099, 1098, 5498, or W-2G.

3. Decimal point to show dollars and cents omitted. For example, 1230.00 is correct, not 1230.

4. Two or more types of returns submitted with one Form 1096 (e.g., Forms 1099-INT and 1099-MISC with one Form 1096). You must submit a separate Form 1096 with each type of return.

Required format. Because paper forms are read by machine (optical character recognition equipment), all Forms 1096 and Copies A of Forms 1098, 1099, and 5498 must be prepared in accordance with the following instructions. If these instructions are not followed, you may be subject to a penalty of $50 for each incorrectly filed document.

1. Do not cut or separate Copies A of the forms that are printed two or three to a sheet (except Form W-2G). Forms 1098, 1099, and 5498 are printed two or three to an 8 x 11 inch sheet. Form 1096 is printed one to an 8 x 11 inch sheet. These forms must be submitted to the IRS on the 8 x 11 inch sheet. If at least one form on the page is correctly completed, you must submit the entire page. Forms W-2G may be separated and submitted as single forms. Send the forms to the IRS in a flat mailing (not folded).

2. No photocopies of any forms are acceptable. See **How To Get Forms and Publications** on page GEN-3.

3. Do not staple, tear, or tape any of these forms. It will interfere with the IRS's ability to scan the documents.

4. Pinfeed holes on the form are **not** acceptable. Pinfeed strips outside the 8 x 11 inch area must be removed before submission, without tearing or ripping the form. Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single sheet (8 x 11 inches) before they are filed with the IRS.

5. Do not change the title of any box on any form. Do not use a form to report information that is not properly reportable on that form. If you are unsure of where to report the data, call the information reporting call site at 1-866-455-7438 (toll free).

6. Report information only in the appropriate boxes provided on the forms. Make only one entry in each box unless otherwise indicated in the form's specific instructions.

7. Do not submit any copy other than Copy A to the IRS.

8. Do not use prior year forms unless you are reporting prior year information; do not use subsequent year forms for the current year. Because forms are read by machine, you **must** use the current year form to report current year information.

9. Use the official forms or substitute forms that meet the specifications in the 2002 Pub. 1179. If you submit substitute forms that do not meet the current specifications and that are not machine scannable, you may be subject to a penalty of $50 for each return for improper format.

10. Do not use dollar signs ($) (they are preprinted on the forms), ampersands (&), asterisks (*), commas (,), or other special characters in money amount boxes.

Suggested format. Below are suggestions that will allow the IRS to process the submitted forms in the most economical manner:

1. Although handwritten forms are acceptable, the IRS prefers that you type or machine print data entries using 10 pitch (pica) or 12 pitch (elite) black type. Use block print, not script characters. Insert data in the middle of the blocks well separated from other printing and guidelines, and take other measures to guarantee a dark black, clear, sharp image.

2. Do not enter 0 (zero) or "None" in money amount boxes when no entry is required. Leave the boxes blank unless the instructions specifically require that you enter a 0 (zero). For example, in some cases, you must enter 0 (zero) to make corrections. See **Corrected Returns** on page GEN-11.

3. Do not enter number signs (#); for example, enter RT 2, not Rt. #2.

A. Who Must File

See the separate specific instructions for each form.

Nominee/middleman returns. Generally, if you receive a Form 1099 for amounts that actually belong to another person, you are considered a nominee recipient. You must file a Form 1099 (the same type of Form 1099 you received) for each of the other owners showing the amounts allocable to each. You must also furnish a Form 1099 to each of the other owners. File the new Form 1099 with Form 1096 with the Internal Revenue Service Center for your area. On each new Form 1099, list yourself as the "payer" and the other owner as the "recipient." On Form 1096, list yourself as the "filer." A husband or wife is not required to file a nominee return to show amounts owned by the other. The nominee, not the original payer, is responsible for filing the subsequent Forms 1099 to show the amount allocable to each owner.

Successor/predecessor reporting. A successor business (a corporation, partnership, or sole proprietorship) and a predecessor business (a corporation, partnership, or sole proprietorship) may agree that the successor will assume all or some of the predecessor's information reporting responsibilities. This would permit the successor to file one Form 1099, 1098, 5498, or W-2G for each recipient combining the predecessor's and successor's reportable amounts, including any withholding. If they so agree and the successor satisfies the predecessor's obligations and the requirements described below, the predecessor does not have to file the specified information returns for the acquisition year. If the successor and predecessor do not agree, or if the requirements described below are not met, the predecessor and the successor each must file Forms 1099, 1098, 5498, and W-2G for their own reportable amounts as they usually would. For more information and the rules that apply to filing combined Forms 1042-S, see Rev. Proc. 99-50, 1999-2 C.B. 757.

The combined reporting procedure is available when all the following conditions are met:

1. The successor acquires from the predecessor substantially all the property **(a)** used in the trade or business of the predecessor, including when one or more corporations are absorbed by another corporation under a merger agreement, or **(b)** used in a separate unit of a trade or business of the predecessor.

2. The predecessor is required to report amounts, including any withholding, on information returns for the year of acquisition, for the period before the acquisition.

3. The predecessor is not required to report amounts, including withholding, on information returns for the year of acquisition for the period after the acquisition.

Combined reporting agreement. The predecessor and the successor must agree on the specific forms to which the combined reporting procedure applies and that the successor assumes the predecessor's entire information reporting obligations for these forms. The predecessor and successor may agree to:

1. Use the combined reporting procedure for all Forms 1099, 1098, 5498, and W-2G or

2. Limit the use of the combined reporting procedure to **(a)** specific forms or **(b)** specific reporting entities, including any unit, branch, or location within a particular business entity that files its own separate information returns. For example, if the predecessor's and successor's only compatible computer or recordkeeping systems are their dividends paid ledgers, they may agree to use the combined reporting procedure for Forms 1099-DIV only. Similarly, if the only compatible systems are in their midwest branches, they may agree to use the combined reporting procedure for only the midwest branches.

Combined reporting procedure. On each Form 1099, 1098, 5498, and W-2G filed by the successor, the successor must combine the predecessor's (before the acquisition) and successor's reportable amounts, including any withholding, for the acquisition year and report the aggregate. For transactional reporting on **Form 1099-B**, Proceeds From Broker and Barter Exchange Transactions, the successor must report each of the predecessor's transactions and each of its own transactions on each Form 1099-B. The successor may include with the form sent to the recipient additional information explaining the combined reporting.

For purposes of the combined reporting procedure, the sharing of TINs and other information obtained under section 3406 for information reporting and backup withholding purposes does not violate the confidentiality rules in section 3406(f).

Statement required. The successor must file a statement with the IRS indicating the forms that are being filed on a combined basis under Rev. Proc. 99-50. The statement must:

1. Include the predecessor's and successor's names, addresses, telephone numbers, EINs, and the name and telephone number of the person responsible for preparing the statement.

2. Reflect separately the amount of Federal income tax withheld by the predecessor and by the successor for each type of form being filed on a combined basis (e.g., Form 1099-R or 1099-MISC).

3. Be sent separately from Forms 1099, 1098, 5498, and W-2G by the forms' due date to: IRS-Martinsburg Computing Center, Attn: Chief, Information Returns Branch, Mail Stop 360, 230 Murall Dr., Kearneysville, WV 25430. **Do not** send Form 1042-S statements to this address. Instead, use the address given in the Instructions for Form 1042-S. See Rev. Proc. 99-50.

Qualified settlement funds. A qualified settlement fund must file information returns for distributions to claimants if any transferor to the fund would have been required to file if the transferor had made the distributions directly to the claimants.

For distributions to transferors, a fund is subject to the information reporting requirements of sections 6041 and 6041A and may be required to file Form 1099-MISC. For payments made by the fund on behalf of a claimant or transferor, the fund is subject to these same rules and may have to file Form 1099-MISC for the payment to a third party. For information reporting purposes, a payment made by the fund on behalf of a claimant or transferor is considered a distribution to the

claimant or transferor and is also subject to information reporting requirements.

The same filing requirements, exceptions, and thresholds apply to qualified settlement funds as apply to any other payer. That is, the fund must determine the character of the payment (e.g., interest, fixed and determinable income, or gross proceeds from broker transactions) and to whom the payment is made (e.g., corporation or individual).

For more information, see Regulations section 1.468B-2(l). In addition, see proposed rules issued under section 468B relating to escrow and other similar funds (see 1999-1 C.B. 689).

Payments to foreign persons. See the **Instructions for Form 1042-S**, relating to U.S. source income of foreign persons, for reporting requirements relating to payments to foreign persons.

B. When To File

File Forms 1098, 1099, or W-2G on paper or magnetic media by February 28, 2003 (March 31, 2003, if filing electronically). Also file Form 1096 with paper forms. Brokers may file Forms 1096 and 1099-B anytime after the reporting period they elect to adopt (month, quarter, or year), but not later than the due date. File Form 1096 with Forms 5498 and 5498-MSA by June 2, 2003.

You will meet the requirement to file if the form is properly addressed and mailed on or before the due date. If the regular due date falls on a Saturday, Sunday, or legal holiday, file by the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday. See part **H** on page GEN-9 about providing Forms 1098, 1099, 5498, and W-2G or statements to recipients.

Private delivery services. You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing" rule for information returns. The most recent list of designated private delivery services was published in October 2001 by the IRS. The list includes only the following:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, and Second Day Service.
- DHL Worldwide Express (DHL): DHL "Same Day" Service and DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, and FedEx 2 Day.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

CAUTION *Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.*

Reporting period. Forms 1098, 1099, and W-2G are used to report amounts received, paid, credited, or canceled in the case of Form 1099-C, during the calendar year. Forms 5498 and 5498-MSA are used to report amounts contributed and the fair market value of an account for the calendar year.

Extension. For paper or magnetic media/electronic filing, you may request an extension of time to file by sending **Form 8809**, Request for Extension of Time To File Information Returns, to the address shown on the form. You must request the extension by the due date of the returns for your request to be considered. If your request for an extension is approved, you will have an additional 30 days to file. You may request an additional extension. See Form 8809. For information on extensions for providing statements to recipients, see **Extension** on page GEN-11.

TIP *If you are requesting extensions of time to file for **more than 50** payers, you must submit the extension requests magnetically or electronically. See Pub. 1220.*

C. Where To File

Send all information returns filed on paper to the following:

If your principal business, office or agency, or legal residence in the case of an individual, is located in	Use the following Internal Revenue Service Center address
Alabama, Arizona, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Carolina, Texas, Virginia	Austin, TX 73301
Arkansas, Connecticut, Delaware, Kentucky, Maine, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, West Virginia	Cincinnati, OH 45999
Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Wisconsin	Kansas City, MO 64999
Alaska, California, Colorado, District of Columbia, Hawaii, Idaho, Maryland, Montana, Nevada, Oregon, Utah, Washington, Wyoming	Ogden, UT 84201

If your legal residence or principal place of business or principal office or agency is outside the United States, file with the Internal Revenue Service Center, Cincinnati, OH 45999.

Send all information returns filed magnetically to IRS-Martinsburg Computing Center, Information Reporting Program, 230 Murall Drive, Kearneysville, WV 25430.

D. Filing Returns With the IRS

The IRS strongly encourages the quality review of data before filing to prevent erroneous notices being mailed to payees (or others for whom information is being reported).

If you must file any Form 1098, 1099, 5498, or W-2G with the IRS and you are filing paper forms, you must send a Form 1096 with each type of form as the transmittal document. You must group the forms by form number and submit each group with a separate Form 1096. For example, if you file Forms 1098, 1099-A, and 1099-MISC, complete one Form 1096 to transmit Forms 1098, another for Forms 1099-A, and a third for Forms 1099-MISC. Specific instructions for completing Form 1096 are included on the form. Also, see **Transmitters, paying agents, etc.** below. For information about filing corrected returns, see **Corrected Returns** on page GEN-11.

If you are filing on magnetic media, **Form 4804**, Transmittal of Information Returns Reported Magnetically, must accompany your submissions.

TIP *Form 4804 is no longer required if you file information returns electronically. See **Magnetic Media/Electronic Reporting** on page GEN-4.*

For information on the preparation of transmittal documents for magnetic media and paper document reporting (Forms 4804 and 1096), see Rev. Proc. 84-24, 1984-1 C.B. 465.

Report payments on the appropriate form, as explained in the separate specific instructions.

See Pub. 1179 for specifications for private printing of substitute information returns. You may not request special consideration. Only forms that conform with the official form and the specifications in Pub. 1179 are acceptable.

Transmitters, paying agents, etc. A transmitter, service bureau, paying agent, or disbursing agent (hereafter referred to as "agent") may sign Form 1096 or 4804 on behalf of any person required to file (hereafter referred to as "payer") if the conditions in **1** and **2** below are met:

1. The agent has the authority to sign the form under an agency agreement (oral, written, or implied) that is valid under state law and

2. The agent signs the form and adds the caption "For: (Name of payer)."

Signing of the form by an authorized agent on behalf of the payer does not relieve the payer of the liability for penalties for not filing a correct, complete, and timely Form 1096 or 4804 and accompanying returns.

Forms 1098, 1099, 5498, W-2G, or acceptable substitute statements to recipients issued by a service bureau or agent should show the same payer's name as shown on the information returns filed with the IRS.

For information about the election to report and deposit backup withholding under the agent's TIN and how to prepare forms if the election is made, see Rev. Proc. 84-33, 1984-1 C.B. 502.

Keeping copies. Generally, keep copies of information returns you filed with the IRS or have the ability to reconstruct the data for at least 3 years, 4 years for Form 1099-C, from the due date of the returns. Keep copies of information returns for 4 years if backup withholding was imposed.

E. Shipping and Mailing

Send the forms to the IRS in a flat mailing (not folded). If you are sending many forms, you may send them in conveniently sized packages. On each package, write your name and TIN, number the packages consecutively, and place Form 1096 in package number one. Postal regulations require forms and packages to be sent by First-Class Mail.

F. Recipient Names and Taxpayer Identification Numbers

Taxpayer identification numbers (TINs) are used to associate and verify amounts you report to the IRS with corresponding amounts on tax returns. Therefore, it is important that you furnish correct names, social security numbers (SSNs), individual taxpayer identification numbers (ITINs), or employer identification numbers (EINs) for recipients on the forms sent to the IRS.

Requesting a recipient's TIN. If the recipient is a U.S. person (including a U.S. resident alien), the IRS suggests that you request the recipient complete Form W-9 (or Form W-9S, if appropriate). See the **Instructions for the Requester of Form W-9** for more information on how to request a TIN.

If the recipient is a foreign person, the IRS suggests that you request the recipient to complete the appropriate Form W-8. See the **Instructions for the Requester of Forms W-8BEN, W8-ECI, W-8EXP, and W-8IMY.**

You may be subject to a penalty for an incorrect or missing TIN on an information return. See **Penalties** on page GEN-4. You are required to maintain the confidentiality of information obtained on a Form W-9/W-9S relating to the taxpayer's identity (including SSNs, EINs, and ITINs), and you may use such information only to comply with the tax laws.

TIP *If the recipient does not provide a TIN, leave the box for the recipient's TIN blank on the Form 1098, 1099, 5498, or W-2G. See* **Backup Withholding** *on page GEN-3.* ***Only one recipient TIN can be entered on the form.***

The TIN for individual recipients of information returns is the SSN. See the information about sole proprietors below. For other recipients, including corporations, partnerships, and estates, the TIN is the EIN. For limited liability companies (LLCs), see ***LLC*** below.

SSNs have nine digits separated by two hyphens (000-00-0000), and EINs have nine digits separated by only one hyphen (00-0000000).

Show the full name and address in the section provided on the information return. **If payments have been made to more than one recipient or the account is in more than one name, show on the first name line the name of the recipient whose TIN is first shown on the return.** You may show the names of any other individual recipients in the area below the first line, if desired. Form W-2G filers, see the separate **Instructions for Forms W-2G and 5754**.

For **sole proprietors**, you must show the individual's name on the first name line; on the second name line, you may enter the business name. You may not enter only the business name. For the TIN, enter either the individual's SSN or the EIN of the business (sole proprietorship). The IRS prefers that you enter the SSN.

LLC. For a single-member LLC (including a foreign LLC with a U.S. owner) that is disregarded as an entity separate from its owner under Regulations section 301.7701-3, **enter the individual's name only on the first name line and the LLC's name on the second name line**. For the TIN, enter the individual's SSN (or "pre-LLC" EIN, if desired). If the owner of a disregarded LLC is a corporation, partnership, etc., enter the owner's EIN.

Electronic submission of Forms W-9. Requesters may establish a system for payees and payee's agents to submit Forms W-9 electronically, including by fax. A requester is anyone required to file an information return. A payee is anyone required to provide a TIN to the requester.

Payee's agent. A payee's agent can be an investment advisor (corporation, partnership, or individual) or an introducing broker. An investment advisor must be registered with the Securities Exchange Commission (SEC) under The Investment Advisers Act of 1940. The introducing broker is a broker-dealer that is regulated by the SEC and the National Association of Securities Dealers, Inc., and that is not a payer. Except for a broker who acts as a payee's agent for "readily tradable instruments," the advisor or broker must show in writing to the payer that the payee authorized the advisor or broker to transmit the Form W-9 to the payer.

Generally, the electronic system must:

1. Ensure the information received is the information sent and document all occasions of user access that result in the submission.

2. Make reasonably certain the person accessing the system and submitting the form is the person identified on Form W-9.

3. Provide the same information as the paper Form W-9.

4. Be able to supply a hard copy of the electronic Form W-9 if the Internal Revenue Service requests it.

5. Require as the final entry in the submission an electronic signature by the payee whose name is on Form W-9 that authenticates and verifies the submission. The electronic signature must be under penalties of perjury and the perjury statement must contain the language of the paper Form W-9.

TIP *For Forms W-9 that are not required to be signed, the electronic system need not provide for an electronic signature or a perjury statement.*

Additional requirements may apply. See Announcement 98-27, 1998-1 C.B. 865 and Announcement 2001-91, 2001-36 I.R.B. 221.

Electronic submission of Forms W-9S. See the separate **Instructions for Forms 1098-E and 1098-T**.

G. Filer's Name, Identification Number, and Address

The TIN for filers of information returns, including sole proprietors and nominees/middlemen, is the Federal EIN. However, sole proprietors and nominees/middlemen who are not otherwise required to have an EIN should use their SSNs. A sole proprietor is not required to have an EIN unless he or she has a Keogh plan or must file excise or employment tax returns. See **Pub. 583**, Starting a Business and Keeping Records.

The filer's name and TIN should be consistent with the name and TIN used on the filer's other tax returns. The name of the filer's paying agent or service bureau must not be used in place of the name of the filer.

To obtain an EIN, file **Form SS-4**, Application for Employer Identification Number, with the IRS. If you do not have your EIN by the time you must file information returns, enter "Applied For" in any space where the number must be entered.

Enter your street address including the room, suite, or other unit number on the forms.

H. Statements to Recipients (Borrowers, Debtors, Insureds, Participants, Payers/ Borrowers, Policyholders, Students, Transferors, or Winners on Certain Forms)

If you are required to file Form 1099, 1098, 5498, or W-2G, you also must furnish statements to recipients containing the information furnished to the IRS and, in some cases, additional information. Be sure that the statements you provide to recipients are clear and legible.

Substitute statements. If you are not using the official IRS form to furnish statements to recipients, see Pub. 1179 for specific rules about providing "substitute" statements to recipients. Generally, a substitute is any statement other than Copy B (and C in some cases) of the official form. You may develop them yourself or buy them from a private printer. However, the substitutes must comply with the format and content requirements specified in Pub. 1179.

Telephone number. You are required to include the telephone number of a person to contact on the following statements to recipients: W-2G, 1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-DIV, 1099-G (excluding state and local income tax refunds), 1099-INT, 1099-LTC, 1099-MISC (excluding fishing boat proceeds), 1099-OID, 1099-PATR, 1099-Q, and 1099-S. You may include the telephone number in any conspicuous place on the statements. This number must provide direct access to an individual who can answer questions about the statement. Although not required, if you report on other Forms 1099 and 5498, you are encouraged to furnish telephone numbers.

Rules for furnishing statements. Different rules apply to furnishing statements to recipients depending on the type of payment (or contribution) you are reporting and the form you are filing.

TIP *If you are reporting a payment that includes noncash property, show the fair market value of the property at the time of payment. Although, generally, you are not required to report payments smaller than the minimum described for a form, you may prefer, for economy and your own convenience, to file Copies A for all payments. The IRS encourages this.*

See the heading below for the type of payment you are reporting. The headings are **(a) Interest, dividend, and royalty payments; (b) Real estate transactions;** and **(c) Other payments.**

Interest, dividend, and royalty payments. For payments of dividends under section 6042 (reported on Form 1099-DIV) or patronage dividends under section 6044 (reported on Form 1099-PATR), interest (including original issue discount) under section 6049 (reported on Form 1099-INT or 1099-OID), or royalties under section 6050N (reported on Form 1099-MISC or 1099-S), you are required to furnish an official IRS Form 1099 or an acceptable substitute Form 1099 to a recipient either in person, by First-Class Mail to the recipient's last known address, or electronically. See **Electronic recipient statements** on page GEN-10. Statements may be sent by intraoffice mail if you use intraoffice mail to send account information and other correspondence to the recipient.

Statement mailing requirements for Forms 1099-DIV, 1099-INT, 1099-OID, and 1099-PATR, and forms reporting royalties only. The following statement mailing requirements apply only to Forms 1099-DIV (except for section 404(k) dividends), 1099-INT (except for interest reportable in the course of your trade or business under section 6041), 1099-OID, 1099-PATR, and timber royalties reported under section 6050N (on Form 1099-MISC or 1099-S). The mailing must contain the official IRS Form 1099 or an acceptable substitute and may also contain the following **enclosures**: **(a)** Forms W-2, W-8, W-9, or other Forms W-2G, 1098, 1099, and 5498 statements; **(b)** a check from the account being reported; **(c)** a letter explaining why no check is enclosed; **(d)** a statement of the person's account shown on Form 1099; and **(e)** a letter explaining the tax consequences of the information shown on the recipient statement.

A statement of the person's account (year-end account summary) that you are permitted to enclose in a statement mailing may include information similar to the following: **(a)** tax-exempt interest (including accrued OID) and the part of such interest exempt from the alternative minimum tax or from state or local income tax; **(b)** the part of a mutual fund distribution that is interest on U.S. Treasury obligations; **(c)** accrued interest expense on the purchase of a debt obligation; and **(d)** the cost or other basis of securities and the gain/loss on the sale of securities.

No additional enclosures, such as advertising, promotional material, or a quarterly or annual report, are permitted. Even a sentence or two on the year-end statement describing new services offered by the payer is not permitted. Logos are permitted on the envelope and on any nontax enclosures.

TIP *The IRS intends to amend the regulations to allow the use of certain **logos** and identifying slogans on substitute statements to recipients that are subject to the statement mailing requirements. Until the new regulations are issued, the IRS will not assess penalties for the use of a logo (including the name of the payer in any typeface, font, or stylized fashion and/or a symbolic icon) or slogan on a statement to a recipient if the logo or slogan is used by the payer in the ordinary course of its trade or business. In addition, use of the logo or slogan must not make it less likely that a reasonable payee will recognize the importance of the statement for tax reporting purposes. See Notice 96-62, 1996-2 C.B. 228.*

A recipient statement may be perforated to a check or to a statement of the recipient's specific account. The check or account statement to which the recipient statement is perforated must contain, in bold and conspicuous type, the legend "Important Tax Return Document Attached."

The legend "Important Tax Return Document Enclosed" must appear in a bold and conspicuous manner on the outside of the envelope and on each letter explaining why no check is enclosed, or on each check or account statement that is not perforated to the recipient statement. The legend is not required on any tax form, tax statement, or permitted letter of tax consequences included in a statement mailing. Further, you need not pluralize the word "document" in the legend simply because more than one recipient statement is enclosed.

TIP *If you provide recipient statements in a "separate mailing" that contains only recipient statements, Forms W-8 and W-9, and a letter explaining the tax consequences of the information shown on a recipient statement included in the envelope, you are not required to include the legend "Important Tax Return Document Enclosed" on the envelope.*

Substitute forms. You may furnish to the recipient Copy B of the official IRS form, or you may use substitute Forms 1099-DIV, 1099-INT, 1099-OID, or 1099-PATR, if they contain the same language as the official IRS forms and they comply with the rules in Pub. 1179, relating to substitute Forms 1099. Applicable box titles and numbers must be clearly identified, using the same wording and numbering as the official IRS form. However, for Form 1099-INT, if your substitute does not contain box 3, "Interest on U.S. Savings Bonds and Treas. obligations," you may omit "not included in box 3" from the box 1 title. For information on substitute Forms 1099-MISC and 1099-S, see **Other payments** on page GEN-10.

TIP *All substitute statements to recipients must contain the tax year, form number, and form name prominently displayed together in one area of the statement. For example, they could be shown in the upper right part of the statement.*

If you are using substitutes, the IRS encourages you to use boxes so that the substitute has the appearance of a form. The substitute form must contain the applicable instructions as on the front and back of Copy B of the official IRS form. See Pub. 1179 for additional requirements. Certain "composite" statements are permitted. See Pub. 1179.

Real estate transactions. You must furnish a statement to the transferor containing the same information reported to the IRS on Form 1099-S. You may use Copy B of the official IRS Form 1099-S or a substitute form that complies with Pub. 1179 and Regulations section 1.6045-4(m). You may use a Uniform Settlement Statement (under RESPA) as the written statement if it is conformed by including on the statement the legend shown on Form 1099-S and by designating which information is reported to the IRS on Form 1099-S. You may furnish the statement to the transferor in person, by mail, or electronically. Furnish the statement at or after closing but by January 31 of the following year.

The statement mailing requirements explained above **do not** apply to statements to transferors for proceeds from real estate transactions reported on Form 1099-S. However, the statement mailing requirements do apply to statements to transferors for timber royalties reportable under section 6050N on Form 1099-S.

Other payments. Statements to recipients for Forms 1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-G, 1099-LTC, 1099-MISC, 1099-MSA, 1099-Q, 1099-R, 5498, 5498-MSA, W-2G, 1099-DIV only for section 404(k) dividends reportable under section 6047, 1099-INT only for interest reportable in the course of your trade or business under section 6041, or 1099-S (for royalties) need not be, but can be, a copy of the official paper form filed with the IRS. If you do not use a copy of the paper form, the form number and title of your **substitute** must be the same as the official IRS form. All information required to be reported must be numbered and titled on your substitute in substantially the same manner as on the official IRS form. However, if you are reporting a payment as "Other income" in box 3 of Form 1099-MISC, you may substitute appropriate explanatory language for the box title. For example, for payments of accrued wages to a beneficiary of a deceased employee required to be reported on Form 1099-MISC, you might change the title of box 3 to "Beneficiary payments" or something similar.

TIP *All substitute statements to recipients must contain the tax year, form number, and form name prominently displayed together in one area of the statement. For example, they could be shown in the upper right part of the statement.*

Appropriate instructions to the recipient, similar to those on the official IRS form, must be provided to aid in the proper reporting of the items on the recipient's income tax return. For payments reported on Form 1099-B, rather than furnish appropriate instructions with each Form 1099-B statement, you may furnish to the recipient one set of instructions for all statements required to be furnished to a recipient in a calendar year.

Except for royalties reported on Form 1099-MISC, the statement mailing requirements explained earlier **do not** apply to statements to recipients for information reported on the forms listed under **Other payments** above. You may combine the statements with other reports or financial or commercial notices, or expand them to include other information of interest to the recipient. Be sure that all copies of the forms are legible. Certain "composite" statements are permitted. See Pub. 1179.

When to furnish forms or statements. Generally, you must furnish Forms 1098, 1099, and W-2G information by January 31, 2003. However, you may issue them earlier in some situations, as provided by the regulations. For example, you may furnish Form 1099-INT to the recipient on redemption of U.S. Savings Bonds at the time of redemption. Brokers and barter exchanges may furnish Form 1099-B anytime but not later than January 31.

Trustees or issuers of IRAs or SEPs must furnish participants with a statement of the value of the participant's account by January 31, 2003. Traditional IRA, Roth IRA, Coverdell ESA, SEP, or SIMPLE contribution information must be furnished to the participant by June 2, 2003.

Trustees of a SIMPLE must furnish a statement of the account balance and the account activity by January 31, 2003.

For real estate transactions, you may furnish the statement to the transferor at closing or by mail on or before January 31, 2003.

Filers of Form 1099-G who report state or local income tax refunds, credits, or offsets must furnish the statements to recipients **during** January 2003.

See the **Guide to Information Returns** on pages GEN-15 and GEN-16 for the date other information returns are due to the recipient. You will meet the requirement to furnish the statement if it is properly addressed and mailed, or posted to a web site, on or before the due date. If the regular due date falls on a Saturday, Sunday, or legal holiday, the due date is the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

Electronic recipient statements. If you are required by sections 6041 through 6050S to furnish a written statement of an information return to a recipient, then you may furnish the statement electronically instead of on paper. This includes furnishing to the recipient Copy B of Forms 1098, 1098-E, 1098-T, 1099-A, B, C, DIV, INT, G, LTC, MISC, OID, PATR, Q, and S. It also includes Forms 1099-R and 5498 (except for reporting contributions and distributions of pensions, traditional IRAs, Coverdell ESAs, Roth IRAs, and Archer MSAs); and Form W-2G (except for horse and dog racing, jai alai, sweepstakes, wagering pools, and lotteries).

If you meet the requirements listed below, you are treated as furnishing the statement timely.

Consent. The recipient must consent in the affirmative and not have withdrawn the consent before the statement is furnished. The consent by the recipient must be made electronically in a way that shows that he or she can access the statement in the electronic format in which it will be furnished.

You must notify the recipient of any hardware or software changes prior to furnishing the statement. A new consent to receive the statement electronically is required after the new hardware or software is put into service.

Prior to furnishing the statements electronically, you must provide the recipient a statement with the following statements prominently displayed:

- If the recipient does not consent to receive the statement electronically, a paper copy will be provided
- The scope and duration of the consent. For example, whether the consent applies to every year the statement is furnished or only for the January 31 immediately following the date of the consent.
- How to obtain a paper copy after giving consent.
- How to withdraw the consent. The consent may be withdrawn at any time by furnishing the withdrawal in writing (electronically or on paper) to the person whose name appears on the statement. Confirmation of the withdrawal also will be in writing (electronically or on paper).
- Notice of termination. The notice must state under what conditions the statements will no longer be furnished to the recipient.
- Procedures to update the recipient's information.
- A description of the hardware and software required to access, print and retain a statement, and a date the statement will no longer be available on the web site.

Format, posting, and notification. Additionally, you must:

- Ensure the electronic format contains all the required information and complies with the applicable revenue procedure for substitute statements to recipients. See Pub. 1179.
- Post, on or before the January 31 due date, the applicable statement on a web site accessible to the recipient through October 15 of that year.
- Inform the recipient, electronically or by mail, of the posting and how to access and print the statement.

For more information, see Temporary Regulations section 31.6051-1T. For electronic furnishing of Form 1098-T, see Temporary Regulations section 1.6050S-2T; and for Form 1098-E, see Temporary Regulations section 1.6050S-4T.

Extension. You may request an extension of time to provide the statements to recipients by sending a letter to IRS-Martinsburg Computing Center, Information Reporting Program, Attn: Extension of Time Coordinator, 240 Murall Drive, Kearneysville, WV 25430. The letter must include **(a)** your name, **(b)** your TIN, **(c)** your address, **(d)** type of return, **(e)** a statement that your extension request is for providing statements to recipients, **(f)** reason for delay, and **(g)** the signature of the payer or authorized agent. Your request must be postmarked by the date on which the statements are due to the recipients. If your request for an extension is approved, generally you will be granted a maximum of 30 extra days to furnish the recipient statements.

I. Corrected Returns

If you filed a return with the IRS and later discover you made an error on it, you must correct it as soon as possible. For some corrections, you must file two returns (Form 1099, 1098, 5498, or W-2G) with Form 1096 and for some only one return with Form 1096.

In addition, you must provide statements to recipients showing the corrections as soon as possible.

TIP *If you fail to file correct information returns or furnish a correct payee statement, you may be subject to a penalty. See **Penalties** on page GEN-4.*

To determine whether you are required to submit corrections on magnetic media, see **Magnetic Media/Electronic Reporting** on page GEN-4 and Pub. 1220.

When making a correction, be sure you complete all appropriate information on the returns. Then file Copy A of the form and Form 1096 with your Internal Revenue Service Center. Do not cut or separate the forms that are two or three to a page. Submit the entire page even if only one of the forms on the page is completed. Do not staple the forms to Form 1096. You must use a separate Form 1096 for each type of return you are correcting, but you may use one Form 1096 for both originals and corrections of the same type of return.

On all Forms 1098, 1099, and 5498, a box is provided for the account number. See **Account Number Box on Forms** on page GEN-14. If the account number was provided on the original return, the same account number must appear on **both** the original and corrected return to properly identify and process the correction. If you did not provide the account number on the original return, do not include it on the corrected return.

CORRECTED box. Each Form 1099, 1098, 5498, and W-2G contains a "CORRECTED" box at the top of the form. Enter an "X" in the "CORRECTED" box on Copy A only when you are correcting a form you previously submitted to the IRS. Enter an "X" in the "CORRECTED" box on the copies you give to the recipient (Copy B and, in some cases, Copy C) only when you are correcting a form previously furnished to the recipient. When the type of error requires two returns to make the correction, you will mark the "CORRECTED" box only on one of the returns. Refer to the **Step-by-Step Chart for Filing Corrected Returns on Paper Forms** on page GEN-12 to determine when you should mark the "CORRECTED" box.

TIP *On a recipient's statement, you may enter a date next to the "CORRECTED" box. This will help the recipient in the case of multiple corrections.*

Chart. The chart on page GEN-12 gives step-by-step instructions for filing corrected returns for three of the most frequently made errors. Correction of errors may require the submission of more than one return. Be sure to read each section thoroughly.

TIP *Regulations section 301.6724-1 (relating to information return penalties) does not require you to file corrected returns for missing or incorrect TINs if you meet the reasonable cause criteria. You are merely required to include the correct TIN on the next original return you are required to file. However, if you do not meet the reasonable cause criteria, you should file corrected returns by August 1 to be subject to a reduced penalty.*

In addition, even if you meet the reasonable cause criteria, the IRS encourages you to file corrections for incorrect or missing TINs so that the IRS can update the payees' records.

J. Void Returns

An "X" in the "VOID" box at the top of the form will not correct a previously filed return. See **Corrected Returns** above for instructions for making corrections.

VOID box. If a completed or partially completed Form 1098, 1099, or 5498 is incorrect and you want to void it before submission to the IRS, enter an "X" in the "VOID" box at the top of the form. For example, if you make an error while typing or printing a form, you should void it. The return will then be disregarded during processing by the IRS. Go to the next form on the page, or to another page, and enter the correct information; but **do not** mark the "CORRECTED" box. Do not cut or separate the forms that are two or three to a page. Submit the entire page even if only one of the forms on the page is a good return.

K. Other Information Returns

The income information you report on the following forms must not be repeated on Forms 1099 or W-2G:

1. Form W-2 reporting wages and other employee compensation.
2. Forms 1042-S and 1000 reporting income.
3. Form 2439 reporting undistributed long-term capital gains of a regulated investment company or real estate investment trust.
4. Schedule K-1 of Form 1065 or 1065-B reporting distributive shares to members of a partnership.
5. Schedule K-1 of Form 1041 reporting distributions to beneficiaries of trusts or estates.
6. Schedule K-1 of Form 1120S reporting distributive shares to shareholders of S corporations.
7. Schedule K of Form 1120-IC-DISC reporting actual and constructive distributions to shareholders and deferred DISC income.
8. Schedule Q of Form 1066 reporting income from a REMIC to a residual interest holder.

L. Payments to Corporations and Partnerships

Generally, payments to corporations are not reportable. However, you must report payments to corporations for the following:

1. Medical and health care payments (Form 1099-MISC),
2. Withheld Federal income tax or foreign tax,
3. Barter exchange transactions (Form 1099-B),
4. Substitute payments in lieu of dividends and tax-exempt interest (Form 1099-MISC),

Step-by-Step Chart for Filing Corrected Returns on Paper Forms

Error (on Original Return)	How To File the Corrected Return on Paper Forms
1. No payee TIN (SSN, EIN, or ITIN) or incorrect payee TIN, or incorrect name and address. This will require two separate returns to make the correction properly. Read and follow all instructions for both Steps **1** and **2.** You do not have to file a corrected return for an incorrect payer TIN or incorrect payer name and address.	**Step 1:** Identify incorrect return submitted. **Form 1098, 1099, 5498, or W-2G:** 1. Prepare a new information return. 2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form. 3. Enter the payer, recipient, and account number information exactly as it appeared on the original incorrect return; however, **enter 0 (zero) for all money amounts.** **Step 2:** Report correct information. **A. Form 1098, 1099, 5498, or W-2G:** 1. Prepare a new information return. 2. **Do not** enter an "X" in the "CORRECTED" box at the top of the form. Prepare the new return as though it is an original. 3. Include all the correct information on the form including the correct TIN and name and address. **B. Form 1096:** 1. Prepare a new transmittal Form 1096. 2. Enter the words "Filed To Correct TIN, Name, and/or Address" in the bottom margin of the form. 3. Provide all requested information on the form as it applies to the returns prepared in Steps **1** and **2**. 4. File Form 1096 and Copy A of the return with the appropriate service center. 5. **Do not** include a copy of the original return that was filed incorrectly.
2. Incorrect money amount(s), incorrect address, or a return was filed when one should not have been filed. This error requires only one return to make the correction. (Follow the instructions under Error 1, instead of these instructions, if you must correct an address **and** a name or TIN.) Also follow the instructions for Error 2 if incorrect data (i.e., code, checkbox, etc.) was entered in a box.	**A. Form 1098, 1099, 5498, or W-2G:** 1. Prepare a new information return. 2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form. 3. Enter the payer, recipient, and account number information exactly as it appeared on the original incorrect return; however, enter all **correct** money amounts in the correct boxes as they should have appeared on the original return, and enter the recipient's correct address. **B. Form 1096:** 1. Follow the instructions under Error 1, Step 2-B, but ignore item B-2. 2. File Form 1096 and Copy A of the return with the appropriate service center. 3. **Do not** include a copy of the original return that was filed incorrectly.
3. Original return filed using wrong type of return. For example, a Form 1099-DIV was filed when a Form 1099-INT should have been filed. This will require two separate returns to make the correction properly. Read and follow all instructions for both Steps **1** and **2.**	**Step 1:** Identify incorrect return submitted. **Form 1098, 1099, 5498, or W-2G:** Follow the instructions under Error 1, Step 1, using the same type of return that was used initially. **Step 2:** Report correct information on the correct type of return. **A. Form 1098, 1099, 5498, or W-2G:** Follow the instructions under Error 1, Step 2-A, using the proper type of form. **B. Form 1096:** Follow the instructions under Error 1, Step 2-B, except enter "Filed To Correct Document Type" in the bottom margin of Form 1096.

5. Interest or original issue discount paid or accrued to a regular interest holder of a REMIC (Form 1099-INT or 1099-OID),

6. Acquisitions or abandonments of secured property (Form 1099-A),

7. Cancellation of debt (Form 1099-C),

8. Payments of attorneys' fees and gross proceeds paid to attorneys (Form 1099-MISC),

9. Federal executive agency payments for services (Form 1099-MISC), and

10. Fish purchases for cash (Form 1099-MISC).

Reporting generally is required for all payments to **partnerships**. For example, payments of $600 or more made in the course of your trade or business to an architectural firm that is a partnership are reportable on Form 1099-MISC. However, see Regulations section 1.6049-4(c)(1)(A).

M. Earnings on any IRA, Coverdell ESA, or Archer MSA

Generally, income earned in any IRA, Coverdell ESA, or Archer MSA, such as interest or dividends, is not reported on Forms 1099. However, distributions must be reported on Form 1099-R or 1099-MSA.

N. Certain Grantor Trusts

Certain grantor trusts may choose to file Forms 1099 rather than a separate statement attached to **Form 1041**, U.S. Income Tax Return for Estates and Trusts. If you have filed Form 1041 for a grantor trust in the past and you want to choose the Form 1099 filing method for 2002, you must have filed a **final** Form 1041 for 2001. See Regulations section 1.671-4 and the **Instructions for Form 1041 and Schedules A, B, D, G, I, J, and K-1**.

O. Special Rules for Reporting Payments Made Through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099

If you are the payer and have received a **Form W-8IMY**, Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding, from a foreign intermediary or flow-through entity, follow the instructions below for completing Form 1099. Definitions of these terms are on page GEN-14.

Presumption Rules

TIP *For additional information including details on the presumption rules, see the* ***Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY*** *and* ***Pub. 515****, Withholding of Tax on Nonresident Aliens and Foreign Entities. See* **How To Get Forms and Publications** *on page GEN-3.*

If you are the payer and do not have a Form W-9, appropriate Form W-8, or other valid documentation, or you cannot allocate a payment to a specific payee, prior to payment, you are required to use certain presumption rules to determine the following:

- The status of the payee as a U.S. or foreign person and
- The classification of the payee as an individual, trust, estate, corporation, or partnership.

See Regulations section 1.1441-1(b)(3), 1.1441-5(d) and (e), 1.6045-1(g)(3)(ii), and 1.6049-5(d).

Under these presumption rules, if you must presume that the payee is a U.S. non-exempt recipient subject to backup withholding, you must report the payment on a Form 1099. However, if before filing Form 1099 with the IRS the recipient is documented as foreign, then report the payment on a Form 1042-S.

On the other hand, if you must presume that the payee is a foreign recipient and prior to filing Form 1042-S with the IRS you discover that the payee is a U.S. nonexempt recipient based on documentation, then report all payments made to that payee during the calendar year on a Form 1099.

If you use the 90-day grace period rule to presume a payee is foreign, you must file a Form 1042-S to report all payments subject to withholding during the grace period. If you later discover that the payee is a U.S. nonexempt recipient subject to backup withholding, you must file a Form 1099 for all payments made to that payee after the discovery of the payee's U.S. status.

Rules for Payments Made to U.S. Nonexempt Recipients Through a QI, NQI, or FTE

If you are the payer making a payment through a QI, NQI, or FTE for a U.S. nonexempt recipient on whose behalf the QI, NQI, or FTE is acting, use the following rules to complete Form 1099.

Known recipient. If you know that a payee is a U.S. nonexempt recipient and have the payee's name, address, and TIN (if a TIN has been provided), you must complete the Form 1099 with that information. Also, on the second name line below the recipient's name enter "IMY" followed by the name of the QI, NQI, or FTE.

For payments made to multiple recipients: **(1)** enter the name of the recipient whose status you relied on to determine the applicable rate of withholding and **(2)** on the second name line, enter "IMY" followed by the name of the QI, NQI, or FTE. However, if the QI has assumed primary Form 1099 reporting or backup withholding responsibility, you are not required to issue the Form 1099 or to backup withhold. See ***Qualified intermediary*** on page GEN-14.

Unknown recipient. If you cannot reliably associate a payment with valid documentation and are required to presume a payee is a U.S. nonexempt recipient:

1. File a Form 1099 and enter "unknown recipient" on the first name line.

2. On the second name line, enter "IMY" followed by the name of the QI, NQI, or FTE.

3. Enter the EIN of the QI, NQI, or FTE, if applicable, in the recipient's identification number box.

4. Furnish a copy of the Form 1099 with "unknown recipient" to the QI, NQI, or FTE who is acting on the recipient's behalf.

CAUTION *A payer that is required to report payments made to a U.S. nonexempt recipient account holder but does not receive the necessary allocation information cannot report those payments on a pro-rata basis. Report unallocated payments using the presumption rules above.*

Rules for Non-U.S. Payers

Non-U.S. payers (foreign persons that are not U.S. payers) generally have the same reporting obligations as U.S payers. A U.S payer is anyone who is:

- A U.S. person,
- Any U.S. governmental agency,
- A controlled foreign corporation (CFC),
- A foreign partnership that has one or more U.S. partners who, in the aggregate hold more than 50 percent of the gross income derived from the conduct of a U.S. trade or business,
- A foreign person who owns 50 percent or more of the gross income that is effectively connected with a U.S. trade or business, or
- A U.S. branch of a foreign bank or a foreign insurance company.

For more information see Regulations section 1.6049-5(c)(5).

Exceptions. The following payments are **not** subject to reporting by a non-U.S. payer:

1. A foreign source reportable payment paid outside the U.S. For example, see Regulations section 1.6049-5(b)(6).

2. Gross proceeds from a sale effected outside the U.S. See Regulations section 1.6045-1(a).

3. An NQI or QI that provides another payer all the information sufficient for that payer to complete Form 1099 reporting. For example, see Regulations section 1.6049-5(b)(14). However, if an NQI or QI does not provide sufficient information for another payer to report a payment on Form 1099, the intermediary must report the payment.

Rules for Reporting Payments Initially Reported on Form 1042-S

If an NQI or QI receives a Form 1042-S made out to an "unknown recipient" and, the NQI or QI has actual knowledge that the payee of the income is a U.S. nonexempt recipient, it must file a Form 1099 even if the payment has been subject to withholding by another payer. The NQI or QI reports the amount withheld by the other payer on Form 1099 as Federal income tax withheld.

Definitions

Foreign intermediary. A foreign intermediary is any person who is not a U.S. person and acts as a custodian, broker, nominee, or otherwise as an agent for another person, regardless of whether that other person is the beneficial owner of the amount paid, a flow-through entity, or another intermediary. The intermediary can be a qualified intermediary or a nonqualified intermediary.

Qualified intermediary (QI). A qualified intermediary is a person that is a party to a withholding agreement with the IRS and is:

- A foreign financial institution or a foreign clearing organization (other than a U.S. branch or U.S. office of the institution or organization),
- A foreign branch or office of a U.S. financial institution or a foreign branch or office of a U.S. clearing organization,
- A foreign corporation for purposes of presenting claims of benefits under an income tax treaty on behalf of its shareholders, or
- Any other person the IRS accepts as a qualified intermediary and who enters into a withholding agreement with the IRS.

See Rev. Proc. 2000-12, 2000-4 C.B. 387, for procedures to apply to be a qualified intermediary.

Nonqualified intermediary (NQI). A nonqualified intermediary is any intermediary that is a not a U.S. person and that is not a qualified intermediary.

Foreign flow-through entity (FTE). A flow-through entity is a foreign partnership (other than a withholding foreign partnership), a foreign simple trust or foreign grantor trust (other than a withholding foreign trust), or, for payments for which a reduced rate of withholding is claimed under an income tax treaty, any entity to the extent the entity is considered to be fiscally transparent under section 894 with respect to the payment by an interest holder's jurisdiction.

Withholding foreign partnership or withholding foreign trust. A withholding foreign partnership or withholding foreign trust is a foreign partnership or a foreign simple or grantor trust that has entered into a withholding agreement with the IRS in which it agrees to assume primary withholding responsibility for all payments that are made to it for its partners, beneficiaries, or owners.

Nonwithholding foreign partnership, simple trust, or grantor trust. A nonwithholding foreign partnership is any foreign partnership other than a withholding foreign partnership. A nonwithholding foreign simple trust is any foreign simple trust that is not a withholding foreign trust. A nonwithholding foreign grantor trust is any foreign grantor trust that is not a withholding foreign trust.

Fiscally transparent entity. An entity is treated as fiscally transparent with respect to an item of income to the extent that the interest holders in the entity must, on a current basis, take into account separately their shares of an item of income paid to the entity, whether or not distributed, and must determine the character of the items of income as if they were realized directly from the sources from which realized by the entity. For example, partnerships, common trust funds, and simple trusts or grantor trusts are generally considered to be fiscally transparent with respect to items of income received by them.

P. Account Number Box on Forms

You may use the **account number** box on all Forms 1099, 1098, 5498, and W-2G for an account number designation. The account number may be a checking account number, savings account number, serial number, or any other number you assign to the payee that is unique and will distinguish the specific account. This number must not appear anywhere else on the form, and this box may not be used for any other item. Showing the account number is optional. However, it may be to your benefit to include the recipient's account number on paper forms if your system of records uses the account number rather than the name, SSN, or EIN for identification purposes. If you furnish the account number, the IRS will include it in future notices to you about backup withholding. If you are using window envelopes to mail statements to recipients, and if you are using reduced rate mail, be sure the account number does not appear in the window because the Postal Service may not accept these for reduced rate mail.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to figure and collect the right amount of tax.

Sections 220(h), 408, 408A, 529, 530, 6041, 6041A, 6042, 6043, 6044, 6045, 6047, 6049, 6050A, 6050B, 6050D, 6050E, 6050H, 6050J, 6050N, 6050P, 6050Q, 6050R, 6050S, and their regulations require you to file an information return with the IRS and furnish a statement to recipients. Section 6109 and its regulations require you to show your taxpayer identification number on what you file.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. If you fail to provide this information in a timely manner, you may be subject to penalties. We may also disclose this information to Federal, state, or local agencies that investigate or respond to acts or threats of terrorism or participate in intelligence or counterintelligence activities concerning terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file the following forms will vary depending on individual circumstances. The estimated average times are: 1096, 10 min.; 1098, 7 min.; 1098-E, 3 min.; 1098-T, 9 min.; 1099-A, 10 min.; 1099-B, 15 min.; 1099-C, 10 min.; 1099-DIV, 16 min.; 1099-G, 12 min.; 1099-INT, 12 min.; 1099-LTC, 13 min.; 1099-MISC, 16 min.; 1099-MSA, 8 min.; 1099-OID, 13 min.; 1099-PATR, 15 min.; 1099-Q, 8 min.; 1099-R, 18 min.; 1099-S, 8 min.; 5498, 12 min.; 5498-MSA, 10 min.; W-2G, 19 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send these forms to this address. Instead, see **Where To File** on page GEN-7.

Guide to Information Returns

(If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)

Form	Title	What To Report	Amounts To Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	Payments subject to withholding under Chapter 3 of the Code, including interest, dividends, royalties, pensions and annuities, gambling winnings, and compensation for personal services.	All amounts, except $10 or more for interest on U.S. deposits paid to Canadian nonresident aliens	March 15	March 15
1098	Mortgage Interest Statement	Mortgage interest (including points) you received in the course of your trade or business from individuals and reimbursements of overpaid interest.	$600 or more	February 28*	(To Payer/ Borrower) January 31
1098-E	Student Loan Interest Statement	Student loan interest received in the course of your trade or business.	$600 or more	February 28*	January 31
1098-T	Tuition Payments Statement	Qualified tuition and related expenses, reimbursements or refunds, and scholarships or grants (optional).	See instructions	February 28*	January 31
1099-A	Acquisition or Abandonment of Secured Property	Information about the acquisition or abandonment of property that is security for a debt for which you are the lender.	All amounts	February 28*	(To Borrower) January 31
1099-B	Proceeds From Broker and Barter Exchange Transactions	Sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions.	All amounts	February 28*	January 31
1099-C	Cancellation of Debt	Cancellation of a debt owed to a financial institution, the Federal Government, a credit union, RTC, FDIC, NCUA, a military department, the U.S. Postal Service, the Postal Rate Commission, or any organization having a significant trade or business of lending money.	$600 or more	February 28*	January 31
1099-DIV	Dividends and Distributions	Distributions, such as dividends, capital gain distributions, or nontaxable distributions, that were paid on stock, and liquidation distributions.	$10 or more, except $600 or more for liquidations	February 28*	January 31
1099-G	Certain Government Payments	Unemployment compensation, state and local income tax refunds, agricultural payments, and taxable grants.	$10 or more for refunds and unemployment; $600 or more for all others	February 28*	January 31
1099-INT	Interest Income	Interest income.	$10 or more ($600 or more in some cases)	February 28*	January 31
1099-LTC	Long-Term Care and Accelerated Death Benefits	Payments under a long-term care insurance contract and accelerated death benefits paid under a life insurance contract or by a viatical settlement provider.	All amounts	February 28*	(To Insured and Policyholder) January 31
1099-MISC	Miscellaneous Income (Also, use this form to report the occurrence of direct sales of $5,000 or more of consumer goods for resale.)	Rent or royalty payments; prizes and awards that are not for services, such as winnings on TV or radio shows.	$600 or more, except $10 or more for royalties	February 28*	January 31
		Payments to crew members by owners or operators of fishing boats including payments of proceeds from sale of catch.	All amounts		
		Payments to a physician, physicians' corporation, or other supplier of health and medical services. Issued mainly by medical assistance programs or health and accident insurance plans.	$600 or more		
		Payments for services performed for a trade or business by people not treated as its employees. Examples: fees to subcontractors or directors, and golden parachute payments.	$600 or more		
		Fish purchases paid in cash for resale.	$600 or more		
		Substitute dividend and tax-exempt interest payments reportable by brokers.	$10 or more		
		Crop insurance proceeds.	$600 or more		
		Gross proceeds paid to attorneys.	All amounts		
1099-MSA	Distributions From an Archer MSA or Medicare+Choice MSA	Distributions from an Archer MSA or Medicare+Choice MSA.	All amounts	February 28*	January 31
1099-OID	Original Issue Discount	Original issue discount.	$10 or more	February 28*	January 31
1099-PATR	Taxable Distributions Received From Cooperatives	Distributions from cooperatives to their patrons.	$10 or more	February 28*	January 31
1099-Q	Qualified Tuition Program Payments (Under Section 529)	Earnings from a qualified tuition program.	All amounts	February 28*	January 31

*The due date is March 31 if filed electronically.

Guide to Information Returns *(Continued)*

Form	Title	What To Report	Amounts To Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	Distributions from retirement or profit-sharing plans, any IRA, insurance contracts, and IRA recharacterizations.	$10 or more	February 28*	January 31
1099-S	Proceeds From Real Estate Transactions	Gross proceeds from the sale or exchange of real estate.	Generally, $600 or more	February 28*	January 31
4789	Currency Transaction Report	Each deposit, withdrawal, exchange of currency, or other payment or transfer by, through, or to financial institutions (other than casinos).	Over $10,000	15 days after date of transaction	Not required
5471	Information Return of U.S. Persons With Respect To Certain Foreign Corporations	U.S. persons who are officers, directors, or shareholders in certain foreign corporations report information required by sections 6035, 6038, and 6046, and to compute income from controlled foreign corporations under sections 951–964.	See form instructions	Due date of income tax return	None
5472	Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business	Transactions between a 25% foreign-owned domestic corporation or a foreign corporation engaged in a trade or business in the United States and a related party as required by sections 6038A and 6038C.	See form instructions	Due date of income tax return	None
5498	IRA and Coverdell ESA Contribution Information	Contributions (including rollover contributions) to any individual retirement arrangement (IRA) including a SEP, SIMPLE, Roth IRA, and Coverdell ESA; Roth conversions; IRA recharacterizations; and the fair market value of the account.	All amounts	May 31	(To Participant) For value of account January 31; for contributions, including Coverdell ESA, May 31
5498-MSA	Archer MSA or Medicare+Choice MSA Information	Contributions to an Archer MSA and the fair market value of an Archer MSA or Medicare+Choice MSA.	All amounts	May 31	(To Participant) May 31
8027	Employer's Annual Information Return of Tip Income and Allocated Tips	Receipts from large food or beverage operations, tips reported by employees, and allocated tips.	See separate instructions	Last day of February*	Allocated tips are shown on Form W-2, due January 31
8300 (IRS/FinCEN form)	Report of Cash Payments Over $10,000 Received in a Trade or Business	Payments in cash (including certain monetary instruments) or foreign currency received in one transaction, or two or more related transactions, in the course of a trade or business. Does not apply to banks and financial institutions filing Form 4789, and casinos that are required to report such transactions on **Form 8362,** Currency Transaction Report by Casinos, or, generally, to transactions outside the United States.	Over $10,000	15 days after date of transaction	(To Payer) January 31
8308	Report of a Sale or Exchange of Certain Partnership Interests	Sale or exchange of a partnership interest involving unrealized receivables or inventory items.	(Transaction only)	Generally, attach to Form 1065 or 1065-B	(To Transferor and Transferee) January 31
W-2G	Certain Gambling Winnings	Gambling winnings from horse racing, dog racing, jai alai, lotteries, keno, bingo, slot machines, sweepstakes, wagering pools, etc.	Generally, $600 or more; $1,200 or more from bingo or slot machines; $1,500 or more from keno	February 28*	January 31
926	Return by a U.S. Transferor of Property to a Foreign Corporation	Transfers of property to a foreign corporation and to report information under section 6038B.	See form instructions	Attach to tax return	None
W-2	Wage and Tax Statement	Wages, tips, other compensation; social security, Medicare, withheld income taxes; and advance earned income credit (EIC) payments. Include bonuses, vacation allowances, severance pay, certain moving expense payments, some kinds of travel allowances, and third-party payments of sick pay.	See separate instructions	**To SSA**	**To Recipient**
				Last day of February*	January 31
TD F 90-22.1	Report of Foreign Bank and Financial Accounts	Financial interest in or signature or other authority over a foreign bank account, securities account, or other financial account.	Over $10,000	**To Treasury Dept.**	**To Recipient**
				June 30	None

*The due date is March 31 if filed electronically.

Types of Payments

Below is an alphabetical list of some payments and the forms to file and report them. However, it is not a complete list of all payments, and the absence of a payment from the list does not indicate that the payment is not reportable. For information on a specific type of payment, see the separate instructions for the form(s) listed.

Type of Payment	Report on Form
Abandonment	1099-A
Accelerated death benefits	1099-LTC
Advance earned income credit	W-2
Agriculture payments	1099-G
Allocated tips	W-2
Annuities	1099-R
Archer MSAs:	
Contributions	5498-MSA
Distributions	1099-MSA
Attorneys, fees and gross proceeds	1099-MISC
Auto reimbursements:	
Employee	W-2
Nonemployee	1099-MISC
Awards:	
Employee	W-2
Nonemployee	1099-MISC
Barter exchange income	1099-B
Bonuses:	
Employee	W-2
Nonemployee	1099-MISC
Broker transactions	1099-B
Cancellation of debt	1099-C
Capital gain distributions	1099-DIV
Car expense:	
Employee	W-2
Nonemployee	1099-MISC
Charitable gift annuities	1099-R
Commissions:	
Employee	W-2
Nonemployee	1099-MISC
Commodities transactions	1099-B
Compensation:	
Employee	W-2
Nonemployee	1099-MISC
Coverdell ESA contributions	5498
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2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1098

Section references are to the Internal Revenue Code unless otherwise noted.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1098

Use **Form 1098**, Mortgage Interest Statement, to report mortgage interest (including points, defined later) of $600 or more received by you during the year in the course of your trade or business from an individual, including a sole proprietor. Report only interest on a mortgage defined below.

The $600 threshold applies separately to each mortgage; thus, file a separate Form 1098 for each mortgage. You may, at your option, file Form 1098 to report mortgage interest of less than $600, but you are subject to the rules in these instructions.

If an overpayment of interest on an adjustable rate mortgage (ARM) or other mortgage was made in a prior year and you refund (or credit) such overpayment, you may have to file Form 1098 to report the refund (or credit) of the overpayment. See **Reimbursement of Overpaid Interest** on page 1098-3.

Exceptions

You need not file Form 1098 for interest received from a corporation, partnership, trust, estate, association, or company (other than a sole proprietor) even if an individual is a coborrower and all the trustees, beneficiaries, partners, members, or shareholders of the payer of record are individuals.

Mortgage Defined

Use the table below to determine which obligations are mortgages.

Among other things, real property includes a manufactured home or mobile home with a minimum living space of 400 square feet and a minimum width of more than 102 inches of a kind customarily used at a fixed location. See section 25(e)(10).

If property that secures the loan is not real property, you are not required to file Form 1098. However, the borrower may be entitled to a deduction for qualified residence interest, such as may be the case for a boat, which has sleeping space and cooking and toilet facilities, that the borrower uses as a home.

Lines of credit and credit card obligations. Interest (other than points) received on any mortgage that is in the form of a line of credit or credit card obligation is reportable regardless of how you classified the obligation. A borrower incurs a line of credit or credit card obligation when the borrower first has the right to borrow against the line of credit or credit card, whether or not the borrower actually borrows an amount at that time.

Who Must File

File this form if you are engaged in a trade or business and, in the course of such trade or business, you receive from an individual $600 or more of mortgage interest on any one mortgage during the calendar year. You are not required to file this form if the interest is not received in the course of your trade or business. For example, you hold the mortgage on your former personal residence. The buyer makes mortgage payments to you. You are not required to file Form 1098.

For information about who must file to report points, see **Points** on page 1098-2.

Not in the lending business. If you receive $600 or more of mortgage interest in the course of your trade or business, you are subject to the requirement to file Form 1098, even if you are not in the business of lending money. For example, if you are a real estate developer and you provide financing to an individual to buy a home in your subdivision, and that home is security for the financing, you are subject to this reporting requirement. However, if you are a physician not engaged in any other business and you lend money to an individual to buy your home, you are not subject to this reporting requirement because you did not receive the interest in the course of your trade or business as a physician.

Governmental unit. A governmental unit (or any subsidiary agency) receiving mortgage interest from an individual of $600 or more must file this form.

Cooperative housing corporation. A cooperative housing corporation is an interest recipient and must file Form 1098 to report an amount received from its tenant-stockholders that represents the tenant-stockholders' proportionate share of

IF an obligation...	THEN...
Incurred after 1987	It is a mortgage if real property that is located inside or outside the United States secures all or part of the obligation.[1]
Incurred after 1984 but before 1988	It is a mortgage only if secured primarily by real property.
Is in existence on December 31, 1984	It is **not** a mortgage if, at the time the obligation was incurred, the interest recipient reasonably classified the obligation as other than a mortgage, real property loan, real estate loan, or other similar type of obligation.[2]

[1] This applies even though the interest recipient classifies the obligation as other than a mortgage, for example, as a commercial loan.

[2] For example, if an obligation incurred in 1983 was secured by real property, but the interest recipient reasonably classified the obligation as a commercial loan because the proceeds were used to finance the borrower's business, the obligation is not considered a mortgage and reporting is **not** required. However, it is not reasonable to classify those obligations as other than mortgages for reporting purposes if over half the obligations in a class established by the interest recipient are primarily secured by real property.

interest described in section 216(a)(2). This rule applies only to tenant-stockholders who are individuals and from whom the cooperative has received at least $600 of interest during the year. (See the **TIP** under **Box 1** on page 1098-4.)

Collection agents. Generally, if you receive reportable interest payments (other than points) on behalf of someone else and you are the first person to receive the interest, such as a servicing bank collecting payments for a lender, **you** must file this form. Enter your name, address, and taxpayer identification number (TIN) in the recipient entity area. You must file this form even though you do not include the interest received in your income but you merely transfer it to another person. If you wish, you may enter the name of the person for whom you collected the interest in box 4. The person for whom you collected the interest need not file Form 1098.

However, there is an exception to this rule for any period that **(a)** the first person to receive or collect the interest does not have the information needed to report on Form 1098 and **(b)** the person for whom the interest is received or collected would receive the interest in its trade or business if the interest were paid directly to such person. If **(a)** and **(b)** apply, the person on whose behalf the interest is received or collected is required to report on Form 1098. If interest is received or collected on behalf of another person other than an individual, such person is presumed to receive the interest in a trade or business.

Foreign interest recipient. If you are not a U.S. person, you must file Form 1098 if the interest is received in the United States. A U.S. person is a citizen or resident of the United States, a domestic partnership or corporation, or a nonforeign estate or trust. If the interest is received outside the United States, you must file Form 1098 if **(a)** you are a controlled foreign corporation or **(b)** at least 50% of your gross income from all sources for the 3-year period ending with the close of the tax year preceding the receipt of interest (or for such part of the period as you were in existence) was effectively connected with the conduct of a trade or business in the United States.

Designation agreement. An interest recipient, including a recipient of points, can designate a qualified person to file Form 1098, to provide a statement to the payer of record, and to provide any Rule of 78s notice (see **Rule of 78s Method of Accounting** below).

A **qualified person** is either **(a)** a trade or business in which the interest recipient is under common control as specified in Regulations section 1.414(c)-2 or **(b)** a designee, named by the lender of record or by a qualified person, who either was involved in the original loan transaction or is a subsequent purchaser of the loan.

A **lender of record** is the person who, at the time the loan is made, is named as the lender on the loan documents and whose right to receive payment from the payer of record is secured by the payer of record's principal residence. Even if the lender of record intends to sell or otherwise transfer the loan to a third party after the close of the transaction, such intention does not change who is the lender of record.

The agreement must be in writing, identify the mortgage(s) and calendar years for which the qualified person must report, and be signed by the designator and the designee. A designee may report points on Form 1098 (as having been paid directly by the payer of record) only if the designation agreement contains the designator's representation that it did not lend such amount to the payer of record as part of the overall transaction. The agreement need not be filed with the IRS, but the designator must keep a copy of it for 4 years after the close of the year in which the loan is made.

A designated qualified person is subject to any applicable penalties as if it were the interest recipient. Thus, a designator is relieved from liability for any applicable penalties.

Nonresident Alien Interest Payer

You must file Form 1098 to report interest paid by a nonresident alien only if all or part of the security for the mortgage is real property located in the United States.

Payer of Record

The payer of record is the individual carried on your books and records as the principal borrower. If your books and records do not indicate which borrower is the principal borrower, you must designate one.

If you permit a subsequent purchaser of the property to assume the loan without releasing the first purchaser from personal liability, the subsequent purchaser is the payer of record. Such subsequent purchaser's name, address, and TIN must appear on Form 1098.

Multiple borrowers. Even though there may be more than one borrower on the mortgage, you are required to prepare Form 1098 only for the **payer of record,** and only if such payer of record is an individual, showing the total interest received on the mortgage. Even if an individual is a coborrower, no Form 1098 is required unless the payer of record is also an individual.

Payments by Third Party

Report all interest received on the mortgage as received from the borrower, except as explained under **Seller Payments** below. For example, if the borrower's mother makes payments on the mortgage, the interest received from the mother is reportable on Form 1098 as received from the borrower.

However, do not report mortgage interest received from any governmental unit (or any subsidiary agency). For example, do not report any interest received as housing assistance payments from the Department of Housing and Urban Development (HUD) on mortgages insured under section 235 of the National Housing Act.

Seller Payments

Do not report in box 1 of Form 1098 any interest paid by a seller on a purchaser's-borrower's mortgage, such as on a "buy-down" mortgage. For example, if a real estate developer deposits an amount in escrow and tells you to draw on that escrow account to pay interest on the borrower's mortgage, do not report in box 1 the interest received from that escrow account. As another example, do not report in box 1 any lump sum paid by a real estate developer to pay interest on a purchaser's-borrower's mortgage. However, if you wish, you may use box 4 to report to the payer of record any interest paid by the seller. See **Points** below for information about reporting seller-paid points in box 2.

Rule of 78s Method of Accounting

If you were permitted by Rev. Proc. 83-40, 1983-1 C.B. 774, or any other revenue procedure, to use the Rule of 78s method to calculate interest earned with respect to a transaction, you may report interest earned under the Rule of 78s method on that transaction as interest received from the borrower in a calendar year. In this case, you must notify borrowers that the Rule of 78s method was used to calculate interest received and that the borrowers may not deduct the amount reported unless the borrowers are also properly using the Rule of 78s method to determine interest deductions. The notification must also state that the Rule of 78s method may be used only in the case of a self-amortizing consumer loan that requires level payments, at regular intervals (at least annually), over a period not in excess of 5 years (with no balloon payment at the end of the loan term), and only when the loan agreement provides for use of the Rule of 78s method to determine interest earned (see Rev. Proc. 83-40 and Rev. Rul. 83-84, 1983-1 C.B. 97). The notice must be furnished to the payer of record on or with the statement of the interest received.

TIP *Rev. Proc. 83-40 was obsoleted by Rev. Proc. 97-37, 1997-2 C.B. 455, effective for tax years ending on or after August 18, 1997. However, you may continue to report using the Rule of 78s generally for loans issued before 1999. See section 5.04 of the Appendix in Rev. Proc. 99-49, 1999-52 I.R.B. 725.*

Points

You must report certain points paid for the purchase of the payer of record's principal residence on Form 1098. You must

report points if the points, plus other interest on the mortgage, are $600 or more. For example, if a borrower pays points of $300 and other mortgage interest of $300, the lender has received $600 of mortgage interest and must file Form 1098.

Report the total points on Form 1098 for the year of closing regardless of the accounting method you use to report the points as income for Federal income tax purposes.

Who must report points. The lender of record or a qualified person must file Form 1098 to report all points paid by the payer of record in connection with the purchase of the principal residence. If a designation agreement is in effect for a mortgage, only the person designated in the agreement must file Form 1098 to report all points on that mortgage. See **Designation agreement** on page 1098-2.

Amounts received directly or indirectly by a mortgage broker are treated as points to the same extent they would be treated as points if paid to and retained by the lender of record. The lender of record must report those points paid to a mortgage broker.

Reportable points. Report on Form 1098 points that meet all the following conditions:

1. They are clearly **designated on the Uniform Settlement Statement** (Form HUD-1) as points; for example, "loan origination fee" (including amounts for VA and FHA loans), "loan discount," "discount points," or "points."

2. They are **computed as a percentage of the stated principal loan amount.**

3. They are **charged under an established business practice** of charging points in the area where the loan was issued and do not exceed the amount generally charged in that area.

4. They are **paid for the acquisition of the payer of record's principal residence,** and the loan is secured by that residence. You may rely on a signed written statement from the payer of record that states that the proceeds of the loan are for the purchase of the payer of record's principal residence.

5. They are **paid directly by the payer of record.** Points are paid directly if:

a. The **payer** of record provides funds that were not borrowed from the lender of record for this purpose as part of the overall transaction. The funds may include down payments, escrow deposits, earnest money applied at closing, and other funds actually paid over by the payer of record at or before closing **or**

b. The **seller** pays points on behalf of the payer of record. Points paid by the seller to the interest recipient on behalf of the payer of record are treated as paid to the payer of record and then paid directly by the payer of record to the interest recipient.

Report points paid under 5a and 5b on the payer of record's Form 1098 in box 2.

Exceptions. Do not report as points on Form 1098 amounts paid:

1. For loans to improve a principal residence;

2. For loans to purchase or improve a residence that is not the payer of record's principal residence, such as a second home, vacation, investment, or trade or business property even though the borrower may be entitled to amortize points paid for the purchase of a second home, vacation home, etc. and deduct them over the life of the loan;

3. For a home equity or line of credit loan, even if secured by the principal residence;

4. For a refinancing (but see **Construction loans** below), including a loan to refinance a debt owed by the borrower under a land contract, a contract for deed, or similar forms of seller financing;

5. In lieu of items ordinarily stated separately on the Form HUD-1, such as appraisal fees, inspection fees, title fees, attorney fees, and property taxes; and

6. To acquire a principal residence to the extent the points are allocable to an amount of principal in excess of $1 million.

Construction loans. Amounts paid on a loan to construct a residence (construction loan) or to refinance a loan incurred to construct a residence are reportable on Form 1098 as points if they:

1. Are clearly designated on the loan documents as points incurred in connection with the loan, such as loan origination fees, loan discount, discount points, or points;

2. Are computed as a percentage of the stated principal loan amount;

3. Conform to an established business practice of charging points in the area where the loan is issued and do not exceed the amount generally charged in the area;

4. Are paid in connection with a loan incurred by the payer of record to construct (or refinance construction of) a residence that is to be used, when completed, as the principal residence of the payer of record;

5. Are paid directly by the payer of record; and

6. Are not allocable to an amount of principal in excess of $1 million.

Amounts paid to refinance a loan to construct a residence are not points to the extent they are allocable to debt that exceeds the debt incurred to construct the residence.

Prepaid Interest

Report prepaid interest (other than points) only in the year in which it properly accrues.

Example. Interest received on December 20, 2002, that accrues by December 31 but is not due until January 31, 2003, is reportable on the 2002 Form 1098.

Exception. Interest received during the current year that will properly accrue in full by January 15 of the following year may be considered received in the current year, at your option, and is reportable on Form 1098 for the current year. However, if any part of an interest payment accrues after January 15, then only the amount that properly accrues by December 31 of the current year is reportable on Form 1098 for the current year. For example, if you receive a payment of interest that accrues for the period December 20 through January 20, you cannot report any of the interest that accrues after December 31 for the current year. You must report the interest that accrues after December 31 on Form 1098 for the following year.

Reimbursement of Overpaid Interest

You are required to report reimbursements of overpaid interest aggregating $600 or more to a payer of record on Form 1098. You are not required to report reimbursements of overpaid interest aggregating less than $600 unless you are otherwise required to file Form 1098. That is, if you did not receive at least $600 of mortgage interest during the year of reimbursement from the person to whom you made the reimbursement, you are not required to file Form 1098 merely to report a reimbursement of less than $600. However, you may report any reimbursement of overpaid interest that you are not otherwise required to report, but you are subject to the rules in these instructions.

The reimbursement must be reported on Form 1098 for the year in which the reimbursement is made. No change should be made to the prior year Form 1098 because of this reimbursement. Report the total reimbursement even if it is for overpayments made in more than 1 year.

To be reportable, the reimbursement must be a refund or credit of mortgage interest received in a prior year that was required to be reported for that prior year by any interest recipient on Form 1098. Only the person who makes the reimbursement is required to report it on Form 1098. For example, if you bought a mortgage on which interest was overpaid in a prior year, you made a reimbursement of the overpaid interest, and the previous mortgage holder was required to report mortgage interest on Form 1098 in the prior year, you must file Form 1098 to report the reimbursement because you are the one making the reimbursement.

Example. In 2000, you received $5,000 of mortgage interest from the payer/borrower and reported that amount on Form 1098 for 2000. In 2002, you determined that interest due on the

mortgage for 2000 was $4,500, and the payer/borrower had overpaid $500. You refunded the $500 overpayment to the payer/borrower in 2002. If you received $600 or more of interest on the mortgage from the payer/borrower in 2002, you must report the $500 refund in box 3 of the 2002 Form 1098. No change to the 2000 Form 1098 is required. If, instead of refunding the $500 overpayment, you credited the payer/borrower's 2002 mortgage interest payments due, $500 is still shown in box 3, and the interest received from the payer/borrower in 2002 shown in box 1 must include the $500 credit.

Overpayment and reimbursement in same year. If you reimburse interest in the same year it is overpaid, do not report the overpayment on Form 1098 as interest received during the year or as a reimbursement of overpaid interest. For example, if the borrower paid $5,000 and you reimbursed $500 of that amount in 2002, enter $4,500 in box 1 as interest paid by the borrower. Do not enter the $500 reimbursement in box 3.

Interest on reimbursement. A financial institution (or its middleman) that pays interest of $10 or more on the reimbursement must report that interest (under section 6049) on **Form 1099-INT,** Interest Income. Others that pay interest of $600 or more on the reimbursement must report that interest (under section 6041) on Form 1099-INT. Do not include such interest on Form 1098.

Statements to Payers of Record

If you are required to file Form 1098, you must provide a statement to the payer of record. For more information about the requirement to furnish a statement to the payer of record, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Recipient's/Lender's Name and Address Box

Enter the name and address of the filer of Form 1098. Use this same name and address on Form 1096.

Payer's/Borrower's Name and Address Box

Enter the name and address of the person who paid the interest (payer of record).

TIP *Be careful to enter the recipient's and payer's information in the proper boxes.*

Box 1. Mortgage Interest Received From Payer(s)/Borrower(s)

Enter the **interest** (not including points) received on the mortgage from borrowers during the calendar year. Include interest on a mortgage, a home equity loan, or a line of credit or credit card loan secured by real property. Do not include government subsidy payments, seller payments, or prepaid interest that does not meet the exception explained under **Prepaid Interest** on page 1098-3. Interest includes prepayment penalties and late charges unless the late charges are for a specific mortgage service.

TIP *A cooperative housing corporation that receives any cash part of a patronage dividend from the National Consumer Cooperative Bank must reduce the interest to be reported on each tenant-stockholder's Form 1098 by a proportionate amount of the cash payment in the year the cooperative receives the cash payment. See Rev. Proc. 94-40, 1994-1 C.B. 711.*

Box 2. Points Paid on Purchase of Principal Residence

Enter **points** paid on the purchase of the payer of record's principal residence. For an explanation of reportable points, see **Points** on page 1098-2.

Box 3. Refund of Overpaid Interest

Enter the total refund or credit of a prior year(s) overpayment of interest. See **Reimbursement of Overpaid Interest** on page 1098-3.

Box 4. Blank Box

Enter any other item you wish to report to the payer, such as real estate taxes, insurance, or if you are a collection agent, the name of the person for whom you collected the interest. This box is optional and is provided only for your convenience. You do not have to report to the IRS any information provided in this box.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Forms 1098-E and 1098-T

Section references are to the Internal Revenue Code.

What's New for 2002

Form 1098-E. Final Regulations section 1.6050S-3 issued in April 2002 describes the reporting rules for student loan interest payments. Issuers may use these rules in preparing Form 1098-E for 2002. The reporting under the prior optional instructions and the final regulations is the same. Therefore, the optional specific instructions have been deleted.

The Economic Growth and Tax Relief Reconciliation Act of 2001 eliminated the 60-month limitation during which interest paid on a qualified education loan is deductible.

Box 2 is used to indicate that box 1 includes loan origination fees and/or capitalized interest. However, lenders are not required to report loan origination fees and/or capitalized interest for loans made before January 1, 2004. See Regulations section 1.6050S-3(e)(1).

Form 1098-T. The **Optional Specific Instructions for Form 1098-T** were developed to reflect reporting rules described in new Proposed Regulations section 1.6050S-1 issued in April 2002. You may, but are not required to, use these rules in preparing Form 1098-T for 2002. If you choose to comply with the reporting rules of Proposed Regulations section 1.6050S-1, follow the **Optional Specific Instructions for Form 1098-T** on page ET-2.

Form 1098-T has been revised for 2002 under Proposed Regulations section 1.6050S-1 that describes rules for choosing to report either the net amount of payments received (box 1), or the net amount billed (box 2), for qualified tuition and related expenses during the calendar year. Adjustments made to payments received, or amounts billed, for qualified expenses that were reported for a prior year will be reported separately (box 3). Scholarships and grants will be reported (box 4) and adjustments made during the year to scholarships reported for a prior year are reported separately (box 5). If the amount reported in box 1 or 2 includes payments received, or amounts billed, for an academic period beginning in January through March of 2003, box 6 must be checked. An insurer may report reimbursements and refunds of qualified tuition and related expenses under an insurance contract (box 7). Boxes 4 and 5 are renumbered 8 and 9. If you choose not to follow the proposed regulations, you are required to comply with the **Specific Instructions for Form 1098-T** on page ET-3.

Electronic recipient statements. With the consent of a recipient, you may be able to furnish Copy B of the 2002 Forms 1098-E and 1098-T to that recipient electronically. See part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.**

Magnetic media/electronic reporting. For 2002, you are not required to, but you may, file Forms 1098-E or 1098-T magnetically or electronically.

Penalties. For 2002, no penalties will be imposed for failure to file or failure to furnish correct Forms 1098-E or 1098-T if you made a good faith effort to file and furnish them.

Items To Note

General instructions. In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**. Those general instructions include information about:

- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Form W-9S. You may use **Form W-9S**, Request for Student's or Borrower's Social Security Number and Certification, to obtain the student's or borrower's name, address, social security number, and student loan certification to be used when filing Form 1098-E or 1098-T. Use of Form W-9S is optional; you may collect the information using your own forms, such as financial aid applications, and procedures. You may collect the student's or borrower's information on paper or electronically.

Electronic submission of Form W-9S. An educational institution, insurer, or lender may establish a system for students and borrowers to submit Form W-9S electronically, including by fax. Generally, the electronic system must:

1. Ensure the information received is the information sent and document all occasions of user access that result in the submission.

2. Make reasonably certain the person accessing the system and submitting the form is the person identified on Form W-9S.

3. Provide you with the same information as the paper Form W-9S.

4. Be able to supply a hard copy of the electronic Form W-9S if the Internal Revenue Service requests it.

Also, if an electronic Form W-9S is used to obtain the borrower's certification that all the loan proceeds are solely used to pay qualified higher education expenses, your electronic system must require, as the final entry in the submission, an electronic signature by the borrower whose name is on Form W-9S. The signature authenticates and verifies the submission. See Announcement 98-27, 1998-1 C.B. 865.

Specific Instructions for Form 1098-E

File **Form 1098-E**, Student Loan Interest Statement, if you receive student loan interest of $600 or more from an individual during the year in the course of your trade or business.

The $600 threshold applies to each borrower regardless of the number of student loans obtained by that borrower. However, you may file a separate Form 1098-E for each student loan of the borrower, or you may file one Form 1098-E for the interest from all student loans of the borrower.

Who must file. File Form 1098-E if you are a financial institution, governmental unit (or any of its subsidiary agencies), educational institution, or any other person who receives student loan interest of $600 or more from an individual during the year in the course of your trade or business.

If more than one person has a connection with the loan, only the first person to receive the interest payment must file Form

1098-E. For example, a loan service or collection agent receiving payments on behalf of the lender must file.

Qualified student loan. To be reportable for 2002, a student loan must be either:

- Subsidized, guaranteed, financed, or otherwise treated as a student loan under a program of the Federal, state, or local government, or of a post-secondary educational institution or
- Certified by the borrower as a student loan incurred solely to pay qualified higher education expenses. You may use Form W-9S to obtain the certification.

Revolving accounts. Report interest paid on revolving accounts, such as credit card accounts, only if the borrower certifies that all the loan proceeds are **solely** used to pay qualified higher education expenses. You do not have to verify the borrower's actual use of the funds. **Do not** report interest on mixed use loans.

Loans under qualified plans. Do not report interest on loans made under a qualified employer plan, as defined in section 72(p)(4), or under a contract purchased under a qualified employer plan within the meaning of section 72(p)(5).

Additional information. For more information about reporting student loan interest, see Final Regulations section 1.6050S-3; Notice 98-7, 1998-1 C.B. 339; Notice 98-54, 1998-2 C.B. 643; Notice 99-37, 1999-2 C.B. 124; and Notice 2000-62, 2000-2 C.B. 587.

Statements to borrowers. If you are required to file Form 1098-E, you must provide a statement, on paper or electronically, to the borrower. For more information about the requirements to furnish a statement to the borrower, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Recipient's/lender's name, address, and telephone number box. Enter the name, address, and telephone number of the filer of Form 1098-E. Use this same name and address on **Form 1096**, Annual Summary and Transmittal of U.S. Information Returns.

Borrower's name and address box. Enter the name and address of the borrower.

Box 1. Student Loan Interest Received by Lender

Enter the interest you received on a student loan(s) during the calendar year. For loans made before January 1, 2004, you are not required to but you may include loan origination fees and/or capitalized interest in box 1 as described in Proposed Regulations section 1.221-1(h)(2).

Box 2. Checkbox

Check this box if loan origination fees and/or capitalized interest are reported in box 1.

Optional Specific Instructions for Form 1098-T

File **Form 1098-T**, Tuition Payments Statement, if you are an eligible educational institution. You must file for each student you enroll and for whom a reportable transaction is made (see boxes 1 through 5 of Form 1098-T).

Exceptions. You do not have to file Form 1098-T or furnish a statement for:

- Students enrolled during the year only in courses for which no academic credit is offered;
- Nonresident alien students, unless requested by the student;
- Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships; and
- Students whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer.

Who must file. For 2002, you must file Form 1098-T if you are an eligible educational institution. An eligible educational institution that is a governmental unit, or an agency or instrumentality of a governmental unit, is subject to the reporting requirements of Form 1098-T. A designated officer or employee of the governmental entity must satisfy the reporting requirements of Form 1098-T.

Eligible educational institutions may choose to report payments received, or amounts billed, for qualified tuition and related expenses. The institution must use the same reporting method for all calendar years unless the IRS grants permission to change the reporting method.

If another person receives or collects payments of qualified tuition and related expenses on your behalf, the other person must file Form 1098-T. However, if the other person does not possess the information necessary to comply with the reporting requirements of Form 1098-T, then you must satisfy the reporting requirements of Form 1098-T.

If you are an insurer engaged in a trade or business of making refunds or reimbursements of qualified tuition and related expenses, you are not required, but may choose, to file Form 1098-T for 2002.

Eligible educational institution. An eligible educational institution is a college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965; and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private post-secondary institutions.

Qualified tuition and related expenses. Qualified tuition and related expenses are tuition and fees a student must pay to be enrolled at or attend an eligible educational institution. The following are **not** qualified tuition and related expenses:

- Amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.
- Charges and fees for room, board, insurance, transportation, and similar personal, living, or family expenses.

Academic credit. Academic credit is credit awarded by an eligible educational institution for the completion of course work leading to a post-secondary degree, certificate, or other recognized post-secondary educational credential.

Example. Student A, a medical doctor, takes a course at University X's medical school. Student A takes the course to fulfill State Y's licensing requirement that medical doctors attend continuing medical education courses each year. Student A is not enrolled in a degree program at University X and takes the medical course through University X's continuing professional education program. University X does not award Student A credit toward a post-secondary degree on an academic transcript for the completion of the course but gives Student A a certificate of attendance upon completion. University X is not required to file Form 1098-T for the course taken by Student A.

Academic period. You must file Form 1098-T for each student who is enrolled in your institution for any academic period (e.g., semester, trimester, or quarter) beginning in 2002. Determine your enrollment for each period under your own rules or use one of the following dates:

- 30 days after the first day of the academic period,
- A date during the period when enrollment data must be collected for purposes of the Integrated Postsecondary Education Data System administered by the Department of Education, or
- A date during the period when you must report enrollment data to the state, to your governing board, or to some other external governing body.

Additional information. For more information about reporting on Form 1098-T, see Proposed Regulations section 1.6050S-1.

Statements to students. If you are required to file Form 1098-T, you must provide a statement, on paper or electronically, to the student. For more information about the requirements to furnish a statement to each student, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Student's address. In the student's address box of Form 1098-T, enter the student's permanent address. That is, enter the student's home or other long-term address where he or she can receive forwarded mail. You may use a temporary address only if you do not know the permanent address.

Box 1. Payments Received for Qualified Tuition and Related Expenses

If you choose this method of reporting, enter the amount of payments received for qualified tuition and related expenses from any source during the calendar year. The amount reported is the total amount of payments received less any reimbursements or refunds made during the calendar year that relate to the payments received for the same calendar year.

Box 2. Amounts Billed for Qualified Tuition and Related Expenses

If you choose this method of reporting, enter the amounts billed during the calendar year for qualified tuition and related expenses. The amount reported is the total amount billed less any reductions in charges made during the calendar year that relate to the amounts billed for the same calendar year.

Box 3. Adjustments Made for a Prior Year

Payments received. Enter reimbursements or refunds of qualified tuition and related expenses made during the calendar year that relate to payments received that were reported for a prior year.

Amounts billed. Enter any reductions in charges made for qualified tuition and related expenses made during the calendar year that relate to amounts billed that were reported for a prior year.

Box 4. Scholarships or Grants

Enter the total amount of any scholarships or grants that you administered and processed during the calendar year for the payment of the student's costs of attendance. However, see **Exceptions** on page ET-2.

Box 5. Adjustments to Scholarships or Grants for a Prior Year

Enter the amount of any reduction to the amount of scholarships or grants that were reported for a prior year.

Box 6. Checkbox for Amounts for an Academic Period Beginning in January through March of 2003

Check the box if any payments received, or amounts billed, for qualified tuition and related expenses reported for 2002 relate to an academic period that begins in January through March of 2003.

Box 7. Reimbursements or Refunds Under an Insurance Contract

If you are an insurer that chooses to report for 2002, enter the total amount of reimbursements or refunds of qualified tuition and related expenses that you made for the student during 2002.

Box 8. Check if at Least Half-Time Student

Check this box if the student was at least a half-time student during any academic period that began in 2002. A half-time student is a student enrolled for at least half the full-time academic workload for the course of study the student is pursuing. Your institution's standard for a half-time student workload must equal or exceed the standards established by the Department of Education under the Higher Education Act and set forth in 34 C.F.R. section 674.2(b).

Box 9. Check if a Graduate Student

Check this box if the student was a graduate student. The student is a graduate student if the student was enrolled in a program or programs leading to a graduate-level degree, graduate-level certificate, or other recognized graduate-level educational credential.

Specific Instructions for Form 1098-T

File **Form 1098-T**, Tuition Payments Statement, if you are an eligible educational institution that received payments for qualified tuition and related expenses or made reimbursements or refunds of such amount in 2002. File Form 1098-T for each student for whom you received the tuition or for whom you made the reimbursement or refund. File only one Form 1098-T for each student even if you received more than one tuition or other payment or made more than one reimbursement during the year.

Exceptions. You do not have to file Form 1098-T for students enrolled during the year only in courses for which no academic credit is offered. Also, you do not have to file Form 1098-T or furnish a statement for nonresident alien students, unless requested by the student.

Who must file. For 2002, you must file Form 1098-T if you are an eligible educational institution that received qualified tuition and related expenses in 2002. If you reimburse or refund tuition or related expenses to a student during 2002 that equal or exceed payments of qualified tuition and related expenses you received on behalf of that student during 2002, you are not required to file Form 1098-T. In addition, you are not required to file for a student whose qualified tuition and related expenses were entirely waived or entirely paid with scholarships.

If you are an insurer engaged in a trade or business of making payments of refunds or reimbursements of qualified tuition and related expenses to individuals under an insurance arrangement, you do not have to file Form 1098-T for 2002. However, in future years, you may be required to report refunds or reimbursements (or similar amounts) of qualified tuition and related expenses on Form 1098-T.

Eligible educational institution. An eligible educational institution is a college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965 and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private post-secondary institutions.

Qualified tuition and related expenses. Qualified tuition and related expenses are tuition and fees a student must pay to be enrolled at or attend an eligible educational institution. The following are **not** qualified tuition and related expenses.

1. Amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.

2. Charges and fees for room, board, insurance, transportation, and similar personal, living, or family expenses.

Academic period. You must file Form 1098-T for each student who is enrolled in your institution for any academic period (e.g., semester, trimester, or quarter) beginning in 2002. Determine your enrollment for each period under your own rules or use one of the following dates:

- 30 days after the first day of the academic period,
- A date during the period when enrollment data must be collected for purposes of the Integrated Postsecondary Education Data System administered by the Department of Education, or
- A date during the period when you must report enrollment data to the state, to your governing board, or to some other external governing body.

Additional information. For more information about reporting on Form 1098-T, see Notice 97-73, 1997-2 C.B. 335; Notice 98-46, 1998-2 C.B. 290; Notice 98-59, 1998-2 C.B. 689; Notice 99-37, 1999-2 C.B. 124; and Notice 2000-62, 2000-2 C.B. 587.

Statements to students. If you are required to file Form 1098-T, you must provide a statement, on paper or electronically, to the student. For more information about the requirements to furnish a statement to each student, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Required for 2002. For 2002, you are required to report on the form only the entity information, whether the student was at least a half-time student (box 8), and whether the student was a graduate student (box 9). **No other information is required for 2002.** See **Box 8** and **Box 9** below.

TIP *You are not required to but you may report the applicable amounts in boxes 1 through 7. If you choose to report the information, follow the line instructions for boxes 1 through 7 on page ET-3.*

Student's address. In the student's address box of Form 1098-T, enter the student's permanent address. That is, enter the student's home or other long-term address where he or she can receive forwarded mail. You may use a temporary address only if you do not know the permanent address.

Box 8. Check if at Least Half-Time Student

Check this box if the student was at least a half-time student during any academic period that began in 2002. A half-time student is a student enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined by the standards of your institution. Your institution's standard for a half-time student workload must equal or exceed the standards established by the Department of Education under the Higher Education Act and set forth in 34 C.F.R. section 674.2(b).

Box 9. Check if a Graduate Student

Check this box if the student was a graduate student. The student is a graduate student if the student was enrolled in a program or programs leading to a graduate-level degree, graduate-level certificate, or other recognized graduate-level educational credential.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Forms 1099-A and 1099-C

Section references are to the Internal Revenue Code unless otherwise noted.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-A

File **Form 1099-A**, Acquisition or Abandonment of Secured Property, for each borrower if you lend money in connection with your trade or business and, in full or partial satisfaction of the debt, you acquire an interest in property that is security for the debt, or you have reason to know that the property has been abandoned. You need not be in the business of lending money to be subject to this reporting requirement.

Coordination With Form 1099-C

If, in the same calendar year, you cancel a debt in connection with a foreclosure or abandonment of secured property, it is not necessary to file both Form 1099-A and **Form 1099-C,** Cancellation of Debt, for the same debtor. You may file Form 1099-C only. You will meet your Form 1099-A filing requirement for the debtor by making entries in boxes 5 and 7 on Form 1099-C. However, if you file both Forms 1099-A and 1099-C, make no Form 1099-A related entries in boxes 5 and 7 on Form 1099-C. See the instructions for Form 1099-C on page AC-2.

Property

Property means any real property (such as a personal residence), any intangible property, and tangible personal property except:

- No reporting is required for tangible personal property (such as a car) held only for personal use. However, you must file Form 1099-A if the property is totally or partly held for use in a trade or business or for investment.
- No reporting is required if the property securing the loan is located outside the United States and the borrower has furnished the lender a statement, under penalties of perjury, that the borrower is an exempt foreign person (unless the lender knows that the statement is false).

Who Must File

In addition to the general rule specified above, the following rules apply.

Multiple owners. If there are multiple owners of undivided interests in a single loan, such as in pools, fixed investment trusts, or other similar arrangements, the trustee, record owner, or person acting in a similar capacity must file Form 1099-A on behalf of all the owners of beneficial interests or participations. In this case, only one form for each borrower must be filed on behalf of all owners with respect to the loan. Similarly, for bond issues, only the trustee or similar person is required to report.

Governmental unit. A governmental unit, or any of its subsidiary agencies, that lends money secured by property must file Form 1099-A.

Subsequent holder. A subsequent holder of a loan is treated as the lender for purposes of the reporting requirement for events occurring after the loan is transferred to the new holder.

Multiple lenders. If more than one person lends money secured by property and one lender forecloses or otherwise acquires an interest in the property and the sale or other acquisition terminates, reduces, or otherwise impairs the other lenders' security interests in the property, the other lenders must file Form 1099-A for each of their loans. For example, if a first trust holder forecloses on a building, and the second trust holder knows or has reason to know of such foreclosure, the second trust holder must file Form 1099-A for the second trust even though no part of the second trust was satisfied by the proceeds of the foreclosure sale.

Abandonment

An abandonment occurs when the objective facts and circumstances indicate that the borrower intended to and has permanently discarded the property from use. You have "reason to know" of an abandonment based on all the facts and circumstances concerning the status of the property. You will be deemed to know all the information that would have been discovered through a reasonable inquiry when, in the ordinary course of business, you become aware or should become aware of circumstances indicating that the property has been abandoned. If you expect to commence a foreclosure, execution, or similar sale within 3 months of the date you had reason to know that the property was abandoned, reporting is required as of the date you acquire an interest in the property or a third party purchases the property at such sale. If you expect to but do not commence such action within 3 months, the reporting requirement arises at the end of the 3-month period.

Statements to Borrowers

If you are required to file Form 1099-A, you must provide a statement to the borrower. Furnish a copy of Form 1099-A or an acceptable substitute statement to each borrower. For more information about the requirement to furnish a statement to the borrower, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1. Date of Lender's Acquisition or Knowledge of Abandonment

For an acquisition, enter the date you acquired the secured property. An interest in the property generally is acquired on the earlier of the date title is transferred to the lender or the date possession and the burdens and benefits of ownership are transferred to the lender. If an objection period is provided by law, use the date the objection period expires. If you purchase the property at a sale held to satisfy the debt, such as at a foreclosure or execution sale, use the later of the date of sale or the date the borrower's right of redemption, if any, expires.

For an abandonment, enter the date you knew or had reason to know that the property was abandoned unless you expect to

commence a foreclosure, execution, or similar action within 3 months, as explained earlier. If a third party purchases the property at a foreclosure, execution, or similar sale, the property is treated as abandoned, and you have reason to know of its abandonment on the date of sale.

Box 2. Balance of Principal Outstanding

Enter the balance of the debt outstanding at the time the interest in the property was acquired or on the date you first knew or had reason to know that the property was abandoned. Include only unpaid principal on the original debt. Do not include accrued interest or foreclosure costs.

Box 3. Reserved

Box 4. Fair Market Value (FMV) of Property

For a foreclosure, execution, or similar sale, enter the FMV of the property. See Temporary Regulations section 1.6050J-1T, Q/A-32. Generally, the gross foreclosure bid price is considered to be the FMV. If an abandonment or voluntary conveyance to the lender in lieu of foreclosure occurred and you checked "Yes" in box 5, enter the appraised value of the property. Otherwise, make no entry in this box.

Box 5. Was Borrower Personally Liable for Repayment of the Debt?

Enter an "X" in the applicable box to indicate whether the borrower was personally liable for repayment of the debt at the time the debt was created or, if modified, at the time of the last modification.

Box 6. Description of Property

Enter a general description of the property. For real property, generally you must enter the address of the property, or, if the address does not sufficiently identify the property, enter the section, lot, and block.

For personal property, enter the applicable type, make, and model. For example, describe a car as "Car—2001 Honda Accord." Use a category such as "Office Equipment" to describe more than one piece of personal property, such as six desks and seven computers. Enter "CCC" for crops forfeited on Commodity Credit Corporation loans

Specific Instructions for Form 1099-C

File **Form 1099-C**, Cancellation of Debt, for each debtor for whom you canceled a debt owed to you of $600 or more only if:

1. You are an entity described under **Who Must File** below and

2. An identifiable event has occurred. It does not matter whether the actual cancellation is on or before the date of the identifiable event. See **When Is a Debt Canceled?** on page AC-3.

CAUTION *Form 1099-C must be filed regardless of whether the debtor is required to report the debt as income.*

The debtor may be an individual, corporation, partnership, trust, estate, association, or company.

Do not combine multiple cancellations of a debt to determine whether you meet the $600 reporting requirement unless the separate cancellations are under a plan to evade the Form 1099-C requirements.

Coordination With Form 1099-A

If, in the same calendar year, you cancel a debt in connection with a foreclosure or abandonment of secured property, it is not necessary to file both **Form 1099-A,** Acquisition or Abandonment of Secured Property, and Form 1099-C for the same debtor. You may file Form 1099-C only. You will meet your Form 1099-A filing requirement for the debtor by making entries in boxes 5 and 7 on Form 1099-C. However, you may file both Forms 1099-A and 1099-C; if you do, make no Form 1099-A related entries in boxes 5 and 7 on Form 1099-C. See the instructions for Form 1099-A on page AC-1 and **Box 5** and **Box 7** on page AC-4.

Who Must File

File Form 1099-C if you are:

1. A financial institution described in section 581 or 591(a) (such as a domestic bank, trust company, building and loan or savings and loan association).

2. A credit union.

3. A Federal Government agency including:

a. A department,
b. An agency,
c. A court or court administrative office, or
d. An instrumentality in the executive, judicial, or legislative branch of the Government, including Government corporations.

4. Any successor or subunit of one of he following:

a. Federal Deposit Insurance Corporation,
b. Resolution Trust Corporation,
c. National Credit Union Administration,
d. Any military department,
e. U.S. Postal Service, or
f. Postal Rate Commission.

5. Any organization a significant trade or business of which is the lending of money, such as a finance company or credit card company (whether or not affiliated with a financial institution).

Also file Form 1099-C if you are a corporation that is a subsidiary of a financial institution or credit union, but only if, because of your affiliation, you are subject to supervision and examination by a Federal or state regulatory agency.

Multiple creditors. If a debt is owned (or treated as owned for Federal income tax purposes) by more than one creditor, each creditor that is described under **Who Must File** above must issue a Form 1099-C if that creditor's part of the canceled debt is $600 or more. To meet this requirement, a lead bank, fund administrator, or other designee of the creditor may file a single Form 1099-C reporting the aggregate canceled debt or may file Form 1099-C for that creditor's part of the canceled debt. Use any reasonable method to determine the amount of each creditor's part of the canceled debt.

Debt owned by a partnership is treated as owned by the partners and must follow the rules for multiple creditors.

Pass-throughs and REMICs. Until further guidance is issued, no penalty will apply for failure to file Form 1099-C, or provide statements to debtors, for a canceled debt held in a pass-through securitized debt arrangement or held by a real estate mortgage investment conduit (REMIC). A pass-through securitized debt arrangement is any arrangement in which one or more debts are pooled and held for 20 or more persons whose interests in the debt are undivided coownership interests that are freely transferable. Coownership interests that are actively traded personal property (as defined in Regulations section 1.1092(d)-1) are presumed to meet these requirements.

Debt Defined

A debt is any amount owed to you including stated principal, stated interest, fees, penalties, administrative costs, and fines. The amount of debt canceled may be all or only part of the total amount owed. However, for a lending transaction, you are required to report only the stated principal. See **Exceptions** on page AC-3.

When To File

Generally, file Form 1099-C for the year in which an identifiable event occurs. See **Exceptions** on page AC-3. If you cancel a debt before an identifiable event occurs, you may choose to file Form 1099-C for the year of cancellation. No further reporting is required even if a second identifiable event occurs on the same debt. Also, you are not required to file an additional or corrected Form 1099-C if you receive payment on a prior year debt.

When Is a Debt Canceled?

A debt is canceled on the date an identifiable event occurs. An **identifiable event** occurs when the debt is canceled:

1. Under Title 11 of the U.S. Code (bankruptcy) (reportable only for business or investment debt; see **Exceptions** below).

2. Or extinguished making it unenforceable in a receivership, foreclosure, or similar Federal or state court proceeding.

3. Or extinguished when the statute of limitations for collecting the debt expires, or when the statutory period for filing a claim or beginning a deficiency judgment proceeding expires. Expiration of the statute of limitations is an identifiable event only when a debtor's affirmative statute of limitations defense is upheld in a final judgment or decision of a court and the appeal period has expired.

4. When the creditor elects foreclosure remedies that by law end or bar the creditor's right to collect the debt. This event applies to a mortgage lender or holder who is barred by local law from pursuing debt collection after a "power of sale" in the mortgage or deed of trust is exercised.

5. Due to a probate or similar proceeding.

6. Under an agreement between the creditor and the debtor to cancel the debt at less than full consideration if the last event necessary to cancel the debt has occurred.

7. Because of a decision or a defined policy of the creditor to discontinue collection activity and cancel the debt. A creditor's defined policy can be in writing or an established business practice of the creditor. A creditor's practice to stop collection activity and abandon a debt when a particular nonpayment period expires is a defined policy.

8. Because the nonpayment testing period expires. This event occurs when the creditor has not received a payment on the debt during the testing period. The testing period is a 36-month period ending on December 31 plus any time when the creditor was precluded from collection activity by a stay in bankruptcy or similar bar under state or local law. The creditor can rebut the occurrence of this identifiable event if (**a**) the creditor (or a third-party collection agency) has engaged in significant bona fide collection activity during the 12-month period ending on December 31 or (**b**) facts and circumstances that exist on January 31 following the end of the 36-month period indicate that the debt was not canceled. Significant bona fide collection activity does not include nominal or ministerial collection action, such as an automated mailing. Facts and circumstances indicating that a debt was not canceled include the existence of a lien relating to the debt (up to the value of the security) or the sale or packaging for sale of the debt by the creditor.

Exceptions

You are not required to report on Form 1099-C the following:

1. Certain bankruptcies. You are not required to report a debt canceled in bankruptcy unless you know from information included in your books and records that the debt was incurred for business or investment purposes. If you are required to report a business or investment debt canceled in bankruptcy, report it for the later of (**a**) the year in which the amount of canceled debt first can be determined or (**b**) the year in which the debt is canceled in bankruptcy. A debt is incurred for business if it is incurred in connection with the conduct of any trade or business other than the trade or business of performing services as an employee. A debt is incurred for investment if it is incurred to purchase property held for investment (as defined in section 163(d)(5)).

2. Interest. You are not required to report interest. However, if you choose to report interest as part of the canceled debt in box 2, you must show the interest separately in box 3.

3. Nonprincipal amounts. For a lending transaction, you are not required to report any amount other than stated principal. A lending transaction occurs when a lender loans money to, or makes advances on behalf of, a borrower (including revolving credit and lines of credit). Nonprincipal amounts include penalties, fines, fees, and administrative costs. However, for a nonlending transaction, report any of these amounts that are included in the debt.

4. Foreign debtors. Until further guidance is issued, no penalty will apply if a financial institution does not file Form 1099-C for a debt canceled by its foreign branch or foreign office for a foreign debtor provided all the following apply:

a. The financial institution is engaged in the active conduct of a banking or similar business outside the United States.

b. The branch or office is a permanent place of business that is regularly maintained, occupied, and used to carry on a banking or similar financial business.

c. The business is conducted by at least one employee of the branch or office who is regularly in attendance at the place of business during normal working hours.

d. The indebtedness is extended outside the United States by the branch or office in connection with that trade or business.

e. The financial institution does not know or have reason to know that the debtor is a U.S. person.

5. Related parties. Generally, a creditor is not required to file Form 1099-C for the deemed cancellation of a debt that occurs when the creditor acquires the debt of a related debtor, becomes related to the debtor, or transfers the debt to another creditor related to the debtor. However, if the transfer to a related party by the creditor was for the purpose of avoiding the Form 1099-C requirements, Form 1099-C is required. See section 108(e)(4).

6. Release of a debtor. You are not required to file Form 1099-C if you release one of the debtors on a debt as long as the remaining debtors are liable for the full unpaid amount.

7. Guarantor or surety. You are not required to file Form 1099-C for a guarantor or surety. A guarantor is not a debtor for purposes of filing Form 1099-C even if demand for payment is made to the guarantor.

Multiple Debtors

For debts of $10,000 or more incurred after 1994 that involve debtors who are jointly and severally liable for the debt, you must report the entire amount of the canceled debt on each debtor's Form 1099-C. Multiple debtors are jointly and severally liable for a debt if there is no clear and convincing evidence to the contrary. If it can be shown that joint and several liability does not exist, a Form 1099-C is required for each debtor for whom you canceled a debt of $600 or more.

For debts incurred before 1995 and for debts of less than $10,000 incurred after 1994, you must file Form 1099-C only for the primary (or first-named) debtor.

If you know or have reason to know that the multiple debtors were husband and wife who were living at the same address when the debt was incurred, and you have no information that these circumstances have changed, you may file only one Form 1099-C.

Recordkeeping

If you are required to file Form 1099-C, you must retain a copy of that form or be able to reconstruct the data for at least 4 years from the due date of the return.

Requesting TINs

You must make a reasonable effort to obtain the correct name and taxpayer identification number (TIN) of the person whose debt was canceled. You may obtain the TIN when the debt is incurred. If you do not obtain the TIN before the debt is canceled, you must request the debtor's TIN. Your request must clearly notify the debtor that the IRS requires the debtor to furnish its TIN and that failure to furnish such TIN subjects the debtor to a $50 penalty imposed by the IRS. You may use **Form W-9**, Request for Taxpayer Identification Number and Certification, to request the TIN. However, a debtor is not required to certify his or her TIN under penalties of perjury.

Statements to Debtors

If you are required to file Form 1099-C, you must provide a statement to the debtor. Furnish a copy of Form 1099-C or an acceptable substitute statement to each debtor. For more information about the requirement to furnish a statement to the debtor, see part **H** in the **General Instructions for Forms**

1099, 1098, 5498, and W-2G. You have furnished a statement to the debtor if it is mailed to the debtor's last known address.

Box 1. Date Canceled

Enter the date the debt was canceled. See **When Is a Debt Canceled?** on page AC-3.

Box 2. Amount of Debt Canceled

Enter the amount of the canceled debt. See **Debt Defined** on page AC-2 and **Exceptions** on page AC-3. Do not include any amount the lender receives in satisfaction of the debt by means of a settlement agreement, foreclosure sale, etc.

Box 3. Interest if Included in Box 2

Enter any interest you included in the canceled debt in box 2. You are not required to report interest in box 2. But if you do, you also must report it in box 3.

Box 4. Reserved

Box 5. Debt Description

Enter a description of the origin of the debt, such as student loan, mortgage, or credit card expenditure. Be as specific as possible. If you are filing a combined Form 1099-C and 1099-A, also enter a description of the property.

Box 6. Check for Bankruptcy

Enter an "X" in the checkbox if you are reporting a debt canceled in bankruptcy.

Box 7. Fair Market Value (FMV) of Property

Make an entry in this box only if you are filing a combined Form 1099-C and 1099-A. For a foreclosure, execution, or similar sale, enter the FMV of the property. Generally, the gross foreclosure bid price is considered to be the FMV. If an abandonment or voluntary conveyance to the lender in lieu of foreclosure occurred, enter the appraised value of the property.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-B

Section references are to the Internal Revenue Code.

What's New for 2002?

Recent legislation reduce the backup withholding rate. The backup withholding rate will be 30% for reportable payments made in 2002 and 2003.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-B

A broker or barter exchange must file **Form 1099-B**, Proceeds From Broker and Barter Exchange Transactions, for each person:

- For whom the broker has sold (including short sales) stocks, bonds, commodities, regulated futures contracts, foreign currency contracts, forward contracts, debt instruments, etc., or
- Who exchanged property or services through the barter exchange.

Brokers

A broker is any person who, in the ordinary course of a trade or business, stands ready to effect sales to be made by others. A broker may include a U.S. or foreign person or a governmental unit and any subsidiary agency. You **are considered** a broker if:

- You are an obligor that regularly issues and retires its own debt obligations or
- You are a corporation that regularly redeems its own stock. However, for a sale, redemption, or retirement at an office outside the United States, only a U.S. payer or U.S. middleman is a broker. See Regulations section 1.6049-5(c)(5).

You **are not considered** a broker if:

- You are a corporation that purchases odd-lot shares from its stockholders on an irregular basis (unless facts indicate otherwise);
- You manage a farm for someone else; or
- You are an international organization that redeems or retires its own debt. See Regulations section 1.6045-1(a)(1).

Reporting

Cash on delivery account. For a sale of securities through a "cash on delivery" or similar account, only the broker that receives the gross proceeds from the sale against delivery of the securities sold is required to report the sale. However, if such broker's customer is a "second-party broker" that is an exempt recipient, only the second-party broker is required to report the sale.

Foreign currency. If the proceeds of a sale are paid in foreign currency, you must convert the amount to be reported into U.S. dollars. Generally, you must convert the foreign currency on the payment date at the spot rate or by following a reasonable spot rate convention. For example, you may use a month-end spot rate or monthly average spot rate. See Regulations section 1.6045-1(d)(6).

Transactional/aggregate reporting. Report each transaction (other than regulated futures or foreign currency contracts) on a separate Form 1099-B. Report transactions involving regulated futures or foreign currency contracts on an aggregate basis.

Substitute payments. Do not report substitute payments in lieu of dividends and tax-exempt interest as required on Form 1099-B. Instead, report these payments in **Box 8** of **Form 1099-MISC**, Miscellaneous Income. See section 6045(d) and the **Instructions for Form 1099-MISC**.

Partnership sale. Form 8308, Report of a Sale or Exchange of Certain Partnership Interests, does not have to be filed if, under section 6045, a return is required to be filed by a broker on Form 1099-B for the transfer of the partnership interest.

Exceptions. Brokers are not required to file, but may file, Form 1099-B for:

1. Sales for exempt recipients, including corporations, charitable organizations, IRAs, the United States, a state, or political subdivisions.

2. Sales initiated by dealers in securities and financial institutions.

3. Sales by custodians and trustees, provided the sale is reported on a properly filed **Form 1041**, U.S. Income Tax Return for Estates and Trusts.

4. Sales at issue price of interests in certain regulated investment companies.

5. Obligor payments on:

a. Nontransferable obligations, such as savings bonds or CDs.

b. Obligations for which gross proceeds are reported on other Forms 1099, such as stripped coupons issued before July 1, 1982.

c. Retirement of short-term obligations with original issue discount (reported on Form 1099-INT). However, Form 1099-B is required for the retirement of short-term state obligations having no original issue discount.

d. Callable demand obligations that have no premium or discount.

6. Sales of foreign currency unless under a forward or regulated futures contract that requires delivery of foreign currency.

7. Sales of fractional shares of stock if gross proceeds are less than $20.

8. Retirements of book-entry or registered form obligations if no interim transfers have occurred.

9. Exempt foreign persons as defined in Regulations section 1.6045-1(g)(1)(i).

10. Sales of Commodity Credit Corporation certificates.

11. Spot or forward sales of **agricultural commodities.** Agricultural commodities include grain, feed, livestock, meat, oil seed, timber, or fiber. A spot sale is a sale that results in almost immediate delivery of a commodity. A forward sale is a sale under a forward contract.

However, sales of agricultural commodities under a regulated futures contract, sales of derivative interests in agricultural commodities, and sales of receipts for agricultural

commodities issued by a designated warehouse are reportable. A designated warehouse is a warehouse, depository, or other similar entity designated by a commodity exchange in which or out of which a particular type of agricultural commodity is deliverable to satisfy a regulated futures contract. Sales of warehouse receipts issued by any other warehouse are not reportable.

12. A sale of a **precious metal** (gold, silver, platinum, or palladium) in any form that may be used to satisfy a Commodity Futures Trading Commission (CFTC)-approved regulated futures contract (RFC) if the quantity, by weight or by number of items, is less than the minimum required to satisfy a CFTC-approved RFC. A sale of a precious metal in any form that cannot be used to satisfy a CFTC-approved RFC is not reportable.

For example, Form 1099-B is not required to be filed for the sale of a single gold coin in the form and quality deliverable in satisfaction of a CFTC-approved contract because all CFTC contracts for gold coins currently call for delivery of at least 25 coins.

Sales of precious metals for a single customer during a 24-hour period must be aggregated and treated as a single sale to determine if this exception applies. This exception does not apply if the broker knows or has reason to know that a customer, either alone or with a related person, is engaging in sales to avoid information reporting.

13. Grants or purchases of options, exercises of call options, or entering into contracts that require delivery of personal property or an interest therein.

Barter Exchanges

A **barter exchange** is any person or organization with members or clients that contract with each other (or with the barter exchange) to jointly trade or barter property or services. The term does not include arrangements that provide solely for the informal exchange of similar services on a noncommercial basis. Persons who do not contract a barter exchange but who trade services do not file Form 1099-B. However, they may be required to file Form 1099-MISC.

Transactional/aggregate reporting. Barter exchanges involving noncorporate members or clients must report each transaction on a separate Form 1099-B. Transactions involving corporate members or clients of a barter exchange may be reported on an aggregate basis.

Member information. In the recipient area of the forms, enter information about the member or client that provided the property or services in the exchange.

Exceptions. Barter exchanges are not required to file Form 1099-B for:

1. Exchanges through a barter exchange having fewer than 100 transactions during the year.

2. Exempt foreign persons as defined in Regulations section 1.6045-1(g)(1)(i).

3. Exchanges involving property or services with a fair market value of less than $1.00.

Brokers and Barter Exchanges

Statements to recipients. If you are required to file Form 1099-B, you must provide a statement to the recipient. For more information about the requirement to furnish a statement to the recipient, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

2nd TIN not. You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

Box 1a. Date of Sale

For broker transactions, enter the trade date of the sale or exchange. For barter exchanges, enter the date that cash, property, a credit, or scrip is actually or constructively received.

Box 1b. CUSIP No.

For transactional reporting by brokers, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the obligation.

Box 2. Stocks, Bonds, etc.

Enter the gross proceeds from any disposition of securities (including short sales), commodities, or forward contracts. To determine gross proceeds, you may take into account commissions and option premiums if this treatment is consistent with your books. You may not take into account state and local transfer taxes. Check the applicable box to indicate which amount has been reported to the IRS. Do not include amounts shown in boxes 6 through 9. Show a loss from a closing transaction on a forward contract as a negative amount by enclosing it in parentheses.

Do not include any accrued interest on bonds sold between payment dates (or on a payment date) in this box. Instead, report this accrued interest on Form 1099-INT.

Box 3. Bartering

Enter the gross amounts received by a member or client of a barter exchange. This includes cash received, the fair market value of any property or services received, and the fair market value of any trade credits or scrip credited to the member's or client's account. However, do not include amounts received by a member or client in a subsequent exchange of credits or scrip. **Do not report negative amounts.**

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TIN to you in the manner required are subject to withholding at a 30% rate on certain amounts required to be reported on this form.

Box 5. Description

For broker transactions, enter a brief description of the disposition item (e.g., 100 shares of XYZ Corp. stock). If necessary, abbreviate the description so that it fits within box 5. For regulated futures contracts and forward contracts, enter "RFC" or other appropriate description.

For bartering transactions, show the services or property provided.

Regulated Futures Contracts—Brokers only:

Box 6. Profit or (Loss) Realized in 2002

Enter the profit or (loss) realized by the customer on closed regulated futures or foreign currency contracts in 2002.

Box 7. Unrealized Profit or (Loss) on Open Contracts—12/31/2001

Enter the unrealized profit or (loss) on open regulated futures or foreign currency contracts at the end of 2001.

Box 8. Unrealized Profit or (Loss) on Open Contracts—12/31/2002

Enter the unrealized profit or (loss) on open regulated futures or foreign currency contracts at the end of 2002.

Box 9. Aggregate Profit or (Loss)

Enter the aggregate profit or (loss) for the year from regulated futures or foreign currency contracts. Use boxes 6, 7, and 8 to figure the aggregate profit or (loss).

2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-DIV

Section references are to the Internal Revenue Code.

What's New for 2002?

Recent legislation reduced the backup withholding rate. The backup withholding rate will be 30% for reportable payments made in 2002 and 2003.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-DIV

File **Form 1099-DIV**, Dividends and Distributions, for each person:

- To whom you have paid dividends (including capital gains dividends) and other distributions on stock of $10 or more,
- For whom you have withheld and paid any foreign tax on dividends and other distributions on stock,
- For whom you have withheld any Federal income tax under the backup withholding rules, or
- To whom you paid $600 or more as part of a liquidation.

Dividends

If you make a payment that may be a dividend but you are unable to determine whether any part of the payment is a dividend by the time you must file Form 1099-DIV, the entire payment must be reported as a dividend. See regulations under section 6042 for a definition of dividends.

Exceptions

You are not required to report on Form 1099-DIV the following:

1. Taxable dividend distributions from life insurance contracts. Taxable dividend distributions from life insurance contracts are reported on **Form 1099-R**, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

2. Exempt-interest dividends from regulated investment companies. Exempt-interest dividends from regulated investment companies retain their tax-exempt status and are not reported on Form 1099-DIV or **1099-INT**, Interest Income. Instead, see section 852(b)(5) for reporting requirements.

3. Substitute payments in lieu of dividends. For payments received by a broker on behalf of a customer in lieu of dividends as a result of the transfer of a customer's securities for use in a short sale, see **Box 8** in the **2002 Instructions for Form 1099-MISC**.

4. Payments made to certain payees. Payments made to certain payees including a corporation, tax-exempt organization, any IRA, U.S. agency, state, the District of Columbia, U.S. possession, or registered securities or commodities dealer are not reported on Form 1099-DIV.

TIP *Certain distributions commonly referred to as "dividends" are actually interest and are to be reported on Form 1099-INT. These include so-called "dividends" on deposit or on share accounts in cooperative banks, credit unions, domestic building and loan associations, domestic and Federal savings and loan associations, and mutual savings banks.*

Section 404(k) Dividend

Report on Form 1099-DIV dividends distributed under section 404(k) on stock held by an employee stock ownership plan (ESOP) or a tax credit ESOP. If a section 404(k) distribution is made in the same year as a total distribution from the ESOP, you may report the entire amount on Form 1099-R or you may report the dividends on Form 1099-DIV and the remaining amount on Form 1099-R.

TIP *Section 404(k) dividends are not subject to backup withholding.*

RICs and REITs

Dividend payment delayed until January. If a regulated investment company (RIC) or a real estate investment trust (REIT) declares a dividend in October, November, or December payable to shareholders of record on a specified date in such a month, the dividends are treated as paid by the RIC or REIT and received by the shareholders on December 31 of such year as long as the dividends are actually paid by the RIC or REIT during January of the following year. Report the dividends on Form 1099-DIV for the year preceding the January they are actually paid. See sections 852(b)(7) and 857(b)(9).

If a dividend paid in January is subject to backup withholding, withhold when the dividend is actually paid. Therefore, backup withhold in January, deposit the withholding when appropriate, and reflect it on **Form 945**, Annual Return of Withheld Federal Income Tax, for the year withheld. However, since the dividend is reportable on Form 1099-DIV in the prior year, the related backup withholding is also reportable on the prior year Form 1099-DIV.

Qualified 5-year gain. If any part of the capital gain distribution reported in box 2a is qualified 5-year gain, report the gain in box 2c, **Qualified 5-year gain**. Taxed at a rate of 8%, qualified 5-year gain is the aggregate long-term capital gain taken into account by the RIC or REIT in a tax year beginning after December 31, 2000, from property held for more than 5 years. The qualified 5-year gain is determined without regard to collectibles gain, unrecaptured section 1250 gain (described in section 1(h)(7)(A)(i)) from certain depreciable real property, and gain on qualified small business stock.

Qualified small business stock—RICs. Under section 1202, a 50% exclusion may be allowed on the gain from the sale or exchange of qualified small business stock (QSBS) issued after August 10, 1993, and held for more than 5 years. If any part of the capital gain distribution reported in box 2a may qualify for

this exclusion (taking into consideration the shareholder's holding period), report the gain in box 2e, and furnish the recipient a statement that reports separately for each designated section 1202 gain the:

- Name of the corporation that issued the stock that was sold,
- Date(s) on which the RIC acquired the stock,
- Date sold,
- Shareholder's part of the sales price,
- Shareholder's part of the RIC's basis in the stock, and
- Amount of the shareholder's section 1202 gain.

Restricted Stock

For information about reporting dividends on restricted stock, see Rev. Procs. 80-11, 1980-1 C.B. 616, and 83-38, 1983-1 C.B. 773, and Rev. Rul. 83-22, 1983-1 C.B. 17.

Statements to Recipients

If you are required to file Form 1099-DIV, you must provide a statement to the recipient. For information about the requirement to furnish an official or acceptable substitute Form 1099-DIV to recipients in person or by statement mailing, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

2nd TIN Not.

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

Box 1. Ordinary Dividends

Enter ordinary dividends, including dividends from money market funds, net short-term capital gains from mutual funds, and other distributions on stock. Include reinvested dividends and section 404(k) dividends. Include the recipient's share of investment expenses that you report in box 5.

CAUTION *An S corporation reports as dividends on Form 1099-DIV **only** distributions made during 2002 out of accumulated earnings and profits. See section 1368 for more information.*

Box 2a. Total Capital Gain Distr.

Enter total capital gain distributions (long-term). Include all amounts shown in boxes 2b, 2c, 2d, and 2e.

TIP *For more information about reporting amounts in boxes 2a through 2e, see Notice 97-64, 1997-2 C.B. 323, and section 1(h).*

Box 2b. 28% Rate Gain

Enter any amount included in box 2a that is a 28% rate gain from sales or exchanges of collectibles.

Box 2c. Qualified 5-Year Gain

Enter any amount included in box 2a that is a qualified 5-year gain. See **Qualified 5-year gain** on page DIV-1.

Box 2d. Unrecap. Sec. 1250 Gain

Enter any amount included in box 2a that is an unrecaptured section 1250 gain from certain depreciable real property.

Box 2e. Section 1202 Gain

Enter any amount included in box 2a that is a section 1202 gain from certain qualified small business stock. See **Qualified small business stock—RICs** on page DIV-1.

Box 3. Nontaxable Distributions

Enter nontaxable distributions, if determinable.

TIP *File **Form 5452,** Corporate Report of Nondividend Distributions, if you pay nontaxable distributions to shareholders.*

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, if a recipient does not furnish its TIN to you in the manner required, you must backup withhold at a 30% rate on certain dividend payments reported on this form. Use **Form W-9**, Request for Taxpayer Identification Number and Certification, to request the TIN of the recipient.

Box 5. Investment Expenses

Enter the stockholder's pro rata share of certain amounts deductible by a nonpublicly offered RIC in computing its taxable income. This amount is includible in the stockholder's gross income under section 67(c) and must also be included in box 1.

Box 6. Foreign Tax Paid

Enter any foreign tax withheld and paid on dividends and other distributions on stock. A RIC must report only the amount it elects to pass through to the shareholder. Report this amount in U.S. dollars.

Box 7. Foreign Country or U.S. Possession

Enter the name of the foreign country or U.S. possession to which the withheld tax applies.

CAUTION *Boxes 8 and 9 apply only to corporations in partial or complete liquidation. Do not include these amounts in box 1.*

Box 8. Cash Liquidation Distr.

Enter cash distributed as part of a liquidation.

Box 9. Noncash Liquidation Distr.

Enter noncash distributions made as part of a liquidation. Show the fair market value as of the date of distribution.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-G

Section references are to the Internal Revenue Code.

What's New for 2002?

The following changes are the result of the Economic Growth and Tax Relief Reconciliation Act of 2001.

Revised title of Form 1099-G. Form 1099-G is retitled **Certain Government Payments.** Distributions of earnings from a qualified tuition program are reported on new **Form 1099-Q,** Qualified Tuition Program Payments (Under Section 529), **not** Form 1099-G.

Backup withholding rate. The backup withholding rate is reduced to 30% for reportable payments made in 2002 and 2003.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**. Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-G

File **Form 1099-G**, Certain Government Payments, if you made certain payments as a unit of a Federal, state, or local government.

Statements to Recipients

If you are required to file Form 1099-G, you must provide a statement to the recipient. Furnish a copy of Form 1099-G or an acceptable substitute statement to each recipient, except as explained below under **Box 2**, State or Local Income Tax Refunds, Credits, or Offsets. Also, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1. Unemployment Compensation

Enter payments of $10 or more in unemployment compensation including Railroad Retirement Board payments for unemployment. Enter the total amount before any income tax was withheld. If you withhold Federal income tax at the request of the recipient, enter it in box 4.

Box 2. State or Local Income Tax Refunds, Credits, or Offsets

Enter refunds, credits, or offsets of state or local income tax of $10 or more you made to recipients. If recipients deducted the tax paid to a state or local government on their Federal income tax returns, any refunds, credits, or offsets may be taxable to them. You are not required to furnish a copy of Form 1099-G or a substitute statement to the recipient if you can determine that the recipient did not claim itemized deductions on the recipient's Federal income tax return for the tax year giving rise to the refund, credit, or offset. However, you must file Form 1099-G with the IRS in all cases.

A tax on dividends, a tax on net gains from the sale or exchange of a capital asset, and a tax on the net taxable income of an unincorporated business are taxes on gain or profit rather than on gross receipts. Therefore, they are income taxes, and any refund, credit, or offset of $10 or more of these taxes is reportable on Form 1099-G. In the case of the dividends tax and the capital gains tax, if you determine that the recipient did not itemize deductions, as explained above, you are not required to furnish a Form 1099-G or substitute statement to the recipient. However, in the case of the tax on unincorporated businesses, you must furnish a Form 1099-G or substitute statement to the recipient in all cases, as this is a tax that applies exclusively to income from a trade or business. See **Box 8**, Trade or Business Income (Checkbox), on page G-2 and Rev. Rul. 86-140, 1986-2 C.B. 195.

If you pay **interest** of $600 or more on the refund, you must file **Form 1099-INT**, Interest Income, and furnish a statement to the recipient. For interest payments of less than $600, you may choose to enter the amount with an appropriate designation such as "Interest Income" in the blank box on Copy B of the Form 1099-G.

Box 3. Box 2 Amount Is For Tax Year

No entry is required in box 3 if the refund, credit, or offset is for the 2001 tax year. If it is for any other tax year, enter the **year** for which the refund, credit, or offset was made. Also, if the refunds, credits, or offsets are for more than 1 tax year, report the amount for each year on a separate Form 1099-G. Use the format "YYYY" to make the entry in this box. For example, enter 2000, not '00.

Box 4. Federal Income Tax Withheld

Backup withholding. Enter backup withholding at a 30% rate on payments required to be reported in box 6 or 7. For example, if a recipient does not furnish its taxpayer identification number (TIN) to you, you must backup withhold.

Voluntary withholding. Enter any voluntary Federal withholding on unemployment compensation, Commodity Credit Corporation loans, and certain crop disaster payments. If you withheld state income tax, you may label it and report it on the statement to the recipient. However, you are not required to report state withholding to the IRS.

Box 5. Blank Box

Make no entry in this box.

Box 6. Taxable Grants

Enter any amount of a taxable grant administered by a Federal, state, or local program to provide subsidized energy financing or grants for projects designed to conserve or produce energy, but only with respect to section 38 property or a dwelling unit located in the United States. Also, enter any amount of a taxable grant administered by an Indian tribal government.

Report amounts of other taxable grants of $600 or more. A Federal grant is ordinarily taxable unless stated otherwise in the legislation authorizing the grant. **Do not** report scholarship or

fellowship grants. See **Scholarships** in the **Instructions for Form 1099-MISC**.

Box 7. Agriculture Payments

Enter USDA agricultural subsidy payments made during the year. If you are a nominee that received subsidy payments for another person, file Form 1099-G to report the actual owner of the payments, and report the amount of the payments in box 7.

Box 8. Trade or Business Income (Checkbox)

If the amount in box 2 is a refund, credit, or offset attributable to an income tax that applies exclusively to income from a trade or business and is not a tax of general application, enter an “X” in this box.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Forms 1099-INT and 1099-OID

Section references are to the Internal Revenue Code unless otherwise noted.

What's New for 2002?

Backup withholding. Recent legislation reduced the backup withholding rate. The backup withholding rate will be 30% for reportable payments made in 2002 and 2003.

An Item To Note

General instructions. In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-INT

File **Form 1099-INT**, Interest Income, for each person

1. To whom you paid amounts reportable in boxes 1 and 3 of at least $10 (or at least $600 of interest paid in the course of your trade or business described in the instructions for **Box 1. Interest Income** below),

2. For whom you withheld and paid any foreign tax on interest, or

3. From whom you withheld (and did not refund) any Federal income tax under the backup withholding rules regardless of the amount of the payment.

Report only interest payments made in the course of your trade or business including Federal, state, and local government agencies and activities deemed nonprofit, or for which you were a nominee/middleman. Report interest that is treated as original issue discount (OID) in box 1 or 6 of **Form 1099-OID**, Original Issue Discount, not on Form 1099-INT.

Canadian nonresident aliens. If you pay U.S. bank deposit interest of at least $10 to a nonresident alien who resides in Canada, you may have to report the interest on **Form 1042-S**, Foreign Person's U.S. Source Income Subject to Withholding. This interest is not subject to backup withholding. See the **Instructions for Form 1042-S**.

Exceptions. You are not required to file Form 1099-INT for payments made to certain payees including a corporation, a tax-exempt organization, any IRA or Archer MSA, a U.S. agency, a state, the District of Columbia, a U.S. possession, a registered securities or commodities dealer, nominees or custodians, brokers, or notional principal contract (swap) dealers.

In addition, you are not required to file Form 1099-INT for interest on an obligation issued by an individual, interest on a tax-exempt obligation, interest on amounts from sources outside the United States paid outside the United States by a non-U.S. payer or non-U.S. middleman, certain portfolio interest, interest on an obligation issued by an international organization and paid by that organization, and payments made to a foreign beneficial owner or foreign payee.

Other exceptions may apply. See Regulations sections 1.6049-4 and 1.6049-5.

TIP *Do not report tax-exempt or tax-deferred interest, such as interest on municipal bonds or interest that is earned but not distributed from an IRA.*

An exempt-interest dividend from a regulated investment company retains its tax-exempt status and is not reported on Form 1099-INT or **Form 1099-DIV**, Dividends and Distributions.

When is a payment made? Generally, interest is paid when it is credited or set apart for a person without any substantial limitation or restriction as to the time, manner, or condition of payment. The interest must be made available so that it may be drawn on at any time and its receipt brought within the control and disposition of the person.

For payments made on obligations subject to transactional reporting (e.g., savings bonds, interest coupons, and other demand obligations), interest is paid at the time the obligation is presented for payment. For example, interest on a coupon detached from a bond is paid when it is presented for payment.

Reporting Interest and OID. If you are reporting interest and original issue discount (OID) on any obligation, you may report both the interest and the OID on Form 1099-OID. It is not necessary to file both Forms 1099-INT and 1099-OID. On Form 1099-OID, report the interest in box 2 and the OID in box 1 or 6. However, you may choose to report the interest on Form 1099-INT and the OID on Form 1099-OID.

Statements to recipients. If you are required to file Form 1099-INT, you must furnish a statement to the recipient. For more information about the requirement to furnish an official form or acceptable substitute statement to recipients in person or by statement mailing, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**. If you have furnished Forms 1099-INT to a recipient for amounts received during the year at the time of the transaction, such as you might have done for window transactions, do not include these same amounts in a Form 1099-INT furnished to the same recipient for other payments during the year.

2nd TIN not. You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

Payer's RTN (optional). If you are a financial institution that wishes to participate in the program for direct deposit of refunds, you may enter your routing and transit number (RTN).

Box 1. Interest Income

Enter interest not included in box 3. Include amounts of $10 or more, whether or not designated as interest, that are paid or credited to the person's account by savings and loan associations, mutual savings banks not having capital stock represented by shares, building and loan associations, cooperative banks, homestead associations, credit unions, or similar organizations. Include interest on bank deposits, accumulated dividends paid by a life insurance company, indebtedness (including bonds, debentures, notes, and certificates other than those of the U.S. Treasury) issued in registered form or of a type offered to the public, or amounts from which you withheld Federal income tax or foreign tax. In addition, report interest of $10 or more accrued to a real estate mortgage investment conduit (REMIC) or financial asset

securitization investment trust (FASIT) regular interest holder or paid to a collateralized debt obligation (CDO) holder, as explained below.

Also include interest of $600 or more paid in the course of your trade or business not meeting the above criteria, such as interest on delayed death benefits paid by a life insurance company, interest received with damages, interest on a state or Federal income tax refund, or interest attributable to a swap with significant nonperiodic payments.

Include in box 1 any accrued interest on bonds sold between interest dates (or on a payment date). Also show OID on short-term obligations of 1 year or less and interest on all bearer certificates of deposit.

Do not include in box 1 interest on tax-free covenant bonds or dividends from money market funds (which are reportable on Form 1099-DIV). Do not include any description in box 1, but if you wish to show a description, use the blank box above box 1.

Box 2. Early Withdrawal Penalty

Enter interest or principal forfeited because of an early withdrawal of time deposits, such as an early withdrawal from a certificate of deposit (CD), that is deductible from gross income by the recipient. Do not reduce the amount reported in box 1 by the amount of the forfeiture. For detailed instructions for determining the amount of forfeiture deductible by the depositor, see Rev. Ruls. 75-20, 1975-1 C.B. 29, and 75-21, 1975-1 C.B. 367.

Box 3. Interest on U.S. Savings Bonds and Treas. Obligations

Enter interest on U.S. Savings Bonds, Treasury bills, Treasury notes, and Treasury bonds. Do not include in box 1.

If you make payment on a U.S. Savings Bond or other U.S. obligation on which interest is reportable, enter **your** name, address, and Federal identification number on Form 1099-INT and **Form 1096**, Annual Summary and Transmittal of U.S. Information Returns, not those of the U.S. Treasury Department or the Bureau of Public Debt.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, if a recipient does not furnish its TIN to you in the manner required, you must backup withhold at a 30% rate on payments required to be reported in box 1 (which may be reduced by the amount reported in box 2) and box 3 on this form.

For information on requesting the recipient's TIN, see part **F** in the General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 5. Investment Expenses

For single-class REMICs only, see **Box 5. Investment Expenses** under **Rules for REMICs, FASITs, and Issuers of CDOs** below.

Box 6. Foreign Tax Paid

Enter any foreign tax withheld and paid on interest. Report this amount in U.S. dollars.

Box 7. Foreign Country or U.S. Possession

Enter the name of the foreign country or U.S. possession to which the withheld tax applies.

Rules for REMICs, FASITs, and Issuers of CDOs

REMICs, holders of ownership interests in FASITs, issuers of CDOs, and any broker or middleman who holds as a nominee a REMIC or FASIT regular interest or CDO must file Form 1099-INT. The form is used to report interest of $10 or more, other than OID, accrued to a REMIC or FASIT regular interest holder during the year or paid to a holder of a CDO. If you are also reporting OID, this interest and the OID can be reported on Form 1099-OID. You do not have to file both Forms 1099-INT and 1099-OID.

You are not required to file or issue Form 1099-INT for exempt recipients including the following:

- A corporation.
- A broker.
- A middleman/nominee.
- A financial institution.
- Any IRA or Archer MSA.
- A tax-exempt organization.

For additional exempt recipients, see Regulations section 1.6049-7(c).

Box 1. Interest Income

Report in box 1 the amount of interest, other than OID, accrued to each REMIC or FASIT regular interest holder or paid to a CDO holder for the period during the year for which the return is made. If you are a single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)), increase the amount otherwise reportable in box 1 by the regular interest holder's share of investment expenses of the REMIC for the year. No amount should be reported in box 3.

Box 5. Investment Expenses

Enter the regular interest holder's pro rata share of investment expenses deductible by a single-class REMIC.

Statements to holders. For each Form 1099-INT you are required to file, you must furnish a statement to the REMIC or FASIT regular interest or CDO holder identified on the form. The statement must contain the information shown on Form 1099-INT, including the legend shown on Copy B of the official Form 1099-INT, and an indication that these items are being furnished to the IRS. The statement also must show the information specified in Regulations section 1.6049-7(f)(2)(i). In addition, the statement furnished by a REMIC must show, for each calendar quarter, the information specified in Regulations section 1.6049-7(f)(3). Also see Regulations section 1.6049-7(f)(3)(ii) for information that may be required to be reported to a real estate investment trust (REIT) that holds a REMIC regular interest.

A single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)) must include in the statement the investment expenses paid or accrued during each calendar quarter by the REMIC for which the REMIC is allowed a deduction under section 212 and the proportionate share of those investment expenses allocated to the regular interest holder.

The statement must be furnished to holders by **March 15**. To meet the statement requirement, you may furnish a copy of Form 1099-INT and a separate statement containing the additional information to the REMIC or FASIT regular interest or CDO holder.

For information about reporting income to REMIC residual interest holders, see the instructions for **Schedule Q (Form 1066)**, Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, in the separate **Instructions for Form 1066**.

Form 8811 and reporting by brokers or middlemen. REMICs, holders of ownership interests in FASITs, and issuers of CDOs must also file **Form 8811**, Information Return for Real Estate Mortgage Investment Conduits (REMICs) and Issuers of Collateralized Debt Obligations, within 30 days after the start-up date of the REMIC or issue date of a FASIT regular interest or CDO. The IRS will use the information on Forms 8811 to update **Pub. 938**, Real Estate Mortgage Investment Conduits (REMICs) Reporting Information, for use by certain brokers, middlemen, corporations, and others specified in Regulations section 1.6049-7(e)(4). Pub. 938 is available only on the IRS Web Site at **www.irs.gov**.

For the requirements that a REMIC or CDO issuer (including the holder of the ownership interest in a FASIT) or a broker or middleman who holds a REMIC or FASIT regular interest or a CDO furnish certain information on request, see Regulations sections 1.6049-7(e) and 1.6049-7(f)(7).

For more information about FASITs, see sections 860H through 860L.

Specific Instructions for Form 1099-OID

File **Form 1099-OID**, Original Issue Discount, if the original issue discount (OID) includible in gross income is at least $10 and you are any of the following:

- An issuer with any bond outstanding or other evidence of indebtedness in registered or bearer form issued with OID;
- An issuer of a certificate of deposit (CD) made, purchased, or renewed after 1970 if the CD has OID and a term of more than 1 year;
- A financial institution having other deposit arrangements, such as time deposits or bonus-savings plans, if the arrangements have OID and a term of more than 1 year;
- A broker or other middleman holding an OID obligation, including CDs, as nominee for the actual owner; or
- A real estate mortgage investment conduit (REMIC), a holder of an ownership interest in a financial asset securitization investment trust (FASIT), or an issuer of a collateralized debt obligation (CDO).

Also, file Form 1099-OID for any person for whom you withheld and paid any foreign tax on OID or from whom you withheld (and did not refund) any Federal income tax under the backup withholding rules even if the amount of the OID is less than $10.

Original issue discount. OID is the excess of an obligation's stated redemption price at maturity over its issue price (acquisition price for a stripped bond or coupon). A discount of less than ¼ of 1% of the stated redemption price at maturity, multiplied by the number of full years from the date of issue to maturity, is considered to be zero.

Reporting OID. You must prepare a Form 1099-OID for each person who is a holder of record of the obligation if the OID includible in the holder's gross income is at least $10.

For a discussion of the reporting requirements for REMICs, FASITs, and CDOs, see the instructions on page INT-4.

Ordinarily, you will file only one Form 1099-OID for the depositor or holder of a particular obligation for the calendar year. If a person holds more than one discount obligation, issue a separate Form 1099-OID for each obligation. However, if a person holds more than one certificate of the same issue for the same period of time during the calendar year, and if Form 1099-OID amounts are proportional, you may treat all such certificates as one discount obligation and file a single Form 1099-OID.

For information about how to compute OID, see sections 1271-1275 and their regulations.

If you are a **broker** or **middleman** who holds a bank CD as nominee, whether or not you sold the CD to the owner, you must determine the amount of OID includible in the income of the owner, if any, and report it on Form 1099-OID.

Pub. 1212, List of Original Issue Discount Instruments, contains information on certain outstanding publicly offered discount obligations. It is available on the IRS Web Site at **www.irs.gov**.

Issuers of certain publicly offered debt instruments having OID must file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments, within 30 days after the date of issuance. The information provided on that form will enable the IRS to update Pub. 1212. See Form 8281 for details.

Exceptions. You are not required to file Form 1099-OID for payments made to certain payees including a corporation, a tax-exempt organization, any IRA, an Archer MSA or Medicare+Choice MSA, a U.S. agency, a state, the District of Columbia, a U.S. possession, or a registered securities or commodities dealer.

CAUTION *Report interest on U.S. Savings Bonds on Form 1099-INT. Also report OID on obligations with a term of 1 year or less on Form 1099-INT.*

Reporting Interest and OID. If you are reporting stated interest and OID on an obligation, you may report both the interest and the OID on Form 1099-OID. It is not necessary to file both Forms 1099-INT and 1099-OID. On Form 1099-OID, report the interest in box 2 and the OID in box 1 or 6. However, you may choose to report the interest on Form 1099-INT and the OID on Form 1099-OID.

Statements to recipients. If you are required to file Form 1099-OID, you must furnish a statement to the recipient. For more information about the requirement to furnish an official form or acceptable substitute statement to recipients in person or by statement mailing, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

2nd TIN not. You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

Box 1. Original Issue Discount for 2002

Report the OID on the obligation for the part of the year it was owned by the record holder. Do not include the amount reported in box 6. For a discussion of REMICs, FASITs, and CDOs, see the instructions on page INT-4.

Box 2. Other Periodic Interest

Enter any stated interest (that is not OID) paid or credited on this obligation during the year. However, you may report any stated interest that is not OID on Treasury Inflation-Indexed Securities in box 3 of Form 1099-INT rather than in box 2 of Form 1099-OID. Interest reported here must not be reported on Form 1099-INT. For a discussion of REMICs, FASITs, and CDOs, see the instructions on page INT-4.

Box 3. Early Withdrawal Penalty

Enter interest or principal forfeited because of an early withdrawal, such as an early withdrawal from a CD, that is deductible from gross income by the recipient. Do not reduce the amounts in boxes 1 and 2 by the amount of the forfeiture. For detailed instructions for determining the amount of forfeiture deductible by the holder, see Rev. Ruls. 75-20, 1975-1 C.B. 29, and 75-21, 1975-1 C.B. 367.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, if a recipient does not furnish its TIN to you in the manner required, you must backup withhold at a 30% rate. The 30% applies to amounts required to be reported in boxes 1, 2, and 6 but limited to the cash paid on these obligations. Before applying the 30%, you may reduce the amounts reported in boxes 1 and 2 by the amount reported in box 3.

For information on requesting the recipient's TIN, see part **F** in the General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 5. Description

Enter the CUSIP (Committee on Uniform Security Identification Procedures) number, if any. If there is no CUSIP number, enter the abbreviation for the stock exchange, the abbreviation for the issuer used by the stock exchange, the coupon rate, and the year of maturity (e.g., NYSE XYZ 12½ 25). If the issuer of the obligation is other than the payer, show the name of the issuer.

Box 6. Original Issue Discount on U.S. Treasury Obligations

Enter the OID on a U.S. Treasury obligation for the part of the year it was owned by the record holder. Do not include this amount in box 1. You may enter any stated interest on the Treasury obligation in box 2.

If you make payment on a U.S. Treasury obligation on which OID is reportable, enter **your** name, address, and Federal identification number on Forms 1099-OID and 1096, not those of the U.S. Treasury Department or the Bureau of Public Debt.

Box 7. Investment Expenses

For single-class REMICs only, see **Box 7. Investment Expenses** under **Rules for REMICs, FASITs, and Issuers of CDOs** on page INT-4.

Rules for REMICs, FASITs, and Issuers of CDOs

REMICs, holders of ownership interests in FASITs, issuers of CDOs, and any broker or middleman who holds as a nominee a REMIC or FASIT regular interest or CDO must file Form 1099-OID. The form is used to report OID of $10 or more accrued to a REMIC or FASIT regular interest holder or to a holder of a CDO. Also use Form 1099-OID to report other interest accrued to a REMIC or FASIT regular interest holder during the year or paid to a holder of a CDO. You may use Form 1099-INT rather than Form 1099-OID to report interest for an instrument issued with OID if no OID is includible in the regular interest holder's or CDO holder's income for the year.

You are not required to file or issue Form 1099-OID for exempt recipients including the following:

- A corporation.
- A broker.
- A middleman/nominee.
- A financial institution.
- Any IRA or Archer MSA.
- A tax-exempt organization.

For additional exempt recipients, see Regulations section 1.6049-7(c).

Box 1. Original Issue Discount for 2002

Report in box 1 the aggregate amount of OID includible in the gross income of each REMIC or FASIT regular interest or CDO holder for the period during the year for which the return is made. No amount should be reported in box 6.

Box 2. Other Periodic Interest

Report in box 2 any amount of interest, other than OID, accrued to each REMIC or FASIT regular interest holder or paid to each CDO holder. If you are a single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)), increase the amount otherwise reportable in box 2 by the regular interest holder's share of investment expenses of the REMIC for the year.

Box 7. Investment Expenses

Enter the regular interest holder's pro rata share of investment expenses deductible by a single-class REMIC.

Statements to holders. For each Form 1099-OID you are required to file, you must furnish a statement to the REMIC or FASIT regular interest or CDO holder identified on the form. The statement must contain the information shown on Form 1099-OID, including the legend shown on Copy B of the official Form 1099-OID, and an indication that these items are being furnished to the IRS. The statement also must show the information specified in Regulations section 1.6049-7(f)(2)(ii). In addition, the statement furnished by a REMIC must show, for each calendar quarter, the information specified in Regulations section 1.6049-7(f)(3). Also see Regulations section 1.6049-7(f)(3)(ii) for information that may be required to be reported to a real estate investment trust (REIT) that holds a REMIC regular interest.

A single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)) must include in the statement the investment expenses paid or accrued during each calendar quarter by the REMIC for which the REMIC is allowed a deduction under section 212 and the proportionate share of those investment expenses allocated to the regular interest holder.

The statement must be furnished to holders by **March 15**. To meet the statement requirement, you may furnish a copy of Form 1099-OID and a separate statement containing the additional information to the REMIC or FASIT regular interest or CDO holder.

For information about reporting income to REMIC residual interest holders, see the instructions for **Schedule Q (Form 1066)**, Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, in the separate **Instructions for Form 1066**.

Form 8811 and reporting by brokers or middlemen. REMICs, holders of ownership interests in FASITs, and issuers of CDOs must also file **Form 8811**, Information Return for Real Estate Mortgage Investment Conduits (REMICs) and Issuers of Collateralized Debt Obligations, within 30 days after the start-up date of the REMIC or issue date of a FASIT regular interest or CDO. The IRS will use the information on Forms 8811 to update **Pub. 938**, Real Estate Mortgage Investment Conduits (REMICs) Reporting Information, for use by certain brokers, middlemen, corporations, and others specified in Regulations section 1.6049-7(e)(4). Pub. 938 is available only on the IRS Web Site at **www.irs.gov**.

For the requirements that a REMIC or CDO issuer (including the holder of the ownership interest in a FASIT) or a broker or middleman who holds a REMIC or FASIT regular interest or a CDO furnish certain information on request, see Regulations sections 1.6049-7(e) and 1.6049-7(f)(7).

For more information about FASITs, see sections 860H through 860L.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-LTC

Section references are to the Internal Revenue Code.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-LTC

File **Form 1099-LTC**, Long-Term Care and Accelerated Death Benefits, if you pay any long-term care benefits.

Long-Term Care Benefits

Long-term care benefits means—

1. Any payments made under a product that is advertised, marketed, or offered as long-term care insurance (whether qualified or not) and

2. Accelerated death benefits (excludable in whole or in part from gross income under section 101(g)) paid under a life insurance contract or paid by a viatical settlement provider.

Accelerated Death Benefits

An accelerated death benefit is any amount paid under a life insurance contract for an insured individual who is terminally or chronically ill. It also includes any amount paid by a viatical settlement provider for the sale or assignment of a death benefit under a life insurance contract for a chronically or terminally ill individual.

Who Must File

File Form 1099-LTC if you paid any long-term care benefits, including accelerated death benefits. Payers include insurance companies, governmental units, and viatical settlement providers.

Viatical Settlement Providers

A viatical settlement provider is any person who—

1. Is regularly engaged in the trade or business of purchasing or taking assignments of life insurance contracts on the lives of terminally or chronically ill individuals and

2. Is licensed in the state where the insured lives. If licensing is not required in the state, the provider must meet other requirements (including those below) depending on whether the insured is terminally or chronically ill.

- If the insured is terminally ill, the provider must meet the requirements of sections 8 and 9 of the Viatical Settlements Model Act of the National Association of Insurance Commissioners (NAIC), relating to disclosure and general rules. The provider must also meet the requirements of the Model Regulations of the NAIC for evaluating the reasonableness of amounts paid in viatical settlement transactions with terminally ill individuals.
- If the insured is chronically ill, the provider must meet requirements similar to those of sections 8 and 9 of the Viatical Settlements Model Act of the NAIC and must also meet any standards of the NAIC for evaluating the reasonableness of amounts paid in viatical settlement transactions with chronically ill individuals.

Qualified Long-Term Care Insurance Contract

A contract issued after 1996 is a qualified long-term care insurance contract if it meets the requirements of section 7702B, including the requirement that the insured must be a chronically ill individual (see **Chronically ill Individual** below). A contract issued before 1997 generally is treated as a qualified long-term care insurance contract if it met state law requirements for long-term care insurance contracts and it has not been materially changed.

Chronically ill Individual

A chronically ill individual is someone who has been certified (at least annually) by a licensed health care practitioner as—

1. Being unable to perform, without substantial assistance from another individual, at least two daily living activities (eating, toileting, transferring, bathing, dressing, and continence) for at least 90 days due to a loss of functional capacity; or

2. Having a level of disability similar to the level of disability in **1** above (as prescribed by regulations); or

3. Requiring substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment.

Terminally ill Individual

A terminally ill individual is someone who has been certified by a physician as having an illness or physical condition that can reasonably be expected to result in death in 24 months or less.

Reporting

Report payments only if the policyholder is an individual. Reportable payments are those made to the policyholder, to the insured, or to a third party.

You may report benefits paid from each contract on a separate Form 1099-LTC. At your option, you may aggregate benefits paid under multiple contracts on one Form 1099-LTC if the same information is reportable on the form for each contract (other than the amount of benefits paid).

Policyholder

The policyholder is the individual who owns the contract, including the owner of a contract sold or assigned to a viatical settlement provider. In the case of a group contract, the term policyholder includes the certificate holder (or similar participant). You must report long-term care benefits to the policyholder even if the payments were made to the insured or to a third party (e.g., a nursing home, caretaker, or physician). The policyholder also may be the insured.

Enter the name, address, and taxpayer identification number (TIN) of the policyholder on Form 1099-LTC. If the policyholder is not an individual, no reporting is required.

Insured

The insured is the chronically or terminally ill individual on whose behalf long-term care benefits are paid.

Enter the name, address, and TIN of the insured on Form 1099-LTC.

Statement to Policyholder and Insured

If you are required to file Form 1099-LTC, you must furnish a statement (or acceptable substitute) to both the policyholder and to the insured as shown.

IF the statement is for the ...	THEN use...
Policyholder	Copy B
Insured	Copy C
Policyholder and the policyholder is the insured	Copy B (Copy C is optional)

For more information about the requirement to furnish a statement to the policyholder and to the insured, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1. Gross Long-Term Care Benefits Paid

Enter the gross long-term care benefits paid this year (other than accelerated death benefits). These benefits are all amounts paid out on a per diem (or other periodic) basis or on a reimbursed basis. It includes amounts paid to the insured, to the policyholder, and to third parties. You are not required to determine whether any benefits are taxable or nontaxable.

Box 2. Accelerated Death Benefits Paid

Enter the gross accelerated death benefits paid under a life insurance contract this year to or on behalf of an insured who has been certified as terminally or chronically ill. Include the amount paid by a viatical settlement provider for the sale or assignment of the insured's death benefit under a life insurance contract.

Box 3. Check if Per Diem or Reimbursed Amount

Check a box to indicate whether the payments were made on a per diem (or other periodic) basis or on a reimbursed basis. For accelerated death benefits, do not check a box if you made payments on behalf of a terminally ill person. Per diem basis means payments made on any periodic basis without regard to actual expenses. Reimbursed basis means payments made for actual expenses incurred.

Box 4. Qualified Contract (Optional)

Check the box to indicate whether long-term care insurance benefits are paid from a qualified long-term care insurance contract. See **Qualified Long-Term Care Insurance Contract** on page LTC-1.

Box 5. Check if Chronically ill or Terminally ill (Optional)

Check the box to indicate whether the insured was chronically or terminally ill. Also, enter the latest date certified. If the insured was neither chronically nor terminally ill, leave this box blank. See **Chronically ill Individual** and **Terminally ill Individual** on page LTC-1.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-MISC

Section references are to the Internal Revenue Code unless otherwise noted.

What's New for 2002?

Backup withholding. Recent legislation reduced the backup withholding rate. The backup withholding rate will be 30% for reportable payments made in 2002 and 2003.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**. Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-MISC

File **Form 1099-MISC**, Miscellaneous Income, for each person to whom you have paid **(a)** at least $10 in royalties or broker payments in lieu of dividends or tax-exempt interest (see **Box 8** on page MISC-5); **(b)** at least $600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate; **(c)** any fishing boat proceeds; or **(d)** gross proceeds paid to an attorney (see **Payments to attorneys** below). In addition, use Form 1099-MISC to report that you made direct sales of at least $5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment. You must also file Form 1099-MISC for each person from whom you have withheld any Federal income tax under the backup withholding rules regardless of the amount of the payment.

CAUTION *Be sure to report payments in the proper box because the IRS uses this information to determine whether the recipient has properly reported the payment.*

Trade or business reporting only. Report on Form 1099-MISC only when payments are made in the course of your trade or business. Personal payments are not reportable. You are engaged in a trade or business if you operate for gain or profit. However, nonprofit organizations are considered to be engaged in a trade or business and are subject to these reporting requirements. Nonprofit organizations subject to these reporting requirements include trusts of qualified pension or profit-sharing plans of employers, certain organizations exempt from tax under section 501(c) or (d), and farmers' cooperatives that are exempt from tax under section 521. Payments by Federal, state, or local government agencies are also reportable.

Exceptions. Some payments are not required to be reported on Form 1099-MISC, although they may be taxable to the recipient. Payments for which a **Form 1099-MISC is not required** include:

- Generally, payments to a corporation; but see **Payments reportable to corporations** below;
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items;
- Payments of rent to real estate agents;
- Wages paid to employees (report on **Form W-2**, Wage and Tax Statement);
- Business travel allowances paid to employees (may be reportable on Form W-2);
- PS 58 costs (report on **Form 1099-R**, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.); and
- Payments to a tax-exempt organization, the United States, a state, the District of Columbia, a U.S. possession, or a foreign government.

Fees paid to informers. A payment to an informer as an award, fee, or reward for information about criminal activity is not required to be reported if the payment is made by a Federal, state, or local government agency, or by a nonprofit organization exempt from tax under section 501(c)(3) that makes the payment to further the charitable purpose of lessening the burdens of government. For more information, see Regulations section 1.6041-3(l).

Scholarships. **Do not** use Form 1099-MISC to report scholarship or fellowship grants. Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) are not required to be reported by you to the IRS on any form. See Notice 87-31, 1987-1 C.B. 475 and Regulations section 1.6041-3(o) for more information.

Difficulty-of-care payments. Difficulty-of-care payments that are excludable from the recipient's gross income are not required to be reported. Difficulty-of-care payments to foster care providers are not reportable if paid for not more than 10 children under age 19 and not more than 5 individuals age 19 or older. Amounts paid for more than 10 children or more than 5 individuals are reportable on Form 1099-MISC.

Payments reportable to corporations. The following payments made to corporations generally must be reported on Form 1099-MISC:

- Medical and health care payments reported in box 6. (But see **Box 6** on page MISC-4.)
- Fish purchases for cash reported in box 7.
- Attorneys' fees reported in box 7.
- Gross proceeds paid to an attorney reported in box 14.
- Payments by a Federal executive agency for services (vendors) reported in box 7.
- Substitute payments in lieu of dividends or tax-exempt interest reported in box 8.

Payments to attorneys. Attorneys' fees of $600 or more paid in the course of your trade or business are and continue to be reportable in box 7 of Form 1099-MISC. However, if you make a payment in the course of your trade or business to an

attorney in connection with legal services and the attorney's fee is not reportable by you, the total amount paid to the attorney (gross proceeds) must be reported in box 14. For example, an insurance company pays a claimant's attorney $100,000 to settle a claim. The claimant's attorney's fee is not reportable by the insurance company. Therefore, the insurance company must report $100,000 in box 14 of Form 1099-MISC.

These rules apply whether or not the legal services are provided to the payer and whether or not the attorney is the exclusive payee (e.g., the attorney's and claimant's names are on one check). However, these rules do not apply to profits distributed by a partnership to its partners that are reportable on **Schedule K-1 (Form 1065)**, Partner's Share of Income, Credits, Deductions, etc., or **Schedule K-1 (Form 1065-B)**, Partner's Share of Income (Loss) From an Electing Large Partnership, or to wages paid to attorneys that are reportable on Form W-2. The term "attorney" includes a law firm or other provider of legal services.

Payments to corporations for legal services. The exemption from reporting payments made to corporations does not apply to payments for legal services. Therefore, you must report attorneys' fees (in box 7) or gross proceeds (in box 14) as described above to corporations that provide legal services.

Taxpayer identification numbers (TINs). To report payments to attorneys on Form 1099-MISC, you must obtain the attorney's TIN. **Form W-9**, Request for Taxpayer Identification Number and Certification, may be used to obtain the attorney's TIN. An attorney is required to promptly supply its TIN whether it is a corporation or other entity, but the attorney is not required to certify its TIN. If the attorney fails to provide its TIN, the attorney may be subject to a penalty under section 6723 and its regulations, and the reportable payments are subject to backup withholding.

Fish purchases. If you are in the trade or business of purchasing fish for resale, you must report total **cash** payments of $600 or more paid during the year to any person who is engaged in the trade or business of catching fish. Report these payments in box 7. You are required to keep records showing the date and amount of each cash payment made during the year, but you must report only the total amount paid for the year on Form 1099-MISC.

"Fish" means all fish and other forms of aquatic life. "Cash" means U.S. and foreign coin and currency and a cashier's check, bank draft, traveler's check, or money order. Cash does not include a check drawn on your personal or business account.

Canceled debt. A canceled debt is not reportable on Form 1099-MISC. Canceled debts are required to be reported on **Form 1099-C**, Cancellation of Debt, by financial institutions, credit unions, Federal Government agencies, certain agencies connected with the Federal Government, and an organization where the lending of money (such as finance and credit card companies) is a significant trade or business.

See the separate **Instructions for Forms 1099-A and 1099-C**.

Deceased employee's wages paid to estate or beneficiary. If an employee died during the year, you must report on Form 1099-MISC the accrued wages, vacation pay, and other compensation paid after the date of death. If you made the **payment in the same year the employee died**, you must withhold social security and Medicare taxes on the payment and report them only as social security and Medicare wages on the employee's Form W-2 to ensure that proper social security and Medicare credit is received. On the Form W-2, show the payment as social security wages (box 3) and Medicare wages and tips (box 5) and the social security and Medicare taxes withheld in boxes 4 and 6; **do not show the payment in box 1 of Form W-2**. If you made the **payment after the year of death**, do not report it on Form W-2, and do not withhold social security and Medicare taxes.

Whether the payment is made in the year of death or after the year of death, you also must report it on Form 1099-MISC for the payment to the estate or beneficiary. Report the payment in box 3 (rather than in box 7 as specified in Rev. Rul. 86-109, 1986-2 C.B. 196). See the ***Example*** below. Enter the name and TIN of the payment recipient on Form 1099-MISC. For example, if the recipient is an individual beneficiary, enter the name and social security number of the individual; if the recipient is the estate, enter the name and employer identification number of the estate. The general backup withholding rules apply to this payment.

However, death benefits from qualified and nonqualified deferred compensation plans paid to the estate or beneficiary of a deceased employee are not reportable on Form 1099-MISC but are reportable on Form 1099-R. See the separate **Instructions for Forms 1099-R and 5498**.

Example. Before Employee A's death on June 15, 2002, A was employed by Employer X and received $10,000 in wages on which Federal income tax of $1,500 was withheld. When A died, X owed A $2,000 in wages and $1,000 in accrued vacation pay. The total of $3,000 (less the social security and Medicare taxes withheld) was paid to A's estate on July 20, 2002. Because X made the payment **during the year of death**, X must withhold social security and Medicare taxes on the $3,000 payment and must complete **Form W-2** as follows:

- **Box 1—**10000.00 (does not include the $3,000 accrued wages and vacation pay)
- **Box 2—**1500.00
- **Box 3—**13000.00 (includes the $3,000 accrued wages and vacation pay)
- **Box 4—**806.00 (6.2% of the amount in box 3)
- **Box 5—**13000.00 (includes the $3,000 accrued wages and vacation pay)
- **Box 6—**188.50 (1.45% of the amount in box 5)

Employer X also must complete **Form 1099-MISC** as follows:

- **Boxes for recipient's name, address, and TIN—**the estate's name, address, and TIN.
- **Box 3—**3000.00 (Even though amounts were withheld for social security and Medicare taxes, the gross amount is reported here.)

If Employer X made the payment **after the year of death**, the $3,000 would **not** be subject to social security and Medicare taxes and would **not** be shown on Form W-2. However, the employer would still file Form 1099-MISC.

Employee business expense reimbursements. Do not use Form 1099-MISC to report employee business expense reimbursements. Report payments made to employees under a nonaccountable plan as wages on Form W-2. Generally, payments made to employees under an accountable plan are not reportable on Form W-2, except in certain cases when you pay per diem or mileage allowance. For more information, see the **Instructions for Forms W-2 and W-3** and **Pub. 463,** Travel, Entertainment, Gift, and Car Expenses. For information on reporting employee moving expense reimbursements on Form W-2, see the Instructions for Forms W-2 and W-3.

Independent contractor or employee. Generally, you must report payments to independent contractors on Form 1099-MISC in box 7. See the instructions for **Box 7. Nonemployee Compensation** on page MISC-4.

TIP *Section 530 of the Revenue Act of 1978 as extended by section 269(c) of P.L. 97-248, deals with the employment tax status of independent contractors and employees. To qualify for relief under section 530, employers must file Form 1099-MISC. Additional requirements for relief are discussed in Rev. Proc. 85-18, 1985-1 C.B. 518. Also, see Notice 87-19, 1987-1 C.B. 455, for special rules that may apply to certain skilled workers, such as engineers, designers, drafters, computer programmers, and systems analysts.*

Transit passes and parking for independent contractors. Although you cannot provide qualified transportation fringes to independent contractors, the de minimis fringe rules for transit passes and parking apply to independent contractors. Tokens or farecards that enable an independent contractor to commute on a public transit system (not including privately operated van pools) are excludable from the independent contractor's gross

income and are not reportable on Form 1099-MISC if their value in any month is $21 or less. However, if the value of a pass provided in a month is greater than $21, the full value is includible in gross income and is reportable on Form 1099-MISC. The value of parking may be excludable from an independent contractor's gross income, and, therefore, not reportable on Form 1099-MISC if certain requirements are met. See Notice 94-3, 1994-1 C.B. 327, and Regulations sections 1.132-1(b)(2), and 1.132-6(a), (b), and (d)(1).

Directors' fees. You must report directors' fees and other remuneration, including payments made after retirement, on Form 1099-MISC in the year paid. Report them in box 7.

Commissions paid to lottery ticket sales agents. A state that has control over and responsibility for on-line and instant lottery games must file Form 1099-MISC to report commissions paid, whether directly or indirectly, to licensed sales agents. For example, State X retains control over and liability for on-line and instant lottery games. For on-line ticket sales, State X pays commissions by allowing an agent to retain 5% of the ticket proceeds the agent remits to State X. For instant ticket sales, State X pays commissions by providing tickets to the agent for 5% less than the proceeds to be obtained by the agent from the sale of those tickets. If the commissions for the year total $600 or more, they must be reported in box 7 on Form 1099-MISC. See Rev. Rul. 92-96, 1992-2 C.B. 281.

Escrow agent; construction project. When an escrow agent maintains owner-provided funds in an escrow account for a construction project, performs an oversight function for the construction project, and makes payments for the owner and the general contractor, the escrow agent must file Form 1099-MISC for reportable payments of $600 or more. This requirement applies whether or not the escrow agent is a bank. If the contractor is the borrower of the funds, do not report on Form 1099-MISC any loan payments made to the contractor/borrower. For more information, see Rev. Rul. 93-70, 1993-2 C.B. 294.

Indian gaming profits, payments to tribal members. If you make payments to members of Indian tribes from the net revenues of class II or class III gaming activities conducted or licensed by the tribes, you must withhold Federal income tax on such payments and file Form 1099-MISC.

File Form 1099-MISC to report the distributions to tribal members. Report the payments in box 3 and the Federal income tax withheld in box 4. **Pub. 15-A**, Employer's Supplemental Tax Guide, contains the necessary "Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members."

State or local sales taxes. If state or local sales taxes are imposed on the service provider and you (as the buyer) pay them to the service provider, report them on Form 1099-MISC as part of the reportable payment. However, if sales taxes are imposed on you (as the buyer) and collected from you by the service provider, do not report the sales taxes on Form 1099-MISC.

Statements to recipients. If you are required to file Form 1099-MISC, you must provide a statement to the recipient. For more information about the requirement to furnish a statement to each recipient, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

2nd TIN not. You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect TIN. If you mark this box, the IRS will not send you any further notices about this account.

Box 1. Rents

Enter amounts of $600 or more for all types of **rents**, such as real estate rentals paid for office space (unless paid to a real estate agent), machine rentals (e.g., renting a bulldozer to level your parking lot), and pasture rentals (e.g., farmers paying for the use of grazing land). If the machine rental is part of a contract that includes both the use of the machine and the operator, the rental should be prorated between the rent of the machine (reported in box 1) and the operator's charge (reported as nonemployee compensation in box 7). Public housing agencies must report in box 1 rental assistance payments made to owners of housing projects. See Rev. Rul. 88-53, 1988-1 C.B. 384.

Coin-operated amusements. If an arrangement between an owner of coin-operated amusements and an owner of a business establishment where the amusements are placed is a lease of the amusements or the amusement space, the owner of the amusements or the owner of the space, whoever makes the payments, must report the lease payments in box 1 of Form 1099-MISC if the payments total at least $600. However, if the arrangement is a joint venture, the joint venture must file a **Form 1065**, U.S. Return of Partnership Income, and provide each partner with information necessary to report the partner's share of the taxable income. Coin-operated amusements include video games, pinball machines, jukeboxes, pool tables, slot machines, and other machines and gaming devices operated by coins or tokens inserted into the machines by individual users. For more information, see Rev. Rul. 92-49, 1992-1 C.B. 433.

Box 2. Royalties

Enter gross **royalty payments** of $10 or more before reduction for severance and other taxes that may have been withheld and paid. Include in this box gross royalties (before reduction for fees, commissions, or expenses) paid by a publisher directly to an author or literary agent or paid by a literary agent to an author. Do not include surface royalties. They should be reported in box 1. Do not report oil or gas payments for a working interest in box 2; report payments for working interests in box 7. Do not report timber royalties made under a pay-as-cut contract; report such timber royalties on **Form 1099-S**, Proceeds From Real Estate Transactions.

Box 3. Other Income

Enter **other income** of $600 or more required to be reported on Form 1099-MISC that is not reportable in one of the other boxes on the form.

Also enter in box 3 **prizes and awards** that are not for services performed. Include the fair market value (FMV) of merchandise won on game shows. Also include amounts paid to a winner of a sweepstakes not involving a wager. If a wager is made, report the winnings on **Form W-2G**, Certain Gambling Winnings.

TIP *If, not later than 60 days after the winner becomes entitled to the prize, the winner can choose the option of a lump sum or an annuity payable over at least 10 years, the payment of winnings is considered made when actually paid. If the winner chooses an annuity, file Form 1099-MISC each year to report the annuity paid during that year.*

Do not include prizes and awards paid to your employees. Report these on Form W-2. Do not include in box 3 prizes and awards for services performed by nonemployees, such as an award for the top commission salesperson. Report them in box 7.

Prizes and awards received in recognition of past accomplishments in religious, charitable, scientific, artistic, educational, literary, or civic fields are **not** reportable if **(a)** the winners are chosen without action on their part, **(b)** the winners are not expected to perform future services, **and (c)** the payer transfers the prize or award to a charitable organization or governmental unit under a designation made by the recipient. See Rev. Proc. 87-54, 1987-2 C.B. 669.

Other items required to be reported in box 3 include the following:

1. Generally, all **punitive damages**, any damages for nonphysical injuries or sickness, and any other taxable damages. Report punitive damages even if they relate to physical injury or physical sickness. Generally, report all **compensatory damages** for nonphysical injuries or sickness, such as employment discrimination or defamation. However, **do not** report damages (other than punitive damages):

a. Received on account of personal physical injuries or physical sickness;

b. That do not exceed the amount paid for medical care for emotional distress; or

c. Received on account of nonphysical injuries (e.g., emotional distress) under a written binding agreement, court decree, or mediation award in effect on or issued by September 13, 1995.

Damages received on account of emotional distress, including physical symptoms such as insomnia, headaches, and stomach disorders, are **not** considered received for a physical injury or physical sickness and are reportable unless described in **b** or **c** above. However, damages received on account of emotional distress due to physical injuries or physical sickness are not reportable.

Also report **liquidated damages** received under the Age Discrimination in Employment Act of 1967.

TIP *Taxable back pay damages may be wages and reportable on Form W-2. See **Pub. 957**, Reporting Back Pay and Special Wage Payments to the Social Security Administration.*

2. Payments to nonemployees specified in, and payments similar to those specified in, Rev. Rul. 65-18, 1965-1 C.B. 32, about payments to patients and members in Department of Veterans Affairs (VA) hospitals and domiciliaries under the **VA therapeutic or rehabilitative programs**.

3. Payments as explained on page MISC-2 under **Deceased employee's wages paid to estate or beneficiary**.

4. Payments as explained on page MISC-3 under **Indian gaming profits, payments to tribal members**.

5. Termination payments to former self-employed insurance salespeople. These payments are not subject to self-employment tax and are reportable in box 3 (rather than box 7) if **all** the following apply:

a. The payments are received from an insurance company because of services performed as an insurance salesperson for the company.

b. The payments are received after termination of the salesperson's agreement to perform services for the company.

c. The salesperson did not perform any services for the company after termination and before the end of the year.

d. The salesperson enters into a covenant not to compete against the company for at least 1 year after the date of termination.

e. The amount of the payments depend primarily on policies sold by the salesperson or credited to the salesperson's account during the last year of the service agreement or on the extent to which those policies remain in force for some period after termination, or both.

f. The amount of the payments do not depend at all on length of service or overall earnings from the company (regardless of whether eligibility for payment depends on length of service).

If the termination payments do not meet these requirements, report them in box 7.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TIN to you are subject to withholding at a 30% rate on payments required to be reported in boxes 1, 2 (net of severance taxes), 3, 5 (to the extent paid in cash), 6, 7 (except fish purchases for cash), 8, 10, and 14. For more information on backup withholding, see the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Also enter any income tax withheld from payments to members of Indian tribes from the net revenues of class II or class III gaming activities conducted or licensed by the tribes.

Box 5. Fishing Boat Proceeds

Enter the share of all proceeds from the sale of a catch or the FMV of a distribution in kind to each crew member of **fishing boats** with normally fewer than 10 crew members. A fishing boat has normally fewer than 10 crew members if the average size of the operating crew was fewer than 10 on trips during the preceding 4 calendar quarters.

In addition, report cash payments of up to $100 per trip that are contingent on a minimum catch and are paid solely for additional duties (such as mate, engineer, or cook) for which additional cash payments are traditional in the industry. However, do not report on Form 1099-MISC any wages reportable on Form W-2.

Box 6. Medical and Health Care Payments

Enter payments of $600 or more made in the course of your trade or business to each physician or other supplier or provider of **medical or health care services**. Include payments made by medical and health care insurers under health, accident, and sickness insurance programs. If payment is made to a corporation, list the corporation as the recipient rather than the individual providing the services. You are not required to report payments to pharmacies for prescription drugs. See Rev. Ruls. 69-595, 1969-2 C.B. 242 and 70-608, 1970-2 C.B. 286.

The exemption from issuing Form 1099-MISC to a corporation does not apply to payments for medical or health care services provided by corporations, including professional corporations. However, you are not required to report payments made to a tax-exempt hospital or extended care facility or to a hospital or extended care facility owned and operated by the United States (or its possessions), a state, the District of Columbia, or any of their political subdivisions, agencies, or instrumentalities.

Box 7. Nonemployee Compensation

Enter **nonemployee compensation** of $600 or more. Include fees, commissions, prizes and awards for services performed as a nonemployee, other forms of compensation for services performed for your trade or business by an individual who is not your employee, and fish purchases for cash. Include oil and gas payments for a working interest, whether or not services are performed. Also include expenses incurred for the use of an entertainment facility that you treat as compensation to a nonemployee. Federal executive agencies that make payments to vendors for services, including payments to corporations, must report the payments in this box.

Exceptions. Do not report in box 7, nor elsewhere on Form 1099-MISC, PS 58 costs (report on Form 1099-R); an employee's wages, travel or auto allowance, or bonuses (report on Form W-2); or the cost of group-term life insurance paid on behalf of a former employee (report on Form W-2).

Self-employment tax. Generally, amounts reportable in box 7 are subject to self-employment tax. However, corporations are not subject to self-employment tax. If payments to individuals are not subject to this tax and are not reportable elsewhere on Form 1099-MISC, report the payments in box 3. However, report section 530 (of the Revenue Act of 1978) worker payments in box 7.

Nonemployee compensation. If the following four conditions are met, you must generally report a payment as nonemployee compensation: **(1)** you made the payment to someone who is not your employee; **(2)** you made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations); **(3)** you made the payment to an individual, partnership, estate, or, in some cases, a corporation; and **(4)** you made payments to the payee of at least $600 during the year.

Examples. The following are some examples of payments to be reported in box 7:

- Professional service fees, such as fees to attorneys (including corporations), accountants, and architects.
- Fees paid by one professional to another, such as fee-splitting or referral fees.
- Payments by attorneys to witnesses or experts in legal adjudication.
- Payment for services, including payment for parts or materials used to perform the services if supplying the parts or materials was incidental to providing the service. For example, report the total insurance company payments to an auto repair

9595 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115	
Jeremy Michaels XYZ Builders 123 Maple Avenue Oaktown, VA 22000 703-123-4567		$	2002	**Miscellaneous Income**
		2 Royalties $	Form **1099-MISC**	
		3 Other income $	4 Federal income tax withheld $	**Copy A** **For Internal Revenue Service Center** **File with Form 1096.**
PAYER'S Federal identification number 10-9999999	RECIPIENT'S identification number 123-45-6789	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name Zachary Austin Rock Hill Drywall		7 Nonemployee compensation $ 5500.00	8 Substitute payments in lieu of dividends or interest $	For Privacy Act and Paperwork Reduction Act Notice, see the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.**
Street address (including apt. no.) 456 Flower Lane		9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ► ☐	10 Crop insurance proceeds $	
City, state, and ZIP code Oaktown, VA 22000		11	12	
Account number (optional)	2nd TIN not. ☐	13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15		16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form **1099-MISC** Cat. No. 14425J Department of the Treasury - Internal Revenue Service

shop under a repair contract showing an amount for labor and another amount for parts, if furnishing parts was incidental to repairing the auto.

- Commissions paid to nonemployee salespersons that are subject to repayment but not repaid during the calendar year.
- A fee paid to a nonemployee, including an independent contractor, or travel reimbursement for which the nonemployee did not account to the payer, if the fee and reimbursement total at least $600. To help you determine whether someone is an independent contractor or an employee, see Pub. 15-A.
- Payments to nonemployee entertainers for services. (Use **Form 1042-S**, Foreign Person's U.S. Source Income Subject to Withholding, for payments to nonresident aliens.)
- **Exchanges of services** between individuals in the course of their trades or businesses. For example, an attorney represents a painter for nonpayment of business debts in exchange for the painting of the attorney's law offices. The amount reportable by each on Form 1099-MISC is the FMV of his or her own services performed. However, if the attorney represents the painter in a divorce proceeding, this is an activity that is unrelated to the painter's trade or business. The attorney must report on Form 1099-MISC the value of his or her services. But the painter need not report on Form 1099-MISC the value of painting the law offices because the work is in exchange for legal services that are separate from the painter's business.
- Taxable fringe benefits for nonemployees. For information on the valuation of fringe benefits, see **Pub. 15-B**, Employer's Tax Guide to Fringe Benefits.
- Gross oil and gas payments for a working interest.
- Payments to an insurance salesperson who is not your common law or statutory employee. See Pub. 15-A for the definition of employee. However, for termination payments to former insurance salespeople, see **5. Termination payments** on page MISC-4.
- Directors' fees as explained under **Directors' fees** on page MISC-3.
- Commissions paid to licensed lottery ticket sales agents as explained under **Commissions paid to lottery ticket sales agents** on page MISC-3.
- Payments to section 530 (of the Revenue Act of 1978) workers. See the **TIP** on page MISC-2.
- Fish purchases for cash. See **Fish purchases** on page MISC-2.
- **Golden parachute payments**. A typical golden parachute payment is one made by a corporation to a certain officer, shareholder, or highly paid individual when a change in the ownership or control of the corporation occurs or when a change in the ownership of a substantial part of the corporate assets occurs. See section 280G for more information. In box 7, enter the total compensation, including any golden parachute payments. If you pay an excess golden parachute payment (under section 280G) to a nonemployee, enter the excess in box 13.

Illustrated example. Jeremy Michaels is a building contractor. He subcontracts the drywall work to Zachary Austin, a sole proprietor who does business as Rock Hill Drywall. During the year, Mr. Michaels pays Mr. Austin $5,500. Mr. Michaels must file Form 1099-MISC because he paid Mr. Austin $600 or more in the course of his trade or business, and Mr. Austin is not a corporation. Form 1099-MISC is completed as shown above.

Box 8. Substitute Payments in Lieu of Dividends or Interest

Enter aggregate payments of at least $10 received by a broker for a customer in lieu of **dividends or tax-exempt interest** as a result of the transfer of a customer's securities for use in a short sale. File Form 1099-MISC with the IRS and furnish a copy to the customer for whom you received the payment. However, for

substitute payments in lieu of dividends, do not file Form 1099-MISC or furnish it to your customer if your customer is an **individual** unless you have reason to know on the record date of the dividend payment that such substitute dividend payment is in lieu of **(a)** an exempt-interest dividend, **(b)** a capital gain dividend, **(c)** a return of capital, or **(d)** a dividend subject to a foreign tax credit. If you are not required to make a report on Form 1099-MISC for substitute dividends of at least $10, you must report the substitute dividends on **Form 1099-DIV**, Dividends and Distributions. File Form 1099-MISC for and furnish a copy to an individual for whom you received a payment in lieu of tax-exempt interest.

Substitute payment means a payment in lieu of **(a)** tax-exempt interest to the extent that interest (including OID) has accrued while the short sale was open and **(b)** a dividend if the ex-dividend date is after the transfer of stock for use in a short sale and before the closing of the short sale.

For more information about reporting substitute payments, see Regulations section 1.6045-2.

Box 9. Payer Made Direct Sales of $5,000 or More

Enter an "X" in the checkbox for sales by you of $5,000 or more of **consumer products** to a person on a buy-sell, deposit-commission, or other commission basis for resale (by the buyer or any other person) anywhere other than in a permanent retail establishment. Do not enter a dollar amount in this box.

If you are reporting an amount in box 7, you may also check box 9 on the same Form 1099-MISC.

The report you must give to the recipient for these direct sales need not be made on the official form. It may be in the form of a letter showing this information along with commissions, prizes, awards, etc.

Box 10. Crop Insurance Proceeds

Enter **crop insurance proceeds** of $600 or more paid to farmers by insurance companies unless the farmer has informed the insurance company that expenses have been capitalized under section 278, 263A, or 447.

Boxes 11 and 12. Reserved

Make no entries in these boxes.

Box 13. Excess Golden Parachute Payments

Enter any excess golden parachute payments. See **Golden parachute payments** on page MISC-5.

Box 14. Gross Proceeds Paid to an Attorney

Report **gross proceeds paid to an attorney** in connection with legal services (regardless of whether the services are performed for the payer). See **Payments to attorneys** on page MISC-1.

Box 15. Blank Box

You may use box 15 to provide any other information to the recipient.

Boxes 16–18. State Information

These boxes, and Copies 1 and 2, are provided for your convenience only and need not be completed for the IRS. Use the **state information** boxes to report payments for up to two states. Keep the information for each state separated by the dash line. If you withheld state income tax on this payment, you may enter it in box 16. In box 17, enter the abbreviated name of the state and the payer's state identification number. The state number is the payer's identification number assigned by the individual state. In box 18, you may enter the amount of the state payment. Use Copy 1 to provide information to the state tax department. Give Copy 2 to the recipient for use in filing the recipient's state income tax return.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Forms 1099-MSA and 5498-MSA

Section references are to the Internal Revenue Code unless otherwise noted.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-MSA

File **Form 1099-MSA**, Distributions From an Archer MSA or Medicare+Choice MSA, to report distributions made from an Archer MSA or Medicare+Choice MSA (M+C MSA). The distribution may have been paid directly to a medical service provider or to the account holder.

Transfers. Do not report a trustee-to-trustee transfer from one Archer MSA or M+C MSA to another Archer MSA or M+C MSA. For reporting purposes, contributions and rollovers do not include transfers.

Death of account holder. If the account holder dies and the beneficiary is the spouse:

- The spouse becomes the account holder of the Archer MSA,
- The spouse may continue an M+C MSA, but no new contributions may be made to the account, and
- Distributions from an Archer MSA or M+C MSA are taxed under the rules that apply to Archer MSAs, not M+C MSAs.

If the beneficiary is not the spouse or there is no named beneficiary, the account ceases to be an Archer MSA or M+C MSA and the fair market value (FMV) is reported.

Distribution in year of death. If you learn of the account holder's death and make a final distribution to the beneficiary in the **year of death**, issue a final Form 1099-MSA and enter in:

- Box 1, the gross distribution;
- Box 3, code **4**; and
- Box 4, the fair market value (FMV) of the account on the date of death.

If the beneficiary is the estate, enter the estate's name and taxpayer identification number (TIN) in place of the recipient's on the form.

Distribution after year of death. If you learn of the death of the account holder and make a final distribution **after the year of death**, issue a final Form 1099-MSA in the year you learned of the death of the account holder. Enter in:

- Box 1, the gross distribution;
- Box 3, one of the following codes:
  1—if the beneficiary is the spouse,
  4—if the beneficiary is the estate, or
  6—if the beneficiary is not the spouse or estate;
- Box 4, the FMV of the account on the date of death.

Statements to recipients. If you are required to file Form 1099-MSA, you must provide a statement to the recipient. For more information about the requirement to furnish a Form 1099-MSA or acceptable substitute statement to recipients, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1. Gross distribution. Enter the total amount of the distribution. Include any earnings separately reported in box 2. You are not required to determine the taxable amount of a distribution.

Box 2. Earnings on excess contributions. Enter the total earnings distributed with any excess Archer MSA contributions returned by the due date of the account holder's tax return. Include this amount in box 1. Report earnings on other distributions only in box 1. **Do not** report excess M+C MSA contributions returned to the Secretary of Health and Human Services or his or her representative.

Box 3. Distribution code. Enter the appropriate distribution code from the list below that shows the type of distribution.

1—Normal distributions	Use this code for normal distributions to the account holder and any direct payments to a medical service provider. Use this code if no other code applies. Also, see **Distribution after year of death** above.
2—Excess contributions	Use this code for distributions of excess Archer MSA contributions. **Do not** use this code for excess M+C MSA contributions returned to the Secretary of Health and Human Services or his or her representative.
3—Disability	Use this code if you made distributions after the account holder was disabled (see section 72(m)(7)).
4—Death distribution other than code 6	Use this code for payments to a decedent's beneficiary, including an estate, in the year of death. Also use this code for payments to an estate after the year of death. Do not use with code 6. See **Death of Account Holder** above.
5—Prohibited transaction	
6—Death distribution after year of death to a nonspouse beneficiary	Use this code for payments to a decedent's nonspouse beneficiary, other than an estate, after the year of death. Do not use with code 4.

Box 4. FMV on date of death. If the account holder died, enter the FMV of the account on the date of death. See **Death of Account Holder** above.

Box 5. Medicare+Choice MSA. Mark the box if this distribution was from an M+C MSA.

Specific Instructions for Form 5498-MSA

File **Form 5498-MSA**, Archer MSA or Medicare+Choice MSA Information, with the IRS on or before June 2, 2003, for each person for whom you maintained an Archer MSA or Medicare+Choice MSA (M+C MSA) during 2002. You are required to file if you are the trustee or custodian of an Archer MSA or M+C MSA.

For an Archer MSA contributions made between January 1 and April 15, 2003, you should obtain the participant's designation of the year for which the contributions are made.

Rollovers. You must report the receipt of a rollover from one Archer MSA to another Archer MSA in box 4.

Transfers. Do not report a trustee-to-trustee transfer from one Archer MSA or M+C MSA to another Archer MSA or M+C MSA. For reporting purposes, contributions and rollovers do not include these transfers.

Total distribution, no contributions. Generally, if a total distribution was made from an Archer MSA during the year and no contributions were made for that year, you need not file Form 5498-MSA nor furnish a statement to the participant to reflect that the fair market value (FMV) on December 31 was zero.

Distributions. Report distributions from Archer MSAs, including a distribution of excess contributions, or distributions from M+C MSAs on **Form 1099-MSA**, Distributions From an Archer MSA or Medicare+Choice MSA. See page MSA-1.

Death of account holder. In the year an Archer MSA or M+C MSA owner dies, generally you must file a Form 5498-MSA and furnish a statement for the decedent. If the beneficiary is the spouse:

- The spouse becomes the account holder of the Archer MSA,
- The spouse may continue an M+C MSA, but no new contributions may be made to the account, and
- Distributions from an Archer MSA or M+C MSA are taxed under the rules that apply to Archer MSAs, not M+C MSAs.

If the beneficiary is not the spouse or there is no named beneficiary, the account ceases to be an Archer MSA or M+C MSA.

Statements to participants. If you are required to file Form 5498-MSA, you must provide a statement to the participant (generally Copy B) by June 2, 2003. You may, but you are not required to, provide participants with a statement of the December 31, 2002, value of the participant's account by January 31, 2003. For more information about statements to participants, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1. Employee or self-employed person's Archer MSA contributions made in 2002 and 2003 for 2002. Enter the employee's or self-employed person's regular contributions to the Archer MSA made in 2002 and through April 15, 2003, for 2002. Report gross contributions, including any excess contributions, even if the excess contributions were withdrawn.

Box 2. Total contributions made in 2002. Enter the total Archer MSA contributions made in **2002** (employer, employee, or self-employed person). Include any contribution made in 2002 for 2001. You may, but you are not required to, report the total M+C MSA contributions the Secretary of Health and Human Services or his or her representative made in 2002.

Box 3. Total Archer MSA contributions made in 2003 for 2002. Enter the total Archer MSA contributions made in **2003 for 2002** (employer, employee, or self-employed person).

Box 4. Rollover contributions. Enter rollover contributions to the Archer MSA received by you during 2002.

Box 5. Fair market value of Archer MSA or M+C MSA. Enter the FMV of the account on December 31.

Box 6. Medicare+Choice MSA. Mark this box if this is an M+C MSA.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-PATR

Section references are to the Internal Revenue Code unless otherwise noted.

What's New for 2002?

Backup withholding. Recent legislation reduced the backup withholding rate. The backup withholding rate will be 30% for reportable payments made in 2002 and 2003.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-PATR

File **Form 1099-PATR**, Taxable Distributions Received From Cooperatives, for each person to whom the cooperative has paid at least $10 in patronage dividends and other distributions described in section 6044(b) or from whom you withheld any Federal income tax under the backup withholding rules regardless of the amount of the payment. A cooperative determined to be primarily engaged in the retail sale of goods or services that are generally for personal, living, or family use of the members may ask for and receive exemption from filing Form 1099-PATR. See **Form 3491,** Consumer Cooperative Exemption Application, for information about how to apply for this exemption.

Report dividends paid on a cooperative's capital stock on **Form 1099-DIV**, Dividends and Distributions.

Exceptions. You are not required to file Form 1099-PATR for payments made to a corporation, a tax-exempt organization, the United States, a state, a possession, or the District of Columbia. Other exceptions may apply. See Regulations section 1.6044-3(c).

Statements to Recipients

If you are required to file Form 1099-PATR, you must provide a statement to the recipient. For more information about the requirement to furnish an official form or acceptable substitute statement to recipients in person or by statement mailing, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

2nd TIN Not.

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

Box 1. Patronage Dividends

Enter the total patronage dividends paid in cash (qualified or "consent" checks), qualified written notices of allocation (face amount), and other property (except nonqualified written notices of allocation).

Box 2. Nonpatronage Distributions

Enter the total nonpatronage distributions paid in cash (qualified or "consent" checks), qualified written notices of allocation (face amount), and other property. Do not include nonqualified written notices of allocation. This box applies only to farmers' cooperatives exempt from tax under section 521.

Box 3. Per-Unit Retain Allocations

Enter the total per-unit retain allocations paid in cash, qualified per-unit retain certificates (face amount), and other property.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TIN to you in the manner required are subject to withholding at a 30% rate on payments required to be reported in boxes 1, 2, 3, and 5 to the extent such payments are in cash or qualified check. See Regulations section 31.3406(b)(2)-5 for more information on backup withholding by cooperatives.

Box 5. Redemption of Nonqualified Notices and Retain Allocations

Enter all redemptions of nonqualified written notices of allocation issued as patronage dividends or nonqualified written notices of allocation issued as nonpatronage allocations (applicable only to farmers' cooperatives qualifying under section 521). Also enter nonqualified per-unit retain certificates issued with respect to marketing.

Pass-Through Credits

Report in the appropriate boxes the patron's share of unused credits that the cooperative is passing through to the patron:

Box 6. (Certain Credits)

See the **TIP** below.

Box 7. Investment Credit

Enter the total investment credit for the patron.

Box 8. Work Opportunity Credit

Enter the total work opportunity credit for the patron.

Box 9. Patron's AMT Adjustment

Enter the total alternative minimum tax (AMT) patronage dividend adjustment for the patron.

TIP *If you are passing through other credits, such as the Indian employment credit, the empowerment zone employment credit, or the welfare-to-work credit, use box 6 or the blank box under boxes 8 and 9. Label the credit.*

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2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-Q

Section references are to the Internal Revenue Code unless otherwise noted.

What's New for 2002?

Recent legislation expanded the definition of a qualified tuition program to include programs established and maintained by private eligible educational institutions. Consequently, the reporting of earnings from qualified state tuition programs was moved from Box 5 of the **2002 Form 1099-G**, Certain Government Payments, to a new form, **Form 1099-Q**, Qualified Tuition Program Payments (Under Section 529).

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**. Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-Q

File **Form 1099-Q**, Qualified Tuition Program Payments (Under Section 529), if you made a distribution from a qualified tuition program defined under section 529.

Note. ***Do not*** *file Form 1099-Q for a change in the name of the designated beneficiary on an account if the new beneficiary is a member of the former beneficiary's family.*

Statements to Recipients

If you are required to file Form 1099-Q, you must provide a statement to the recipient. Furnish a copy of Form 1099-Q or an acceptable substitute statement to each recipient. Also, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Program's name and employer identification number (EIN). In the payer's name and Federal identification number areas of the form, enter the name and EIN of the qualified tuition program. If the qualified tuition program is a program established and maintained by a state using the EIN of the state, enter the name of the state on the first name line and the name of the program on the second name line.

Recipient's name and social security number (SSN). List the designated beneficiary as recipient only if the distribution is made **(a)** directly to the designated beneficiary or **(b)** to an eligible educational institution for the benefit of the designated beneficiary. Otherwise, list the account owner as the recipient of the distribution. Enter the SSN for the applicable recipient.

Qualified Tuition Program

A qualified tuition program is a program described in Section 529 that is established and maintained by a private eligible educational institution or a state (or its agency or instrumentality).

Under a qualified tuition program a person:

1. May purchase tuition credits or certificates on behalf of a designated beneficiary that entitle the beneficiary to the waiver or payment of qualified higher education expenses or

2. In the case of a program established and maintained by a state, may make contributions to an account established to meet the higher education expenses of the designated beneficiary.

Other rules apply. See Proposed Regulations section 1.529-2.

Box 1. Gross Distribution

Gross distributions, whether in cash or in kind, include tuition credits or certificates, payment vouchers, tuition waivers, or other similar items. Gross distributions also include a refund to the account owner, to the designated beneficiary, or to the designated beneficiary's estate.

For more information on reporting distributions, see Proposed Regulations section 1.529-4.

Box 2. Earnings

Use the earnings ratio described in Proposed Regulations section 1.529-3 to determine the earnings on the gross distribution reported in box 1 and enter the earnings in box 2. These earnings are not subject to backup withholding.

Box 3. Basis

Enter the basis in the gross distribution reported in box 1. The amount in box 3 must equal box 1 minus box 2.

Box 4. Trustee-to-Trustee Rollover Checkbox

Check this box if the distribution was made directly (trustee-to-trustee transfer) to another Section 529 program.

In a **trustee-to-trustee transfer** between Section 529 programs, the distributing Section 529 program must provide you a statement setting forth the earnings portion of the distribution within 30 days of the distribution or by January 10th, whichever is earlier. You must properly account for this in computing the earnings reported in box 2 and the basis reported in box 3.

Box 5. Checkbox

Check the "Private" box to indicate the distribution is from a Section 529 program established by one or more private eligible educational institutions or check the "State" box to indicate the distribution is from a Section 529 program established by a state.

Box 6. Designated Beneficiary Checkbox

Check the box if the recipient is not the designated beneficiary.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Forms 1099-R and 5498

Section references are to the Internal Revenue Code unless otherwise noted.

What's New for 2002

Form 1099-R. The title for distribution code **M** for box 7 was changed to "Distribution from a Coverdell education savings account (ESA)" as a result of recent legislation.

Also, distributions and income tax withholding on distributions from a section 457(b) plan maintained by a state or local government employer are reportable on Form 1099-R and **not** Form W-2 beginning after December 31, 2001. IRS plans to issue an update of Notice 2000-38 that will provide further guidance for reporting distributions from governmental section 457(b) plans.

Until further guidance is issued, report after-tax contributions in the total amount rolled over in box 5.

Form 5498. The title has been changed to "IRA and Coverdell ESA Contribution Information" and all of the references to Education IRAs have been changed to "Coverdell ESAs" in the instructions as a result of recent legislation.

Report in box 11 contributions for Coverdell ESAs made in 2002 and through April 15, 2003, designated for 2002. Also report in box 11 any Coverdell ESA rollover amounts.

The contribution limits under section 219 have increased to $3,000 ($3,500 for individuals 50 or older) as a result of recent legislation.

Participants who are age 50 or older by the end of the year may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. See page R-11.

An Item To Note

In addition, see the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G** for information on:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or call 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-R

File **Form 1099-R**, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., for each person to whom you have made a designated distribution of $10 or more from profit-sharing or retirement plans, any IRAs, annuities, pensions, insurance contracts, survivor income benefit plans, permanent and total disability payments under life insurance contracts, charitable gift annuities, etc.

Also, report on Form 1099-R death benefit payments made by employers that are **not** made as part of a pension, profit-sharing, or retirement plan. See the instructions for box 1 on page R-5.

Reportable disability payments made from a retirement plan must be reported on Form 1099-R.

Generally, **do not** report payments subject to withholding of social security and Medicare taxes on this form. Report such payments on **Form W-2**, Wage and Tax Statement.

Do not report amounts totally exempt from tax, such as workers' compensation and Department of Veterans Affairs (VA) payments. However, if part of the distribution is taxable and part is nontaxable, report the entire distribution.

Military retirement annuities. Report payments to military retirees or payments of survivor benefit annuities on Form 1099-R. Report military retirement pay awarded as a property settlement to a former spouse under the name and taxpayer identification number (TIN) of the recipient, not that of the military retiree.

Nonqualified plans. Report any reportable distributions from commercial annuities. Report distributions to **plan participants** from nonqualified deferred compensation plans on Form W-2, not on Form 1099-R. However, report distributions to **beneficiaries** of deceased employees and distributions to **plan participants** from governmental section 457(b) plans on Form 1099-R. See box 1 on page R-5 and box 2a on page R-6.

Charitable gift annuities. If cash or capital gain property is donated in exchange for a charitable gift annuity, report distributions from the annuity on Form 1099-R. See **Charitable gift annuities** on page R-5.

Life insurance, annuity, and endowment contracts. Report payments of matured or redeemed annuity, endowment, and life insurance contracts. However, you do not need to file Form 1099-R to report the surrender of a life insurance contract if it is reasonable to believe that none of the payment is includible in the income of the recipient. If you are reporting the surrender of a life insurance contract, see Code 7 on page R-9.

Also report premiums paid by a trustee or custodian for current life or other insurance protection (PS 58 costs). PS 58 costs are not subject to the 10% additional tax under section 72(t). See **PS 58 costs** on page R-6.

Section 1035 exchange. A tax-free section 1035 exchange is the exchange of **(a)** a life insurance contract for another life insurance, endowment, or annuity contract, **(b)** an endowment contract for an annuity contract or for another endowment contract that provides for regular payments to begin no later than they would have begun under the old contract, and **(c)** an annuity contract for another annuity contract. However, the distribution of other property or the cancellation of a contract loan at the time of the exchange may be taxable and reportable on a separate Form 1099-R.

These exchanges of contracts are generally reportable on Form 1099-R. However, reporting on Form 1099-R is not required if **(a)** the exchange occurs within the same company, **(b)** the exchange is solely a contract for contract exchange, as defined above, that does not result in a designated distribution, and **(c)** the company maintains adequate records of the policyholder's basis in the contracts. For example, a life insurance contract issued by Company X received in exchange solely for another life insurance contract previously issued by Company X does not have to be reported on Form 1099-R as long as the company maintains the required records. See Rev. Proc. 92-26, 1992-1 C.B. 744.

For more information on reporting taxable exchanges, see box 1 on page R-5.

IRA and Coverdell ESA Distributions

IRAs other than Roth IRAs. Distributions from any individual retirement arrangement (IRA), except a Roth IRA, must be reported in boxes 1 and 2a regardless of the amount. You may check the "Taxable amount not determined" box in box 2b. But see the instructions for box 2a on page R-6 for how to report the withdrawal of IRA contributions under section 408(d)(4). Also see **Transfers** on page R-3 for information on trustee-to-trustee transfers, including recharacterizations. The direct rollover provisions (see below) do not apply to distributions from any IRA.

An IRA includes all investments under one IRA plan or account. File only one Form 1099-R for distributions from all investments under one plan that are paid in 1 year to one recipient, unless you must enter different codes in box 7. You do not have to file a separate Form 1099-R for each distribution under the plan.

Roth IRAs and Coverdell ESAs. For distributions from a Roth IRA or a Coverdell ESA, report the gross distribution in box 1 but generally **leave box 2a blank**. Check the "Taxable amount not determined" box in box 2b. Enter Code J, M, or T as appropriate in box 7. You must enter Code 5, 8, or P with Code J and T, and 3, 4, 8, or P with Code M, if applicable. It is not necessary to mark the IRA/SEP/SIMPLE checkbox. For the withdrawal of excess contributions, see **Box 2a** on page R-6.

Roth IRA conversions. You must report an IRA that is converted or reconverted this year to a Roth IRA in boxes 1 and 2a, even if the conversion is a trustee-to-trustee transfer or is with the same trustee. Enter Code 2 or 7 in box 7 as appropriate.

Conduit IRAs. If you know the distribution is from a conduit IRA, follow these rules. If a distribution from a conduit IRA is paid to the participant, report the full amount in boxes 1 and 2a, and use Code 1 or 7 in box 7 depending on the participant's age. If a distribution from a conduit IRA is paid to the trustee of or is transferred to an employer plan, report the distribution in box 1, 0 (zero) in box 2a, and use Code H in box 7.

IRA Revocation

If a traditional or Roth IRA is revoked during its first 7 days (under Regulations section 1.408-6(d)(4)(ii)), the distribution from the IRA must be reported. In addition, **Form 5498**, IRA and Coverdell ESA Contribution Information, must be filed to report any regular, rollover, or Roth IRA conversion contribution to an IRA that is revoked.

If a **regular contribution** is made to a traditional or Roth IRA that later is revoked, and distribution is made to the taxpayer, enter the gross distribution in box 1. If no earnings are distributed, enter 0 (zero) in box 2a and Code 8 in box 7. If earnings are distributed, enter the amount of earnings in box 2a. These earnings could be subject to the 10% early distribution tax under section 72(t). If they are subject to that tax, enter Code 1 in box 7 for a traditional IRA or Code J in box 7 for a Roth IRA; if the earnings are not subject to that tax, enter Code 8 for a traditional IRA and Codes T and 8 for a Roth IRA. If a **rollover contribution** is made to a traditional or Roth IRA that later is revoked, and distribution is made to the taxpayer, enter in boxes 1 and 2a of Form 1099-R the gross distribution and the appropriate code in box 7 (Code J for a Roth IRA). Follow this same procedure for a transfer from a traditional or Roth IRA to another IRA of the same type that later is revoked. The distribution could be subject to the 10% early distribution tax under section 72(t).

If an IRA **conversion contribution** is made to a Roth IRA that later is revoked, and distribution is made to the taxpayer, enter the gross distribution in box 1 of Form 1099-R. If no earnings are distributed, enter 0 (zero) in box 2a and Code 8 in box 7. If earnings are distributed, enter the amount of the earnings in box 2a. These earnings could be subject to the 10% early distribution tax under section 72(t). If they are subject to the tax, enter Code J in box 7; if the earnings are not subject to that tax, enter Codes T and 8.

TIP *If you know that the taxpayer deducted the contribution to a traditional IRA, report the total amount distributed in box 2a and use the appropriate code in box 7.*

If an **employer SEP** (simplified employee pension) **IRA** or **SIMPLE** (savings incentive match plan for employees) **IRA plan contribution** is made and the SEP IRA or SIMPLE IRA is revoked by the employee, report the distribution as fully taxable.

For more information, see Rev. Proc. 91-70, 1991-2 C.B. 899.

Deductible Voluntary Employee Contributions (DECs)

If you are reporting a total distribution from a plan that includes a distribution of DECs, file two Forms 1099-R—one to report the distribution of DECs, the other to report the distribution from the other part of the plan. Report the distribution of DECs in boxes 1 and 2a on the separate Form 1099-R. However, for the direct rollover (explained below) of funds that include DECs, file only one Form 1099-R to report the direct rollover of the entire amount.

Direct Rollovers

You must report a direct rollover of an eligible rollover distribution. A direct rollover is the direct payment of the distribution from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to a traditional IRA or other eligible retirement plan. A direct rollover may be made for the employee, for the employee's surviving spouse, or for the spouse or former spouse who is an alternate payee under a qualified domestic relations order (QDRO). If the distribution is paid to the surviving spouse, the distribution is treated in the same manner as if the spouse were the employee.

An **eligible rollover distribution** is any distribution of all or any portion of the balance to the credit of the employee (including net unrealized appreciation) from a qualified plan (or tax-sheltered annuity but not from an IRA) except:

1. One of a series of substantially equal periodic payments made (at least annually) over:

a. The life of the employee (or the joint lives of the employee and the employee's designated beneficiary),

b. The life expectancy of the employee (or the joint life and last survivor expectancy of the employee and the employee's designated beneficiary), or

c. A specified period of 10 years or more.

2. A required minimum distribution (under section 401(a)(9)). A plan administrator is permitted to assume there is no designated beneficiary for purposes of determining the minimum distribution.

3. Elective deferrals (under section 402(g)(3)) and earnings returned because of the section 415 limits.

4. Corrective distributions of excess deferrals (under section 402(g)) and earnings.

5. Corrective distributions of excess contributions under a qualified cash or deferred arrangement (under section 401(k)) and excess aggregate contributions (under section 401(m)) and earnings.

6. Loans treated as deemed distributions (under section 72(p)). But plan loan offset amounts can be eligible rollover distributions. See Regulations section 1.402(c)-2, Q/A-9.

7. Section 404(k) dividends.

8. PS 58 costs.

9. Distributions to a payee other than the employee, the employee's surviving spouse, or a spouse or former spouse who is an alternate payee under a QDRO.

10. Hardship distributions.

Amounts paid under an annuity contract purchased for and distributed to a participant under a qualified plan can qualify as eligible rollover distributions. See Regulations section 1.402(c)-2, Q/A-10.

Any part of an eligible rollover distribution that is not a direct rollover is subject to 20% income tax withholding. See **Box 4** on page R-7.

Reporting a direct rollover. Report a direct rollover in box 1 and a 0 (zero) in box 2a. You do not have to report capital gain

in box 3 or net unrealized appreciation in box 6. Enter the applicable Code G or H in box 7. Prepare the form using the name and social security number of the person for whose benefit the funds were rolled over (generally the participant), not those of the trustee of the traditional IRA or other plan to which the funds were rolled.

If you receive a direct rollover to an IRA, you must prepare Form 5498. If you receive a direct rollover to a qualified plan or tax-sheltered annuity, no report is required.

If part of the distribution is a direct rollover and part is distributed to the recipient, prepare two Forms 1099-R.

For more information on eligible rollover distributions, including substantially equal periodic payments, required minimum distributions, and plan loan offset amounts, see Regulations sections 1.402(c)-2 and 1.403(b)-2.

Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice)

For qualified plans, no more than 90 days and no fewer than 30 days before making an eligible rollover distribution (or before the annuity starting date), the plan administrator must provide a written explanation to each recipient (section 402(f) notice). However, if the recipient who has received the section 402(f) notice affirmatively elects a distribution, you will not fail to satisfy the timing requirements merely because you make the distribution fewer than 30 days after you provided the notice as long as you meet the requirements of Regulations section 1.402(f)-1, Q/A-2. You may provide the 402(f) notice more than 90 days before a distribution if you also provide a summary of the notice during the 90-day/30-day period before the distribution.

The notice must explain the rollover rules, the special tax treatment for lump-sum distributions, the direct rollover option (and any default procedures), the mandatory 20% withholding rules, and an explanation of how distributions from the plan to which the rollover is made may have different restrictions and tax consequences than the plan from which the rollover is made. The notice and summary are permitted to be sent either as a written paper document or through an electronic medium reasonably accessible to the recipient; see Regulations section 1.402(f)-1, Q/A- 5.

For periodic payments that are eligible rollover distributions, you must provide the notice before the first payment and at least once a year as long as the payments continue. For tax-sheltered annuities, the payer must provide an explanation of the direct rollover option within the time period described above or some other reasonable period of time.

Notice 2002-3, 2002-2 I.R.B. 289, contains model notices that the plan administrator can use to satisfy the notice requirements.

Transfers

Generally, do not report transfers between trustees or issuers (unless they are direct rollovers from qualified plans) that involve no payment or distribution of funds to the participant, including a trustee-to-trustee transfer from one IRA to another (unless they are recharacterized IRA contributions or Roth IRA conversions) or from one tax-sheltered (section 403(b)) arrangement to another.

IRA recharacterizations. You must report each recharacterization of an IRA contribution. If a participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a trustee-to-trustee transfer, any part of the contribution (plus earnings) to another IRA (second IRA). The contribution is treated as made to the second IRA (recharacterization). A recharacterization may be made with the same trustee or with another trustee. The trustee of the first IRA must report the recharacterization as a distribution on Form 1099-R (and the contribution to the first IRA and its character on Form 5498).

Enter the fair market value (FMV) of the amount recharacterized in box 1, 0 (zero) in box 2a, and Code R in box 7 if reporting a recharacterization of a prior-year (2001) contribution or Code N if reporting a recharacterization of a contribution in the same year (2002). It is not necessary to check the IRA/SEP/SIMPLE checkbox. For more information, see Notice 2000-30, 2001-1 C.B. 1266.

Roth IRA conversions. A Roth IRA conversion is not considered a trustee-to-trustee transfer. You must report a Roth IRA conversion or reconversion as a distribution. Therefore, for an IRA that is converted to a Roth IRA, even with the same trustee, you must report the amount converted in boxes 1 and 2a. Use Code 2 or 7 in box 7 as appropriate.

SIMPLE IRAs. Do not report a trustee-to-trustee transfer from one SIMPLE IRA to another SIMPLE IRA. However, you must report as a taxable distribution in boxes 1 and 2a a trustee-to-trustee transfer from a SIMPLE IRA to an IRA that is not a SIMPLE IRA during the 2-year period beginning on the day contributions are first deposited in the individual's SIMPLE IRA by the employer. Use Code S in box 7 if appropriate.

Section 1035 exchange. You may have to report exchanges of insurance contracts, including an exchange under section 1035, under which any designated distribution may be made. For a section 1035 exchange that is in part taxable, file a separate Form 1099-R to report the taxable amount. See **Section 1035 exchange** on page R-1.

Transfer of IRA to spouse. If you transfer an interest in an IRA from one spouse to another spouse under a divorce or separation instrument or QDRO, the transfer is tax free. **Do not** report such a transfer on Form 1099-R.

Corrective Distributions

You must report on Form 1099-R corrective distributions of excess deferrals, excess contributions and excess aggregate contributions under section 401(a) plans, section 401(k) cash or deferred arrangements, section 403(a) annuity plans, section 403(b) salary reduction agreements, and salary reduction simplified employee pensions (SARSEPs under section 408(k)(6)). Corrective distributions of an excess plus earnings are reportable on Form 1099-R for the year of the distribution regardless of when the distribution is taxable to the participant. Enter Code 8, P, or in some cases D, in box 7 to designate the distribution and the year it is taxable. **Note:** *The total amount of the elective deferral is reported in Box 2 of Form W-2. See the* ***Instructions for Forms W-2 and W-3*** *for more information.*

If the excess and the earnings are taxable in two different years, you must issue two Forms 1099-R to designate the year each is taxable.

You must advise the plan participant at the time of the distribution of the year(s) in which the distribution is taxable and that it may be necessary to file an amended return for a prior tax year.

For more information about reporting corrective distributions see: the **Guide to Distribution Codes** on pages R-9 and R-10; Notice 89-32, 1989-1 C.B. 671; Notice 88-33, 1988-1 C.B. 513; Notice 87-77, 1987-2 C.B. 385; Rev. Proc. 91-44, 1991-2 C.B. 733 (SARSEPs); and the Regulations under sections 401(k), 401(m), and 402(g).

Excess deferrals. Excess deferrals under section 402(g) can occur in 401(k) plans, 403(b) plans, or SARSEPs. If distributed by April 15 of the year following the year of deferral, the excess is taxable to the participant in the year of deferral, but the earnings are taxable in the year distributed. Except for a SARSEP, if the distribution occurs after April 15, the excess is taxable in the year of deferral **and** the year distributed. The earnings are taxable in the year distributed. For a SARSEP, excess deferrals not withdrawn by April 15 are considered regular IRA contributions subject to the IRA contribution limits. Corrective distributions of excess deferrals are not subject to Federal income tax withholding or social security and Medicare taxes. For losses on excess deferrals, see **Losses** on page R-4.

Excess contributions. Excess contributions can occur in a 401(k) plan or a SARSEP. For a 401(k) plan, if the withdrawal of the excess plus earnings occurs within 2½ months after the close of the plan year, the excess and earnings are taxable to the participant in the year deferred. But if the corrective distribution is made after the 2½-month period, or the excess contribution (not including earnings) (and excess aggregate contributions (not including earnings) in the case of a 401(k)

plan) is less than $100 (de minimis rule), the excess and earnings are taxable in the year distributed. For recharacterized excess contributions, the excess is taxable in the year a corrective distribution would have occurred. (No earnings are allocated to recharacterized amounts.) For a SARSEP, the **employer** must notify the participant by March 15 of the year after the year the excess contribution was made that the participant must withdraw the excess and earnings. The excess contribution is taxable to the participant in the year of deferral and the earnings are taxable in the year withdrawn. If the excess contribution (not including earnings) is less than $100, the excess is taxable in the year of notification and the earnings are taxable in the year withdrawn. An excess contribution not withdrawn by April 15 of the year after the year of notification is considered a regular IRA contribution subject to the IRA contribution limits.

Excess contributions distributed within the 2½-month period are **not** subject to Federal income tax withholding or social security and Medicare taxes. But amounts distributed from a 401(k) plan after the 2½-month period are subject to Federal income tax withholding under section 3405.

Excess aggregate contributions. Excess aggregate contributions under section 401(m) can occur in 401(a), 401(k), 403(a), and 403(b) plans. A corrective distribution of excess aggregate contributions plus earnings within 2½ months after the close of the plan year is taxable to the participant in the year the contributions were made. A corrective distribution made after the 2½-month period is taxable in the year distributed. Report the gross distribution in box 1 of Form 1099-R. In box 2a, enter the excess and earnings distributed less any after-tax contributions. If the total excess contributions and excess aggregate contributions distributed are less than $100 (excluding earnings), the distribution is taxable in the year of distribution.

A distribution made within 2½ months after the close of the plan year is **not** subject to Federal income tax withholding or social security and Medicare taxes. But amounts distributed after 2½ months are subject to Federal income tax withholding under section 3405.

Losses. If a corrective distribution of an excess deferral is made in a year after the year of deferral and a net loss has been allocated to the excess deferral, report the corrective distribution amount in boxes 1 and 2a of Form 1099-R for the year of the distribution with the appropriate distribution code in box 7. However, taxpayers must include the total amount of the excess deferral (unadjusted for loss) in income in the year of deferral, and they may report a loss on the tax return for the year the corrective distribution is made. Therefore, if there are no employer securities distributed, show the actual cash and/or fair market value (FMV) of property distributed in boxes 1 and 2a, and make no entry in box 5. If only employer securities are distributed, show the FMV of the securities in boxes 1 and 2a and make no entry in box 5 or 6. If both employer securities and other property are distributed, show the actual cash and/or FMV of the property distributed in box 1, the gross less any net unrealized appreciation (NUA) on employer securities in box 2a, no entry in box 5, and any NUA in box 6.

Excess Annual Additions Under Section 415

You must report on Form 1099-R distributions made under Regulations section 1.415-6(b)(6)(iv) of elective deferrals or a return of employee contributions (and gains attributable to such elective deferrals or employee contributions) to reduce excess annual additions arising from the allocation of forfeitures, a reasonable error in estimating a participant's compensation, or a reasonable error in determining the amount of elective deferrals that may be made for an individual under the limits of section 415.

Such distributions are not eligible rollover distributions although they are subject to income tax withholding under section 3405. They are not subject to social security, Medicare, or Federal Unemployment Tax Act (FUTA) taxes. In addition, such distributions are not subject to the 10% early distribution tax under section 72(t).

You may report the distribution of elective deferrals and employee contributions (and gains attributable to such elective deferrals and employee contributions) on the same Form 1099-R. However, if you made other distributions during the year, report them on a separate Form 1099-R. Because the distribution of elective deferrals is fully taxable (no part of the distribution is a return of the investment in the contract), report the total amount of the distribution in boxes 1 and 2a. Leave box 5 blank, and enter Code E in box 7. For a return of employee contributions plus gains, enter the gross distribution in box 1, the gains attributable to the employee contributions being returned in box 2a, and the employee contributions being returned in box 5. Enter Code E in box 7. For more information, see Rev. Proc. 92-93, 1992-2 C.B. 505.

Certain Excess Amounts Under 403(b) Plans

A corrective distribution under the Employee Plans Compliance Resolution System to the participant of contributions to a 403(b) plan (plus gains attributable to such contributions) that were in excess of the limits under section 415 or section 403(b)(2) (the exclusion allowance limit) is treated the same as corrective distributions of elective deferrals to satisfy the limits under section 415. It is taxable to the participant in the year of distribution. See **Excess Annual Additions Under Section 415** above.

Failing the ADP or ACP Test After a Total Distribution

If you make a total distribution in 2002 and file a Form 1099-R with the IRS and then discover in 2003 that the plan **failed** either the section 401(k)(3) actual deferral percentage (ADP) test for 2002 and you compute excess contributions **or** the section 401(m)(2) actual contribution percentage (ACP) test and you compute excess aggregate contributions, you must recharacterize part of the total distribution as excess contributions or excess aggregate contributions. First, file a CORRECTED Form 1099-R for 2002 for the correct amount of the total distribution (not including the amount recharacterized as excess contributions or excess aggregate contributions). Second, file a **new** Form 1099-R for 2002 for the excess contributions or excess aggregate contributions and allocable earnings.

To avoid a late filing penalty if the new Form 1099-R is filed after the due date, enter in the bottom margin of **Form 1096**, Annual Summary and Transmittal of U.S. Information Returns, the words "Filed To Correct Excess Contributions."

You must also issue copies of the Forms 1099-R to the plan participant with an explanation of why these new forms are being issued.

Loans Treated as Distributions

A loan from a qualified plan under sections 401 and 403(a) and (b), and a plan maintained by the United States, a state or political subdivision, or any of its subsidiary agencies made to a participant or beneficiary is **not** treated as a distribution from the plan if the loan satisfies the following requirements:

1. The loan is evidenced by an enforceable agreement,

2. The agreement specifies that the loan must be repaid within 5 years, except for a principal residence,

3. The loan must be repaid in substantially level installments (at least quarterly), and

4. The loan amount does not exceed the limits in section 72(p)(2)(A) (maximum limit is equal to the lesser of 50% of the vested account balance or $50,000).

Certain exceptions, cure periods, and suspension of the repayment schedule may apply.

The loan agreement must specify the amount of the loan, the term of the loan, and the repayment schedule. The agreement may include more than one document.

If a loan fails to satisfy **1**, **2**, or **3**, the balance of the loan is a deemed distribution. The distribution may occur at the time the loan is made or later if the loan is not repaid in accordance with the repayment schedule.

If a loan fails to satisfy **4** at the time the loan is made, the amount that exceeds the amount permitted to be loaned is a deemed distribution.

If a loan is treated as a deemed distribution, it is reportable on Form 1099-R using the normal taxation rules of section 72, including tax basis rules. The distribution also may be subject to the 10% early distribution tax under section 72(t). It is not eligible to be rolled over to an eligible retirement plan nor is it eligible for the 10-year tax option. On Form 1099-R, complete the appropriate boxes, including boxes 1 and 2a, and enter Code L in box 7. Enter another code, such as Code 1 or 2, in box 7, if applicable.

Interest that accrues after the deemed distribution of a loan is not an additional loan, and, therefore, is not reportable on Form 1099-R.

If a participant's accrued benefit is reduced (offset) to repay a loan, the amount of the account balance that is offset against the loan is an actual distribution. Report it as you would any other actual distribution. Do not enter Code L in box 7.

Loans that are treated as deemed distributions or that are actual distributions are subject to Federal income tax withholding. If a distribution occurs after the loan is made, you must withhold only if you distributed cash or property (other than employer securities) at the time of the deemed or actual distribution. See section 72(p), 72(e)(4)(A), and Regulations section 1.72(p)-1.

Subsequent distributions. If a participant makes any cash **repayments** on a loan that was reported on Form 1099-R as a deemed distribution, the repayments increase the participant's tax basis in the plan as if the repayments were after-tax contributions. However, such repayments are not treated as after-tax contributions for purposes of section 401(m) or 415(c)(2)(B).

For a deemed distribution that was reported on Form 1099-R but was **not repaid**, the deemed distribution does **not** increase the participant's basis.

Missing Participants

The IRS administers a letter-forwarding program that could help plan administrators contact missing retirement plan participants (or possibly their beneficiaries). To inform individuals of their rights to benefits under a retirement plan, the IRS will forward letters from plan administrators to the missing individuals if the administrators provide the names and social security numbers (SSNs) of the missing individuals. However, the IRS cannot disclose individuals' addresses or give confirmation of letter delivery. All undelivered letters will be destroyed. For further information, see Rev. Proc. 94-22, 1994-1 C.B. 608, or contact your IRS office.

Corrected Form 1099-R

If you filed a Form 1099-R with the IRS and later discover that there is an error on it, you must correct it as soon as possible. For example, if you transmit a direct rollover and file a Form 1099-R with the IRS reporting that none of the direct rollover is taxable by entering 0 (zero) in box 2a, and you then discover that part of the direct rollover consists of required minimum distributions under section 401(a)(9), you must file a corrected Form 1099-R. See part **I** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G.**

Filer. The payer, trustee, or plan administrator must file Form 1099-R using the same name and employer identification number (EIN) used to deposit any tax withheld and to file **Form 945**, Annual Return of Withheld Federal Income Tax.

Beneficiaries. If you make a distribution to a beneficiary or estate, prepare Form 1099-R using the name and TIN of the beneficiary or estate, not those of the decedent. If there are multiple beneficiaries, report on each Form 1099-R only the amount paid to the beneficiary whose name appears on the Form 1099-R, and enter the percentage in box 9a, if applicable.

Alternate payee under QDRO. Distributions to an alternate payee who is a spouse or former spouse of the employee under a QDRO are reportable on Form 1099-R using the name and TIN of the alternate payee. However, see **Transfer of IRA to spouse** on page R-3.

Nonresident aliens. If income tax is withheld under section 3405 on a distribution to a nonresident alien, report the distribution and withholding on Form 1099-R. Also file Form 945 to report the withholding. However, any payments to a nonresident alien from any trust under section 401(a), any annuity plan under 403(a), or any annuity, custodial account, or retirement income account under 403(b) are subject to withholding under section 1441. Report the distribution and withholding on **Form 1042**, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and **Form 1042-S**, Foreign Person's U.S. Source Income Subject to Withholding.

Statements to recipients. If you are required to file Form 1099-R, you must furnish a statement to the recipient. For more information about the requirement to furnish a statement to each recipient, see part **H** in the General Instructions for Forms 1099, 1098, 5498, and W-2G.

TIP *Do not enter a negative amount in any box on Form 1099-R.*

Box 1. Gross Distribution

Enter the **total amount of the distribution** before income tax or other deductions were withheld. Include direct rollovers, premiums paid by a trustee or custodian for current life or other insurance protection (PS 58 costs), and the gross amount of any IRA distribution, including a recharacterization and a Roth IRA conversion. Also include in this box distributions to **plan participants** from governmental section 457(b) plans. However, in the case of a distribution by a trust representing CDs redeemed early, report the net amount distributed. Also, see **Box 6** on page R-8.

CAUTION *For reporting related social security and Medicare taxes on a governmental section 457(b) plan distribution, see the 2002 Instructions for Forms W-2 and W-3.*

Include in this box the **value of U.S. Savings Bonds** distributed from a plan. Enter the appropriate taxable amount in box 2a. Furnish a statement to the plan participant showing the value of each bond at the time of distribution. This will provide him or her with the information necessary to figure the interest income on each bond when it is redeemed.

In addition to reporting distributions to beneficiaries of deceased employees, report here any **death benefit payments** made by employers that are not made as part of a pension, profit-sharing, or retirement plan. Also enter these amounts in box 2a; enter Code 4 in box 7.

CAUTION *Do not report accelerated death benefits on Form 1099-R. Report them on **Form 1099-LTC**, Long-Term Care and Accelerated Death Benefits.*

For **section 1035 exchanges** that are reportable on Form 1099-R, enter the total value of the contract in box 1, 0 (zero) in box 2a, the total premiums paid in box 5, and Code 6 in box 7.

Employer securities and other property. If you distribute employer securities or other property, include in box 1 the FMV of the securities or other property on the date of distribution. If there is a loss, see **Losses** on page R-6.

If you are distributing worthless property only, you are not required to file Form 1099-R. However, you may file and enter 0 (zero) in boxes 1 and 2a and any after-tax employee contributions in box 5.

Charitable gift annuities. If cash or capital gain property is donated in exchange for a charitable gift annuity, report distributions as follows. Enter in:

- Box 1 the total amount distributed during the year,
- Box 2a the taxable amount,
- Box 3 any amount taxable as capital gain,
- Box 5 any nontaxable amount, and
- Box 7 the Code F.

See the specific line instructions for more information.

Box 2a. Taxable Amount

Generally, you must enter the taxable amount in box 2a. However, if you are unable to reasonably obtain the data

needed to compute the **taxable amount,** leave this box blank. Do not enter excludable or tax-deferred amounts reportable in boxes 5, 6, and 8.

For a direct rollover from a qualified plan or tax-sheltered annuity, for a distribution from a conduit IRA that is payable to the trustee of or is transferred to an employer plan, for an IRA recharacterization, or for a nontaxable section 1035 exchange of life insurance, annuity, or endowment contracts, enter 0 (zero) in box 2a.

PS 58 costs. Include PS 58 costs that were reported in box 1. However, do not report PS 58 costs and a distribution on the same Form 1099-R. Use a separate Form 1099-R for each. Enter Code 9 in box 7 for PS 58 costs. See Regulations section 1.72-16(b) and Rev. Rules. 55-747, 1955-2 C.B. 228, and 66-110, 1966-1 C.B. 12, for information on the cost of premiums paid by an employees' trust under a qualified plan for current life insurance protection taxable to plan participants or their beneficiaries.

DECs. Include DEC distributions in this box. Also see **Deductible Voluntary Employee Contributions (DECs)** on page R-2.

Annuity starting date in 1998 or later. If you made annuity payments from a qualified plan (under section 401(a), 403(a), or 403(b)) and the annuity starting date is in 1998 or later, you **must** use the simplified method (under section 72(d)) to figure the taxable amount. Under this method, the expected number of payments you use to figure the taxable amount depends on whether the payments are based on the life of one or more than one person. See Notice 98-2, 1998-1 C.B. 266, and **Pub. 575**, Pension and Annuity Income, to help you figure the taxable amount to enter in box 2a.

Annuity starting date after November 18, 1996, and before 1998. Under the simplified method for figuring the taxable amount, the expected number of payments is based only on the primary annuitant's age on the annuity starting date. See Notice 98-2.

Annuity starting date before November 19, 1996. If you properly used the rules in effect before November 19, 1996, for annuities that started before that date, continue to report using those rules. No changes are necessary.

IRA or SEP. Generally, you are not required to compute the taxable amount of a traditional IRA or SEP nor designate whether any part of a distribution is a return of basis attributable to nondeductible contributions. Therefore, report the total amount distributed from a traditional IRA or SEP in box 2a. This will be the same amount reported in box 1. Check the "Taxable amount not determined" box in box 2b.

However, for a distribution by a trust representing CDs redeemed early, report the net amount distributed. Do not include any amount paid for IRA insurance protection in this box.

For a distribution of contributions plus earnings from an IRA under **section 408(d)(4)**, report the gross distribution in box 1, only the earnings in box 2a, and enter Code 8 or P, whichever is applicable, in box 7. Enter Code 1, 2, 4, or 7, if applicable.

For a distribution of contributions without earnings after the due date of the individual's return, under **section 408(d)(5)**, enter 0 (zero). Use Code 1 or 7 in box 7 depending on the age of the participant.

SIMPLE. Enter the total amount distributed from a SIMPLE IRA in box 2a.

Roth IRA or Coverdell ESA. For a distribution from a Roth IRA or Coverdell ESA, report the total distribution in box 1 and leave box 2a blank except in the case of an IRA revocation (see page R-2) and a recharacterization (see page R-3). Use Code J, M, or T as appropriate in box 7. Use Code 5, 8, or P, if applicable, in box 7 with Code J or T and Code 3, 4, 8, or P with Code M.

However, for the distribution of excess Roth IRA or Coverdell ESA contributions, report the gross distribution in box 1 and only the earnings in box 2a. Enter Code J, M, or T and 8 or P in box 7.

Roth IRA conversion. Report the total amount converted or reconverted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in boxes 1 and 2a. A conversion or reconversion is considered a distribution and must be reported even if it is with the same trustee and even if the conversion is done by a trustee-to-trustee transfer. For a Roth IRA conversion, use Code 2 in box 7 if the participant is under age 59½ or Code 7 if the participant is at least age 59½. Also, check the IRA/SEP/SIMPLE box in box 7.

Losses. If a distribution is a loss, do not enter a negative amount in this box. For example, if stock is distributed but the value is less than the employee's after-tax contributions, enter the value of the stock in box 1, leave box 2a blank, and enter the employee's contributions in box 5.

For a plan with no after-tax contributions, even though the value of the account may have decreased, there is no loss for reporting purposes. Therefore, if there are no employer securities distributed, show the actual cash and/or FMV of property distributed in boxes 1 and 2a, and make no entry in box 5. If only employer securities are distributed, show the FMV of the securities in boxes 1 and 2a and make no entry in box 5 or 6. If both employer securities and cash or other property are distributed, show the actual cash and/or FMV of the property (including employer securities) distributed in box 1, the gross less any NUA on employer securities in box 2a, no entry in box 5, and any NUA in box 6.

Box 2b. Taxable Amount not Determined

Enter an "X" in this box only if you are unable to reasonably obtain the data needed to compute the taxable amount. If you check this box, leave box 2a blank unless you are reporting a traditional IRA, SEP IRA, or SIMPLE IRA distribution. Except for IRAs, make every effort to compute the taxable amount.

Box 2b. Total Distribution

Enter an "X" in this box only if the payment shown in box 1 is a total distribution. A total distribution is one or more distributions within 1 tax year in which the entire balance of the account is distributed. If periodic or installment payments are made, mark this box in the year the final payment is made.

Box 3. Capital Gain (Included in Box 2a)

Charitable gift annuities. Report in box 3 any amount from a charitable gift annuity that is taxable as a capital gain. Report in box 1 the total amount distributed during the year. Report in box 2a the taxable amount. If any amount is taxable as a capital gain, report it in box 3. Advise the annuity recipient of any amount in box 3 subject to the 28% rate gain, such as for collectibles, and any unrecaptured section 1250 gain. Report in box 5 any nontaxable amount. Enter Code F in box 7. See Regulations section 1.1011-2(c), Example 8. Also see box 1 on page R-5.

Special rule for participants born before 1936 (or their beneficiaries). For lump-sum distributions from qualified plans only, enter the amount in box 2a eligible for the **capital gain** election under section 1122(h)(3) of the Tax Reform Act of 1986, 1986-3 (Vol. 1) C.B. 1, 387 and section 641(f)(3) of the Economic Growth and Tax Relief Reconciliation Act of 2001. Enter the full amount eligible for the capital gain election. You should not complete this box for a direct rollover.

To compute the months of an employee's active participation before 1974, count as 12 months any part of a calendar year in which an employee actively participated under the plan; for active participation after 1973, count as 1 month any part of a month in which the employee actively participated under the plan. See the **Example** on page R-7.

Active participation begins with the first month in which an employee became a participant under the plan and ends with the earliest of:

- The month in which the employee received a lump-sum distribution under the plan;
- For an employee, other than a self-employed person or owner-employee, the month in which the employee separates from service;
- The month in which the employee dies; or
- For a self-employed person or owner-employee, the first month in which the employee becomes disabled (within the meaning of section 72(m)(7)).

Example for Computing Amount Eligible for Capital Gain Election (See **Box 3.**)

Step 1. Total Taxable Amount

A. Total distribution		XXXXX
B. Less:		
1. Current actuarial value of any annuity	XXXX	
2. Employee contributions (minus any amounts previously distributed that were not includible in the employee's gross income)	XXXX	
3. Net unrealized appreciation in the value of any employer securities that was a part of the lump-sum distribution.	XXXX	
C. Total of lines 1 through 3		XXXXX
D. Total taxable amount. Subtract line C from line A.		XXXXX

Step 2. Capital Gain

Total taxable amount		Months of active participation before 1974	
Line D	X	_____	= Capital gain
		Total months of active participation	

Box 4. Federal Income Tax Withheld

Enter any **Federal income tax withheld.** This withholding under section 3405 is subject to deposit rules and the withholding tax return is Form 945. Backup withholding does not apply. See **Pub. 15-A,** Employer's Supplemental Tax Guide, and the **Instructions for Form 945** for more withholding information.

Even though you may be using Code 1 in box 7 to designate an early distribution subject to the 10% additional tax specified in sections 72(q), (t), or (v), you are not required to withhold that tax.

TIP *The amount withheld cannot be more than the sum of the cash and the FMV of property (excluding employer securities) received in the distribution. If a distribution consists solely of employer securities and cash ($200 or less) in lieu of fractional shares, no withholding is required.*

To determine your withholding requirements for any designated distribution under section 3405, you must first determine whether the distribution is an eligible rollover distribution. (See **Direct rollovers** on page R-2 for a discussion of eligible rollover distributions.) If the distribution is not an eligible rollover distribution, the rules for periodic payments or nonperiodic distributions apply. For purposes of withholding, distributions from any IRA are not eligible rollover distributions.

Eligible rollover distribution; 20% withholding. If an eligible rollover distribution is paid directly to an eligible retirement plan in a direct rollover, do not withhold Federal income tax. If any part of an eligible rollover distribution is not a direct rollover, you must withhold 20% of the part that is paid to the recipient. The recipient cannot claim exemption from the 20% withholding but may ask to have additional amounts withheld on **Form W-4P**, Withholding Certificate for Pension or Annuity Payments. If the recipient is not asking that additional amounts be withheld, Form W-4P is not required for an eligible rollover distribution because 20% withholding is mandatory.

Employer securities and plan loan offset amounts that are part of an eligible rollover distribution must be included in the amount multiplied by 20%. However, the actual amount to be withheld cannot be more than the sum of the cash and the FMV of property (excluding employer securities and plan loan offset amounts). For example, if the only part of an eligible rollover distribution that is not a direct rollover is employer securities or a plan loan offset amount, no withholding is required. However, any cash that is paid in the distribution must be used to satisfy the withholding on the employer securities or plan loan offset amount.

The payer is required to withhold 20% of eligible rollover distributions from a qualified plan's distributed annuity and on distributions from a governmental section 457(b) plan.

Any NUA excludable from gross income under section 402(e)(4) is not included in the amount of any eligible rollover distribution that is subject to 20% withholding.

You are not required to withhold 20% of an eligible rollover distribution that, when aggregated with other eligible rollover distributions made to one person during the year, is less than $200.

IRAs. The 20% withholding does not apply to distributions from any IRA, but withholding does apply to IRAs under the rules for periodic payments and nonperiodic distributions below. For withholding, assume that the entire amount of an IRA distribution is taxable (except for the distribution of contributions under section 408(d)(4), in which only the earnings are taxable, and 408(d)(5)).

An IRA recharacterization is not subject to income tax withholding.

Coverdell ESAs. Do not withhold on a distribution from a Coverdell ESA.

Periodic payments. For periodic payments that are not eligible rollover distributions, withhold on the taxable part as though the periodic payments were wages, based on the recipient's Form W-4P. The recipient may request additional withholding on Form W-4P or claim exemption from withholding. If a recipient does not submit a Form W-4P, withhold by treating the recipient as married with three withholding allowances. See **Circular E,** Employer's Tax Guide (Pub. 15), for wage withholding tables.

TIP *Rather than Form W-4P, military retirees should give you **Form W-4,** Employee's Withholding Allowance Certificate.*

Nonperiodic distributions. Withhold 10% of the taxable part of a nonperiodic distribution that is not an eligible rollover distribution. The recipient may request additional withholding on Form W-4P or claim exemption from withholding.

Failure to provide TIN. For periodic payments and nonperiodic distributions, if a payee fails to furnish his or her correct TIN to you in the manner required, or if the IRS notifies you before any distribution that the TIN furnished is incorrect, a payee cannot claim exemption from withholding. For periodic payments, withhold as if the payee was single claiming no withholding allowances. For nonperiodic payments, withhold 10%. Backup withholding does not apply.

Box 5. Employee Contributions or Insurance Premiums

Enter the **employee's contributions** to a profit-sharing or retirement plan, or **insurance premiums** that the employee may recover tax free this year. The entry in box 5 may include any of the following: **(a)** contributions actually made by the employee over the years under the retirement or profit-sharing plan that were required to be included in the income of the employee when contributed ("after-tax contributions"), **(b)** contributions made by the employer but considered to have been contributed by the employee under section 72(f), **(c)** the accumulated cost of premiums paid for life insurance protection taxable to the employee in previous years and in the current year under Regulations section 1.72-16 (PS 58 costs) (only if the life insurance contract itself is distributed), and **(d)** premiums paid on commercial annuities. Also, until further guidance is issued, report after-tax contributions directly rolled over to an IRA. Do not include contributions to any DEC, 401(k) plan, or any other contribution to a retirement plan that was not an after-tax contribution.

Generally, for qualified plans, tax-sheltered annuities, and nonqualified commercial annuities, enter in box 5 the employee contributions or insurance premiums recovered tax free during the year based on the method you used to determine the taxable amount to be entered in box 2a. If periodic payments began before 1993, you are not required to, but you are encouraged to, report in box 5.

If you made periodic payments from a qualified plan and the annuity starting date is after November 18, 1996, you must use the simplified method to figure the tax-free amount each year. See ***Annuity starting date in 1998 or later*** *on page R-6.*

If a total distribution is made, the total employee contributions or insurance premiums available to be recovered tax free must be shown only in box 5. If any previous distributions were made, any amount recovered tax free in prior years must not appear in box 5.

If you are unable to reasonably obtain the data necessary to compute the taxable amount, leave boxes 2a and 5 blank, and check the first box in box 2b.

For more information, see Rev. Proc. 92-86, 1992-2 C.B. 495 and section 72(d).

For reporting charitable gift annuities, see **Charitable gift annuities** on page R-5.

Box 6. Net Unrealized Appreciation in Employer's Securities

Use this box if a distribution includes securities of the employer corporation (or a subsidiary or parent corporation) and you can compute the net unrealized appreciation (NUA) in the employer's securities. Enter all the NUA in employer securities if this is a lump-sum distribution. If this is not a lump-sum distribution, enter only the NUA in employer securities attributable to employee contributions. See Regulations section 1.402(a)-1(b) for the determination of the NUA. Also see Notice 89-25, Q/A-1, 1989-1 C.B. 662. Include the NUA in box 1 but not in box 2a. You do not have to complete this box for a direct rollover.

Box 7. Distribution Code

Enter an "X" in the **IRA/SEP/SIMPLE checkbox** if the distribution is from a traditional IRA, SEP IRA, or SIMPLE IRA. It is not necessary to check the box for a distribution from a Roth IRA or Coverdell ESA or for an IRA recharacterization.

You must enter the appropriate code(s) in box 7. Use the **Guide to Distribution Codes** on pages R-9 and R-10 to determine the appropriate code(s) to enter in box 7 for any amounts reported on Form 1099-R. Read the codes carefully and enter them accurately because the IRS uses the codes to help determine whether the recipient has properly reported the distribution. If the codes you enter are incorrect, the IRS may improperly propose changes to the recipient's taxes.

When applicable, enter a numeric and an alpha code. For example, when using Code P for a traditional IRA distribution under section 408(d)(4), you must also enter Code 1, if it applies. For a normal distribution from a qualified plan that qualifies for the 10-year tax option, enter Codes 7 and A. For a direct rollover to an IRA for the surviving spouse of a deceased participant, enter Codes 4 and G. Do not use Code 4 with Code H.

Only three numeric combinations are permitted on one Form 1099-R: Codes 8 and 1, 8 and 2, or 8 and 4. If two or more other numeric codes are applicable, you must file more than one Form 1099-R. For example, if part of a distribution is premature (Code 1) and part is not (Code 7), file one Form 1099-R for the part to which Code 1 applies and another Form 1099-R for the part to which Code 7 applies. In addition, for the distribution of excess deferrals, excess contributions, or excess aggregate contributions, parts of the distribution may be taxable in 2 or 3 different years. File separate Forms 1099-R using Code 8, D, or P to indicate the year the amount is taxable.

Even if the employee/taxpayer is 59½ or over, use Code 1 if a series of substantially equal periodic payments was modified within 5 years of the date of the first payment (within the meaning of section 72(q)(3) or (t)(4)). For example, Mr. B began receiving payments that qualified for the exception for part of a series of substantially equal periodic payments under section 72(t)(2)(A)(iv) when he was 57. When he was 61, Mr. B substantially modified the payments. Because the payments were modified within 5 years, use Code 1 in the year the payments were modified, even though Mr. B is over 59½.

If part of an eligible rollover distribution is paid in a direct rollover and part is not, you must file a separate Form 1099-R for each part showing the appropriate code on each form. If part of a distribution is an eligible rollover distribution and part is not (e.g., a minimum distribution required by section 401(a)(9)) and the part that is an eligible rollover distribution is directly rolled over, you must file a separate Form 1099-R to report each part.

Box 8. Other

Enter the current **actuarial value** of an annuity contract that is part of a lump-sum distribution. Do not include this item in boxes 1 and 2a.

To determine the value of an annuity contract, show the value as an amount equal to the current actuarial value of the annuity contract, reduced by an amount equal to the excess of the employee's contributions over the cash and other property (not including the annuity contract) distributed.

If an annuity contract is part of a multiple recipient lump-sum distribution, enter in box 8, along with the current actuarial value, the percentage of the total annuity contract each Form 1099-R represents.

Box 9a. Your Percentage of Total Distribution

If this is a total distribution and it is made to **more than one person**, enter the **percentage** received by the person whose name appears on Form 1099-R. You need not complete this box for any IRA distributions or for a direct rollover.

Box 9b. Total Employee Contributions

You are not required to enter the total employee contributions in box 9b. However, because this information may be helpful to the recipient, you may choose to report them.

If you choose to report the total employee contributions, do not include any amounts recovered tax free in prior years. For a total distribution, report the total employee contributions in box 5 rather than in box 9b.

Boxes 10–15. State and Local Information

These boxes and Copies 1 and 2 are provided for your convenience only and need not be completed for the IRS. Use the **state and local information** boxes to report distributions and taxes for up to two states or localities. Keep the information for each state or locality separated by the broken line. If state or local income tax has been withheld on this distribution, you may enter it in boxes 10 and 13, as appropriate. In box 11, enter the abbreviated name of the state and the payer's state identification number. The state number is the payer's identification number assigned by the individual state. In box 14, enter the name of the locality. In boxes 12 and 15 you may enter the amount of the state or local distribution. Copy 1 may be used to provide information to the state or local tax department. Copy 2 may be used as the recipient's copy in filing a state or local income tax return.

Guide to Distribution Codes

Distribution Codes	Explanations	*Used with code... (if applicable)
1—Early distribution, no known exception.	Use Code 1 only if the employee/taxpayer has **not** reached age 59½, and if none of the exceptions under section 72(q), (t), or (v) are known to apply. For example, if a distribution is made for medical or qualified higher education expenses, you probably will not know if any medical or qualified higher education expense exception under section 72(t) applies. Therefore, use Code 1. However, if an early distribution is made from a qualified retirement plan because of an IRS levy under section 6331, use Code 2.	8, D, L, or P
2—Early distribution, exception applies (as defined in section 72(q), (t), or (v)).	Use Code 2 if the employee/taxpayer has **not** reached age 59½ to indicate that an exception under section 72(q), (t), or (v) applies. However, instead of Code 2, use Code 3 or 4, whichever applies, for an early distribution due to disability or death. Also use Code 2 for a Roth IRA conversion (an IRA converted to a Roth IRA) or reconversion if the participant is under age 59½ and for an early distribution made from a qualified retirement plan because of an IRS levy under section 6331.	8, D, L, or P
3—Disability.		M or T
4—Death.	Use Code 4 regardless of the age of the employee/taxpayer to indicate payment to a decedent's beneficiary, including an estate or trust. Also use it for death benefit payments made by an employer but not made as part of a pension, profit-sharing, or retirement plan.	8, A, D, G, L, M, P, or T
5—Prohibited transaction.		J or T
6—Section 1035 exchange.	Use Code 6 to indicate the tax-free exchange of life insurance, annuity, or endowment contracts under section 1035.	None
7—Normal distribution.	Use Code 7 (a) for a normal distribution from a plan, including a traditional IRA, if the employee/taxpayer is at least age 59½, (b) for a Roth IRA conversion or reconversion if the participant is at least age 59½, and (c) to report a distribution from a life insurance, annuity, or endowment contract and for reporting income from a failed life insurance contract under sections 7702(g) and (h). (See Rev. Rul. 91-17, 1991-1 C.B. 190.) Use Code 7 with Code A, if applicable. Generally, use Code 7 if no other code applies. **Do not** use Code 7 if Code M or T applies.	A
8—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2002.	Use Code 8 for an IRA distribution under section 408(d)(4), including excess Roth IRA contributions, or the withdrawal of excess contributions from a Coverdell ESA, unless Code P applies. Also use this code for corrective distributions of excess deferrals, excess contributions, and excess aggregate contributions, unless Code D or P applies. See **Corrective distributions** on page R-3. Also see **IRA revocation** on page R-2.	1, 2, 4, J, M, or T
9—PS 58 costs.	Use Code 9 to report premiums paid by a trustee or custodian for current life or other insurance protection (PS 58 costs). See **Box 2a** on page R-6 for more information.	None
A—May be eligible for 10-year tax option.	Use Code A only for participants born before 1936 or their beneficiaries to indicate the distribution is eligible for the 10-year tax option method of computing the tax on lump-sum distributions (on **Form 4972,** Tax on Lump-Sum Distributions). To determine whether the distribution may be eligible for the tax option, you need not consider whether the recipient used this method (or capital gain treatment) in the past.	4 or 7
D—Excess contributions plus earnings/excess deferrals taxable in 2000.	See the explanation for Code 8. Generally, do not use Code D for an IRA distribution under section 408(d)(4).	1, 2, or 4

*See the **Caution** for Box 7 instructions on page R-8.

Guide to Distribution Codes (Continued)

Distribution Codes	Explanations	*May be used with code...
E—Excess annual additions under section 415/certain excess amounts under section 403(b) plans.		None
F—Charitable gift annuity.		None
G—Direct rollover to IRA.	Use Code G for the direct rollover from a qualified plan or tax-sheltered annuity to a traditional IRA. Do not use this code for a distribution **from** an IRA. Do not use this code with any other code except Code 4, when applicable. See **Direct rollovers** on page R-2.	4
H—Direct rollover to qualified plan or tax-sheltered annuity.	Use Code H for the direct rollover of a qualified plan or tax-sheltered annuity to an eligible retirement plan other than a traditional IRA. Do not use this code with any other code. Also, use Code H if you know the distribution is from a conduit IRA and it is made payable to the trustee of or is transferred to an employer plan.	None
J—Early distribution from a Roth IRA, no known exception.	Use Code J for a distribution from a Roth IRA if the taxpayer has **not** reached age 59½, and if none of the exceptions under section 72(q), (t), or (v) are known to apply.	5, 8, or P
L—Loans treated as deemed distributions under section 72(p).	Do not use Code L to report a loan offset. See **Loans Treated as Distributions** on page R-4.	1, 2, or 4
M—Distribution from a Coverdell education savings account (ESA).	Use Code M for any distribution from a Coverdell ESA.	3, 4, 8, or P
N—Recharacterized IRA contribution made for 2002.	Use Code N for a recharacterization of an IRA contribution made for 2002 and recharacterized in 2002 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.	None
P—Excess contributions plus earnings/excess deferrals taxable in 2001.	See the explanation for Code 8. The IRS suggests that anyone using Code P for the refund of an IRA contribution under section 408(d)(4), including excess Roth IRA contributions, or the withdrawal of excess contributions from a Coverdell ESA advise payees, at the time the distribution is made, that the earnings are taxable in the year in which the contributions were made.	1, 2, 4, M, J, or T
R—Recharacterized IRA contribution made for 2001.	Use Code R for a recharacterization of an IRA contribution made for 2001 and recharacterized in 2002 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.	None
S—Early distribution from a SIMPLE IRA in first 2 years, no known exception.	Use Code S only if the distribution is from a SIMPLE IRA in the first 2 years, the employee/taxpayer has not reached age 59½, and none of the exceptions under section 72(t) are known to apply. The 2-year period begins on the day contributions are first deposited in the individual's SIMPLE IRA. Do not use Code S if Code 3 or 4 applies.	None
T—Roth IRA distribution, exception applies.	Use Code T for a distribution from a Roth IRA if the taxpayer is at least age 59½, or if an exception under section 72(q), (t), or (v) applies. Also use Code T if Code 3 or 4 applies.	5, 8, or P

Specific Instructions for Form 5498

File **Form 5498**, IRA and Coverdell ESA Contribution Information, with the IRS by June 2, 2003, for each person for whom you maintained any individual retirement arrangement (IRA) or Coverdell education savings account (ESA) during 2002.

An IRA includes all investments under one IRA plan. It is not necessary to file a Form 5498 for each investment under one plan. For example, if a participant has three CDs under one IRA plan, only one Form 5498 is required for all contributions and the fair market values (FMVs) of the CDs under the plan. However, if an individual has established more than one IRA plan with the same trustee, a separate Form 5498 must be filed for each plan.

Contributions. You must report contributions to any IRA or Coverdell ESA on Form 5498. See the instructions under Boxes 1, 2, 3, 4, 8, 9, 10, and 11 on pages R-12 and R-13. If no reportable contributions were made for 2002, complete only boxes 5 and 7.

Report contributions to a spousal IRA under section 219(c) on a separate Form 5498 using the name and taxpayer identification number (TIN) of the spouse.

For contributions made between January 1 and April 15, 2003, trustees and issuers should obtain the participant's designation of the year for which the contributions are made.

Direct rollovers, transfers, and recharacterizations. You must report the receipt of a direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to an IRA. Report a direct rollover in box 2. For information on direct rollovers of eligible rollover distributions, see **Direct rollovers** on page R-2.

If a rollover or trustee-to-trustee transfer is made from a SIMPLE IRA to an IRA that is not a SIMPLE IRA and the trustee has adequately substantiated information that the participant has not satisfied the 2-year period specified in section 72(t)(6), report the amount as a regular contribution in box 1 even if the amount exceeds $3,000 ($3,500 for individuals 50 or older).

Transfers. Do not report on Form 5498 a direct trustee-to-trustee transfer from **(a)** a traditional IRA to another traditional IRA, **(b)** a SIMPLE IRA to another SIMPLE IRA, **(c)** a SEP IRA to another SEP IRA or to a traditional IRA, **(d)** a Roth IRA to a Roth IRA, or **(e)** a Coverdell ESA to a Coverdell ESA. For reporting purposes, contributions and rollovers do not include these transfers.

Recharacterizations. You must report each recharacterization of an IRA contribution. If a participant makes a contribution to an IRA (first IRA) for a year, the participant may choose to recharacterize the contribution by transferring, in a trustee-to-trustee transfer, any part of the contribution (plus earnings) to another IRA (second IRA). The contribution is treated as made to the second IRA (recharacterization). A recharacterization may be made with the same trustee or with another trustee. The trustee of the first IRA must report the amount contributed before the recharacterization as a contribution on Form 5498 (and the recharacterization as a distribution on Form 1099-R).

The trustee of the second IRA must report the amount received (FMV) in box 4 on Form 5498 and check the type of IRA box in box 7. All recharacterized contributions received by an IRA in the same year must be totaled and reported on one Form 5498 in box 4.

You may report the FMV of the account on the same Form 5498 you use to report a recharacterization of an IRA contribution and any other contributions made to the IRA for the year.

Catch-up contributions. Participants, who are age 50 or older by the end of the year, may be eligible to make catch-up IRA contributions or catch-up elective deferral contributions. The annual IRA regular contribution limit of $3,000 is increased to $3,500 for participants age 50 or older. Catch-up elective deferral contributions reported on Form 5498 may be under a salary reduction SEP (SARSEP) or under a SIMPLE IRA plan. Up to $1,000 in catch-up elective deferral contributions may be made under a SARSEP, and up to $500 to a SIMPLE IRA plan. For more information on catch-up elective deferral contributions, see Proposed Regulations section 1.414(v)-1.

Include any catch-up amounts when reporting contributions for the year in boxes 1, 8, 9, or 10.

Roth IRA conversions. You must report the receipt of a conversion from an IRA to a Roth IRA even if the conversion is with the same trustee. Report the total amount converted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA in box 3. Also report a reconversion to a Roth IRA after a recharacterization in box 3.

IRA revocation. If a traditional or Roth IRA is revoked during its first 7 days (under Regulations section 1.408-6(d)(4)(ii)), Form 5498 must be filed to report any regular, rollover, or IRA conversion contributions to an IRA that is revoked. For information about reporting a distribution from a revoked IRA, see **IRA Revocation** on page R-2.

Total distribution, no contributions. Generally, if a total distribution was made from an account during the year and no contributions, including rollovers, recharacterizations, or Roth IRA conversion amounts, were made for that year, you need not file Form 5498 nor furnish the annual statement to reflect that the FMV on December 31 was zero.

Distributions. Report distributions (including recharacterizations) from any IRA or Coverdell ESA on Form 1099-R. For an early distribution of contributions plus earnings, report the distribution on Form 1099-R using the applicable code.

Inherited IRAs. In the year an IRA owner dies, you, as an IRA trustee or issuer, generally must file a Form 5498 and furnish an annual statement for the decedent and a Form 5498 and an annual statement for each nonspouse beneficiary. An IRA holder must be able to identify the source of each IRA he or she holds for purposes of figuring the taxation of a distribution from an IRA. Thus, the decedent's name must be shown on the beneficiary's Form 5498 and annual statement. For example, you may enter "Brian Young as beneficiary of Joan Smith" or something similar that signifies that the IRA was once owned by Joan Smith. You may abbreviate the word "beneficiary" as, for example, "bene."

For a spouse beneficiary, unless the spouse makes the IRA his or her own by making contributions to the account, including a rollover contribution, or by not taking distributions required by section 401(a)(9)(B), treat the spouse as a nonspouse beneficiary for reporting purposes. If the spouse makes the IRA his or her own, do not report the beneficiary designation on Form 5498 and the annual statement.

Fair market value. On the decedent's Form 5498 and annual statement, you must enter the FMV of the IRA on the date of death in box 5. Or you may choose the alternate reporting method and report the FMV as of the end of the year in which the decedent died. This alternate value will usually be zero because you will be reporting the end-of-year valuation on the beneficiary's Form 5498 and annual statement. The same figure should not be shown on both the beneficiary's and decedent's forms. If you choose to report using the alternate method, you must inform the executor or administrator of the decedent's estate of his or her right to request a date-of-death valuation.

On the beneficiary's Form 5498 and annual statement, the FMV of that beneficiary's share of the IRA as of the end of the year must be shown in box 5. Every year thereafter that the IRA exists, you must file Form 5498 and furnish an annual statement for each beneficiary who has not received a total distribution of his or her share of the IRA showing the FMV at the end of the year and identifying the IRA as described above.

However, if a beneficiary takes a total distribution of his or her share of the IRA in the year of death, you need not file a Form 5498 nor furnish an annual statement for that beneficiary, but you must still file Form 5498 for the decedent.

If you have no knowledge of the death of an IRA owner until after you are required to file Form 5498 (May 31), you are not

required to file a corrected Form 5498 nor furnish a corrected annual statement. However, you must still provide the date-of-death valuation in a timely manner to the executor or administrator upon request.

For more information about the reporting requirements for inherited IRAs, see Rev. Proc. 89-52, 1989-2 C.B. 632.

Inherited Coverdell ESAs. See section 530(d)(7) for special rules on how to treat the account after the death of the account holder.

Special reporting for U.S. Armed Forces in designated combat zones. An individual who is serving in or in support of the Armed Forces in a designated combat zone or qualified hazardous duty area has an additional period after the normal contribution due date of April 15 to make IRA contributions for a prior year. The period is the time the individual was in the designated zone or area plus at least 180 days. The individual must designate the IRA contribution for a prior year to claim it as a deduction on the income tax return.

If a qualifying combat zone individual makes a contribution to an IRA after April 15th and designates the contribution for a prior year, you must report the contribution on Form 5498 either for **(1)** the year for which the contribution was made or **(2)** a subsequent year.

1. If you report the contribution for the year it is made, no special reporting is required. Include the contribution in box 1 of an original Form 5498 or of a corrected Form 5498 if an original was previously filed.

2. If you report the contribution on Form 5498 for a subsequent year, you must include the year for which the contribution was made, the amount of the contribution, and one of the following indicators:

a. Use “JG” (Joint Guard) or “AF” (Allied Force) for the Kosovo area.

b. Use “JE” (Joint Endeavor) for the Persian Gulf area.

c. Use “EF” (Enduring Freedom) for Afghanistan, Uzbekistan, Kyrgyzstan, Pakistan, Tajikistan, and Jordan.

Enter the information in the blank box to the left of box 10. **Do not** enter the amount in box 1. For example, enter a $2,000 IRA contribution designated for Joint Guard for the tax year 1998 as “JG 1998 2000” in the blank box.

See **Pub. 3**, Armed Forces Tax Guide, for a list of the locations within the designated combat zones and qualified hazardous duty areas.

Magnetic media/electronic filers. You may request an automatic waiver from filing combat zone Forms 5498 by submitting **Form 8508**, Request for Waiver From Filing Information Returns on Magnetic Media. Once you have received the waiver, you may report all Forms 5498 for combat zone participants on paper. Alternatively, you may report contributions made by the normal contribution due date magnetically or electronically and report the contributions made after the normal contribution due date on paper. You may also report prior year contributions by combat zone participants on a corrected Form 5498 magnetically or electronically.

See **Magnetic Media/Electronic Reporting** in the General Instructions for Forms 1099, 1098, 5498, and W-2G for information on how to request a waiver on Form 8508.

Corrected Form 5498. If you filed a Form 5498 with the IRS and later discover that there is an error on it, you must correct it as soon as possible. See part **I** in the General Instructions for Forms 1099, 1098, 5498, and W-2G. For example, if you reported contributions as rollover contributions in box 2, and you later discover that part of the contribution was not eligible to be rolled over and was a regular contribution that should have been reported in box 1, you must file a corrected Form 5498.

Statements to participants. If you are required to file Form 5498, you must provide a statement to the participant. By January 31, 2003, you must provide participants of an IRA with a statement of the December 31, 2002 value of the participant’s account in any written format. Trustees of SIMPLE IRAs also must provide a statement of the account activity by January 31. Contribution information for a Coverdell ESA must be provided by June 2, 2003. Contribution information for all other types of IRAs must be provided by June 2, 2003. You are not required to provide information to the IRS or to participants as to whether a contribution is deductible or nondeductible. In addition, the participant is not required to tell you whether a contribution is deductible or nondeductible.

If you furnished a statement of the FMV of the account to the participant by January 31, 2003, and no contributions, including rollovers, recharacterizations, or Roth IRA conversions, were made for 2002, you need not furnish another statement (or Form 5498) to the participant to report zero contributions. However, you must file Form 5498 with the IRS by June 2, 2003, to report the December 31, 2002 FMV of the account. This rule also applies to beneficiary accounts under the inherited IRA rules on page R-11.

For more information about the requirement to furnish statements to participants, see part **H** in the General Instructions for Forms 1099, 1098, 5498, and W-2G.

CAUTION *If you do not furnish another statement to the participant because no contributions were made for the year, the statement of the FMV of the account must contain a legend designating which information is being furnished to the Internal Revenue Service.*

Box 1. IRA Contributions (Other Than Amounts in Boxes 2, 3, 4, and 8–11)

Enter **contributions** to a traditional IRA made in 2002 and through April 15, 2003, designated for 2002.

Report gross contributions, including the amount allocable to the cost of life insurance (see **Box 6**) and including any excess contributions, even if the excess contributions were withdrawn. If an excess contribution is treated as a contribution in a subsequent year, do not report it on Form 5498 for the subsequent year. It has already been reported as a contribution on Form 5498 for the year it was actually contributed.

Also include **employee** contributions to an IRA under a SEP plan. These are contributions made by the employee, not by the employer, that are treated as regular IRA contributions subject to the 100% of compensation and $3,000 ($3,500 for individuals 50 or older) limits of section 219. Do not include employer SEP contributions including salary reduction SEP (SARSEP) contributions under section 408(k)(6). Include them in box 8.

Also, **do not** include in box 1 contributions to a SIMPLE IRA (report them in box 9), a Roth IRA (report them in box 10), and a Coverdell ESA (report them in box 11). In addition, do not include in box 1 rollovers and recharacterizations (report rollovers in box 2 and recharacterizations in box 4), or a Roth IRA conversion amount (report in box 3).

Box 2. Rollover Contributions

Enter any **rollover contributions** to any IRA received by you during 2002. Include a direct rollover from a qualified plan or tax-sheltered annuity to an IRA. For the rollover of property, enter the FMV of the property on the date you receive it. This value may be different from the value of the property on the date it was distributed to the participant.

Box 3. Roth IRA Conversion Amount

Enter the amount converted or reconverted from a traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA during 2002. Do not include a rollover from one Roth IRA to another Roth IRA. Include a rollover in box 2.

Box 4. Recharacterized Contributions

Enter any amounts recharacterized from one type of IRA to another.

Box 5. Fair Market Value of Account

Enter the FMV of the account on December 31. For inherited IRAs, see **Inherited IRAs** on page R-11.

Box 6. Life Insurance Cost Included in Box 1

For endowment contracts only, enter the amount included in box 1 allocable to the cost of life insurance.

Box 7. Checkboxes

If you did **not** enter an amount in box 1, 3, 8, 9, 10, or 11 even if you entered an amount in box 2 or 4, you must check the appropriate box. If you entered an amount in box 1, 3, 8, 9, 10, or 11 you may, but you do not have to, check the appropriate box.

IRA. Check "IRA" if you are filing Form 5498 to report information about a traditional IRA account.

SEP. Check "SEP" if you are filing Form 5498 to report information about a SEP IRA. A SEP is a written arrangement (plan) under section 408(k) established by an employer to make contributions toward his or her own (if a self-employed individual) and employees' retirement. The contributions are made to the IRAs of the participants in the plan. If you do not know whether the account is a SEP IRA, check the "IRA" box.

SIMPLE. Check "SIMPLE" if you are filing Form 5498 to report information about a SIMPLE IRA account. A SIMPLE IRA is an individual retirement plan that can receive contributions under a written salary reduction arrangement. It may be established by an employer (including a self-employed person) with 100 or fewer employees. Do not check this box for a SIMPLE IRA under a section 401(k) plan. See section 408(p).

Roth IRA. Check "Roth IRA" if you are filing Form 5498 to report information about any Roth IRA account.

Coverdell ESA. Check "Coverdell ESA" if you are filing Form 5498 to report information about a Coverdell ESA account.

Box 8. SEP Contributions

Enter **employer** contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2002 including contributions made in 2002 for 2001, but not including contributions made in 2003 for 2002. **Do not** enter employee contributions to an IRA under a SEP plan. Report any **employee** contributions to an IRA under a SEP plan in box 1. Also include in box 8 SEP contributions made by a self-employed person to his or her own account.

Box 9. SIMPLE Contributions

Enter **any** contributions made to a SIMPLE IRA during 2002. Do not include contributions to a SIMPLE under a 401(k) plan.

Box 10. Roth IRA Contributions

Enter any contributions made to a Roth IRA in 2002 and through April 15, 2003, designated for 2002. However, report Roth IRA conversion amounts in box 3.

Box 11. Coverdell ESA Contributions

Enter any contributions made to a Coverdell ESA in 2002 and through April 15, 2003, designated for 2002. Also, report any Coverdell ESA rollover amounts in box 11.

2002

Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-S

Section references are to the Internal Revenue Code unless otherwise noted.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-S

File **Form 1099-S**, Proceeds From Real Estate Transactions, to report the sale or exchange of real estate.

Reportable Real Estate

Generally, you are required to report a transaction that consists in whole or in part of the sale or exchange for money, indebtedness, property, or services of any present or future ownership interest in any of the following:

1. Improved or unimproved land, including air space.

2. Inherently permanent structures, including any residential, commercial, or industrial building.

3. A condominium unit and its appurtenant fixtures and common elements, including land.

4. Stock in a cooperative housing corporation (as defined in section 216).

Sale or exchange. A sale or exchange includes any transaction properly treated as a sale or exchange for Federal income tax purposes, even if the transaction is not currently taxable. For example, a sale of a principal residence may be a reportable sale even though the transferor may be entitled to exclude the gain under section 121. But see **Exceptions** on this page. Also, a transfer to a corporation that qualifies for nonrecognition of gain under section 351 is a reportable exchange. In addition, a transfer under a land contract is reportable in the year in which the parties enter into the contract.

Ownership interest. An ownership interest includes fee simple interests, life estates, reversions, remainders, and perpetual easements. It also includes any previously created rights to possession or use for all or part of any particular year (e.g., a leasehold, easement, or timeshare), if such rights have a remaining term of at least 30 years, including any period for which the holder may renew such rights, determined on the date of closing. For example, a preexisting leasehold on a building with an original term of 99 years and a remaining term of 35 years on the closing date is an ownership interest; however, if the remaining term is 10 years, it is not an ownership interest. An ownership interest does **not** include any option to acquire real estate.

Involuntary conversion. A sale of real estate under threat or imminence of seizure, requisition, or condemnation is generally a reportable transaction.

Exceptions

The following is a list of transactions that are **not reportable.** However, you may choose to report them; but if you do, the return filed and the statement furnished to the transferor must comply with the reporting rules.

1. Sale or exchange of a principal residence (including stock in a cooperative housing corporation) for $250,000 or less ($500,000 or less for married filing a joint return) **and** you received an acceptable **written assurance** (certification) from the seller. If there are joint sellers, you must obtain a certification from each seller (whether married or not). The certification must be signed by each seller under penalties of perjury. You must file and furnish Form 1099-S for any seller who does not provide a certification. The certification must include information to support the conclusion that the full gain on the sale is excludable from the seller's gross income.

You may get the certification any time on or before January 31 of the year after the year of sale. You may rely on the certification and not file or furnish Form 1099-S unless you know that any assurance on the certification is incorrect.

You must retain the certification for 4 years after the year of sale. You may retain the certification on paper, microfilm, microfiche, or in an electronic storage system.

You are not required to obtain the certification. However, if you do not obtain it, you must file and furnish Form 1099-S.

Rev. Proc. 98-20, 1998-1 C.B. 549, provides a sample acceptable certification that you may use.

2. Any transaction in which the transferor is a corporation (or is considered to be a corporation under Regulations section 1.6045-4(d)(2)); a governmental unit, including a foreign government or an international organization; or an exempt volume transferor. Under this rule, if there are exempt and nonexempt transferors, you must file Form 1099-S only for the nonexempt transferors.

An **exempt volume transferor** is someone who sold or exchanged during the year, who expects to sell or exchange during the year, or who sold or exchanged in either of the 2 previous years, at least 25 separate items of reportable real estate to at least 25 separate transferees. In addition, each item of reportable real estate must have been held, at the date of closing, or will be held, primarily for sale or resale to customers in the ordinary course of a trade or business. You are not required to report an exempt volume transferor's transactions if you receive the penalties of perjury certification required by Regulations section 1.6045-4(d)(3).

3. Any transaction that is not a sale or exchange, including a bequest, a gift (including a transaction treated as a gift under section 1041), and a financing or refinancing that is not related to the acquisition of real estate.

4. A transfer in full or partial satisfaction of a debt secured by the property. This includes a foreclosure, a transfer in lieu of foreclosure, or an abandonment.

5. A de minimis transfer for less than $600. A transaction is de minimis if it can be determined with certainty that the total money, services, and property received or to be received is less than $600, as measured on the closing date. For example, if a contract for sale provides for total consideration of "$1.00 plus other valuable consideration," the transfer is not a de minimis transfer unless you can determine that the "other valuable consideration" is less than $599, as measured on the closing date. The $600 rule applies to the transaction as a whole, not separately to each transferor.

The following also are **not** reportable if the transaction is not related to the sale or exchange of reportable real estate:

1. An interest in crops or surface or subsurface natural resources, that is, timber (see **Timber Royalties** below), water, ores, and other natural deposits, whether or not such crops or natural resources are severed from the land.

2. A burial plot or vault.

3. A manufactured structure used as a dwelling that is manufactured and assembled at a location different from that where it is used, but only if such structure is not affixed, on the closing date, to a foundation. This exception applies to an unaffixed mobile home.

Timber Royalties

Report on Form 1099-S payments of timber royalties made under a pay-as-cut contract, reportable under section 6050N. For more information, see Announcement 90-129, 1990-48 I.R.B. 10.

Gross Proceeds

See **Box 2. Gross Proceeds** on page S-3.

Who Must File

Generally, the person responsible for closing the transaction, as explained in **1** below, is required to file Form 1099-S. If no one is responsible for closing, the person required to file Form 1099-S is explained in **2** below. However, you may designate the person required to file Form 1099-S in a written agreement, as explained under **3** below.

1. If you are the **person responsible for closing the transaction**, you must file Form 1099-S. If a Uniform Settlement Statement, prescribed under the Real Estate Settlement Procedures Act of 1974 (RESPA), is used, the person responsible for closing is the person listed as the settlement agent on that statement. A Uniform Settlement Statement includes any amendments, variations, or substitutions that may be prescribed under RESPA if any such form requires disclosure of the transferor and transferee, the application of the proceeds, and the name of the settlement agent or other person responsible for preparing the settlement statement.

If a Uniform Settlement Statement is not used, or no settlement agent is listed, the person responsible for closing is the person who prepares the closing statement, including a settlement statement or other written document that identifies the transferor, transferee, and real estate transferred, and that describes how the proceeds are to be disbursed.

If no closing statement is used, or if two or more statements are used, the person responsible for closing is, in the following order: **(a)** the transferee's attorney if the attorney is present at the delivery of either the transferee's note or a significant part of the cash proceeds to the transferor or if the attorney prepares or reviews the preparation of the documents transferring legal or equitable ownership; **(b)** the transferor's attorney if the attorney is present at the delivery of either the transferee's note or a significant part of the cash proceeds to the transferor or if the attorney prepares or reviews the preparation of the documents transferring legal or equitable ownership; or **(c)** the disbursing title or escrow company that is most significant in disbursing gross proceeds. If there is more than one attorney described in **(a)** or **(b)**, the one whose involvement is most significant is the person responsible for filing.

2. If no one is responsible for closing the transaction as explained in **1** above, the person responsible for filing is, in the following order: **(a)** the mortgage lender, **(b)** the transferor's broker, **(c)** the transferee's broker, or **(d)** the transferee.

For purposes of **2** above, apply the following definitions:

a. Mortgage lender means a person who lends new funds in connection with the transaction, but only if the loan is at least partially secured by the real estate. If there is more than one lender, the one who lends the most new funds is the mortgage lender. If several lenders advance equal amounts of new funds, and no other person advances a greater amount of new funds, the mortgage lender is the one who has the security interest that is most senior in priority. Amounts advanced by the transferor are not treated as new funds.

b. Transferor's broker means the broker who contracts with the transferor and who is compensated for the transaction.

c. Transferee's broker means the broker who significantly participates in the preparation of the offer to acquire the property or who presents such offer to the transferor. If there is more than one such person, the transferee's broker is the one who most significantly participates in the preparation of the acquisition offer. If there is no such person, the one who most significantly participates in the presentation of the offer is the transferee's broker.

d. Transferee means the person who acquires the greatest interest in the property. If no one acquires the greatest interest, the transferee is the person listed first on the ownership transfer documents.

3. Designation agreement. You can enter into a written agreement at or before closing to designate who must file Form 1099-S for the transaction. The agreement will identify the person responsible for filing if such designated person signs the agreement. It is not necessary that all parties to the transaction (or that more than one party) enter into the agreement.

You may be designated in the agreement as the person who must file if you are the person responsible for closing (as explained in **1** above), the transferee's or transferor's attorney (as explained in **1** above), a title or escrow company that is most significant in terms of the gross proceeds disbursed, or the mortgage lender (as explained in **2a** above).

The designation agreement may be in any written form and may be included on the closing statement. It must identify by name and address the person designated as responsible for filing; it must include the names and addresses of each person entering into the agreement; it must be signed and dated by all persons entering into the agreement; it must include the names and addresses of the transferor and transferee; and it must include the address and any other information necessary to identify the property. Each person who signs the agreement must retain it for 4 years.

TIP *For each transaction, be sure that only one person is responsible for filing and that only one Form 1099-S is filed for each transferor.*

Employees, Agents, and Partners

If an employee, agent, or partner, acting within the scope of such person's employment, agency, or partnership, participates in a real estate transaction, only the employer, principal, or partnership (not the employee, agent, or partner) may be the reporting person. However, the participation of a person listed on the Uniform Settlement Statement as the settlement agent acting as an agent of another is not attributed to the principal.

Foreign Transferors

Sales or exchanges involving foreign transferors are reportable on Form 1099-S. For information on the transferee's responsibility to withhold income tax when a U.S. real property interest is acquired from a foreign person, see **Pub. 515,** Withholding of Tax on Nonresident Aliens and Foreign Entities, and **Form 8288,** U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests.

Multiple Transferors

For multiple transferors of the same real estate, you must file a separate Form 1099-S for each transferor. At or before closing, you must request from the transferors an allocation of the gross proceeds among the transferors. The request and the response are not required to be in writing. You must make a reasonable effort to contact all transferors of whom you have knowledge. However, you may rely on the unchallenged response of any transferor, and you need not make additional contacts with other transferors after at least one complete allocation is received (100% of gross proceeds, whether or not received in a single response). If you receive the allocation, report gross proceeds on each Form 1099-S accordingly.

You are not required to, but you may, report gross proceeds in accordance with an allocation received after the closing date but before the due date of Form 1099-S (without extensions). However, you cannot report gross proceeds in accordance with an allocation received on or after the due date of Form 1099-S (without extensions).

If no gross proceeds are allocated to a transferor because no allocation or an incomplete allocation is received, you must report the total unallocated gross proceeds on the Form 1099-S made for that transferor. If you do not receive any allocation or you receive conflicting allocations, report on each transferor's Form 1099-S the total unallocated gross proceeds.

Husband and wife. If the transferors were husband and wife at the time of closing, who held the property as joint tenants, tenants by the entirety, tenants in common, or as community property, treat them as a single transferor. Only one Form 1099-S showing either of them as the transferor is required. You need not request an allocation of gross proceeds if husband and wife are the only transferors. But if you receive an uncontested allocation of gross proceeds from them, file Form 1099-S for each spouse according to the allocation. If there are other transferors, you must make a reasonable effort to contact either the husband or wife to request an allocation.

Partnerships. If the property is transferred by a partnership, file only one Form 1099-S for the partnership, not separate Forms 1099-S for each partner.

Multiple Assets Sold

If real estate is sold or exchanged and other assets are sold or exchanged in the same transaction, report the total gross proceeds from the entire transaction on Form 1099-S.

Taxpayer Identification Numbers (TINs)

You must request the transferor's TIN no later than the time of closing. The TIN request need not be made in a separate mailing. Rather, it may be made in person or in a mailing that includes other items. The transferor is required to furnish his or her TIN and to certify that the TIN is correct.

For U.S. persons (including U.S. resident aliens), you may request a TIN on **Form W-9,** Request for Taxpayer Identification Number and Certification. Alternatively, you may provide a written statement to the transferor similar to the following: "You are required by law to provide (insert name of person responsible for filing) with your correct taxpayer identification number. If you do not provide (insert name of person responsible for filing) with your correct taxpayer identification number, you may be subject to civil or criminal penalties imposed by law." The solicitation must contain space for the name, address, and TIN of the transferor, and a place to certify under penalties of perjury that the TIN furnished is the correct TIN of the transferor. The certification must read similar to: "Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number." If you use a Uniform Settlement Statement (under RESPA), you may provide a copy of such statement, appropriately modified to solicit the TIN, to the transferor. Keep the Form W-9 or substitute form in your records for 4 years.

CAUTION *Foreign persons must provide their TIN to you on the appropriate Form W-8. See part **F** of the **General Instructions for Forms 1099, 1098, 5498, and W-2G.***

Separate Charge Prohibited

You may not charge your customers a separate fee for complying with the Form 1099-S filing requirements. However, you may take into account the cost of filing the form in setting the fees you charge your customers for services in a real estate transaction.

Statements to Transferors

If you are required to file Form 1099-S, you must provide a statement to the transferor. Furnish a copy of Form 1099-S or an acceptable substitute statement to each transferor. For more information about the requirement to furnish a statement to the transferor, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Filer's Name and Address Box

Enter the name and address of the person who is filing Form 1099-S. This information must be the same as the filer information reported on Form 1096.

Transferor's Name and Address Box

Enter the name and address of the seller or other transferor of the real estate. If a husband and wife are joint sellers, it is only necessary to enter one name and the TIN for that person on the form.

Box 1. Date of Closing

Enter the closing date. On a Uniform Settlement Statement (under RESPA), the closing date is the settlement date. If a Uniform Settlement Statement is not used, the closing date is the earlier of the date title transfers or the date the economic burdens and benefits of ownership shift to the transferee.

Box 2. Gross Proceeds

Enter the gross proceeds from the sale or exchange of real estate. Gross proceeds means any cash received or to be received for the real property by or on behalf of the transferor, including the stated principal amount of a note payable to or for the benefit of the transferor and including a note or mortgage paid off at settlement. If the transferee assumes a liability of the transferor or takes the property subject to a liability, such liability is treated as cash and is includible as part of gross proceeds. For a contingent payment transaction, include the maximum determinable proceeds. Also see **Multiple Assets Sold** above.

If you are reporting a **like-kind exchange** of property for which no gross proceeds are reportable, enter 0 (zero) in box 2 and mark the checkbox in box 4.

Gross proceeds do not include the value of property or services received or to be received by, or on behalf of, the transferor or separately stated cash received for personal property, such as draperies, carpeting, or a washer and dryer.

Do not reduce gross proceeds by any expenses paid by the transferor, such as sales commissions, deed preparation, advertising, and legal expenses. If a Uniform Settlement Statement (under RESPA) is used for a transfer of real estate for cash and notes only, gross proceeds generally will be the contract sales price shown on that statement. If other property or services were exchanged, see **Box 4. Check Here if the Transferor Received or Will Receive Property or Services as Part of the Consideration** below.

Contingent payment transaction. A contingent payment transaction is one in which the receipt, by or on behalf of the transferor, is subject to a contingency. The maximum determinable proceeds means the greatest amount of gross proceeds possible if all the contingencies are satisfied. If the maximum amount of gross proceeds cannot be determined with certainty, the maximum determinable proceeds are the greatest amount that can be determined with certainty.

Box 3. Address or Legal Description (Including City, State, and ZIP Code)

Enter the address of the property, including the city, state, and ZIP code. If the address does not sufficiently identify the property, also enter a legal description, such as section, lot, and block. For timber royalties, enter "Timber."

Box 4. Check Here if the Transferor Received or Will Receive Property or Services as Part of the Consideration

If the transferor received or will receive **property** (other than cash and consideration treated as cash in computing gross proceeds) **or services** as part of the consideration for the property, enter an "X" in the checkbox in box 4.

Box 5. Buyer's Part of Real Estate Tax

For a real estate transaction involving a residence, enter the real estate tax paid in advance that is allocable to the buyer. You do not have to report an amount as allocable to the buyer for real estate taxes paid in arrears. You may use the appropriate information included on the HUD-1, or comparable form, provided at closing. For example, a residence is sold in a county where the real estate tax is paid annually in advance. The seller paid real estate taxes of $1,200 for the year in which the sale took place. The sale occurred at the end of the 9th month of the real estate tax year. Therefore, $300 of the tax paid in advance is allocated to the buyer, by reference to the amount of real estate tax shown on the HUD-1 as paid by the seller in advance, and is reported in box 5. See Notice 93-4, 1993-1 C.B. 295.

TIP *You are not required to indicate on Form 1099-S that the transferor's (seller's) financing was Federally subsidized. Also, you are not required to enter the following:*

- *Both total gross proceeds* ***and*** *the allocated gross proceeds for a multiple transferor transaction (enter either one or the other);*
- *An indication that the transferor may receive property or services for an obligation having a stated principal amount; or*
- *An indication that, in connection with a contingent payment transaction, the transferor may receive gross proceeds that cannot be determined with certainty under the regulations and is not included in gross proceeds.*

2002

Department of the Treasury
Internal Revenue Service

Instructions for Forms W-2G and 5754

Section references are to the Internal Revenue Code.

What's New for 2002?

Regular gambling withholding. Recent legislation reduced the regular gambling withholding rate. The regular gambling withholding rate will be 27% (36.98% for certain noncash payments) for reportable payments made in 2002 and 2003.

Backup withholding. Recent legislation also reduced the backup withholding rate. The backup withholding rate will be 30% for reportable payments made in 2002 and 2003.

An Item To Note

In addition to these specific instructions, you should also use the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.** Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at **www.irs.gov** or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form W-2G

File **Form W-2G**, Certain Gambling Winnings, to report gambling winnings and any Federal income tax withheld on those winnings. The requirements for reporting and withholding depend on the type of gambling, the amount of the gambling winnings, and generally the ratio of the winnings to the wager.

The types of gambling are discussed in these instructions under the following three headings:

1—Horse Racing, Dog Racing, Jai Alai, and Other Wagering Transactions Not Discussed Later
2—Sweepstakes, Wagering Pools, and Lotteries
3—Bingo, Keno, and Slot Machines

Tax-Exempt Organizations

A tax-exempt organization conducting gaming activities may be required to withhold income tax and report on Form W-2G. See **Pub. 3079**, Gaming Publication for Tax-Exempt Organizations.

Reportable Gambling Winnings

Generally, gambling winnings are reportable if the amount paid reduced, at the option of the payer, by the wager is **(a)** $600 or more and **(b)** at least 300 times the amount of the wager. However, these requirements do not apply to winnings from bingo, keno, and slot machines. Gambling winnings for these games are reportable if:

- The winnings (reduced by the wager) are $1,500 or more from a **keno** game.
- The winnings (not reduced by the wager) are $1,200 or more from a **bingo** game or **slot machine**.

If you pay reportable gambling winnings, you must file Form W-2G with the IRS and provide a statement to the winner (Copies B and C of Form W-2G).

Withholding

There are two types of withholding on gambling winnings—regular gambling withholding at 27% (36.98% for certain noncash payments) and backup withholding at 30%. If a payment is already subject to regular gambling withholding, it is not subject to backup withholding.

Regular Gambling Withholding

You may be required to withhold 27% of gambling winnings for Federal income tax. This is referred to as regular gambling withholding. Withhold at the 27% rate if the winnings are more than $5,000 and are from:

- Sweepstakes,
- Wagering Pools,
- Lotteries, and
- Other wagering transactions if the winnings are at least 300 times the amount wagered.

Do not withhold on winnings from bingo, keno, or slot machines or any other wagering transaction if the winnings are $5,000 or less. However, see **Backup Withholding** below.

Regular gambling withholding applies to the total amount of gross proceeds (the amount of winnings less the amount wagered), not merely to the amount in excess of $5,000.

Report the amount you withheld in box 2 of Form W-2G. Also file **Form 945**, Annual Return of Withheld Federal Income Tax, to report all your gambling withholding.

Noncash payments. A noncash payment, such as a car, must be taken into account at its fair market value (FMV) for purposes of reporting and withholding. If the FMV exceeds $5,000, after deducting the price of the wager, the winnings are subject to 27% regular gambling withholding. The tax you must withhold is computed and paid under either of the following two methods:

1. The **winner pays** the withholding tax to the payer. In this case, the withholding is 27% of the FMV of the noncash payment minus the amount of the wager.

2. The **payer pays** the withholding tax. In this case, the withholding is 36.98% of the FMV of the noncash payment minus the amount of the wager.

If you use method **2**, enter the sum of the noncash payment and the withholding tax in box 1 of Form W-2G and the withholding tax paid by the payer in box 2.

Backup Withholding

You may be required to withhold 30% of gambling winnings (including winnings from bingo, keno, and slot machines) for Federal income tax. This is referred to as backup withholding. You should backup withhold at the 30% rate if:

- The winner does not furnish a correct taxpayer identification number (TIN) and
- 27% has not been withheld or the winnings are from bingo, keno, or slot machines.

Backup withholding applies to the total amount of the winnings reduced, at the option of the payer, by the amount wagered. This means the total amount, not just the payments in

excess of $600, $1,200, or $1,500, is subject to backup withholding at 30%.

Report the amount you withheld in box 2 of Form W-2G. Also file Form 945 to report all backup withholding. You may use **Form W-9**, Request for Taxpayer Identification Number and Certification, to request the TIN of the recipient.

See the instructions below for each type of gambling for detailed rules on backup withholding.

Foreign Persons

Payments of gambling winnings to a nonresident alien individual or a foreign entity are not subject to reporting or withholding on Form W-2G. Generally, gambling winnings paid to a foreign person are subject to 30% withholding under sections 1441(a) and 1442(a) and are reportable on **Form 1042**, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and **Form 1042-S**, Foreign Person's U.S. Source Income Subject to Withholding. Winnings of a nonresident alien from blackjack, baccarat, craps, roulette, or big-6 wheel are not subject to withholding or reporting. See **Pub. 515**, Withholding of Tax on Nonresident Aliens and Foreign Entities.

State Tax Information

If state income tax withholding is required on gambling winnings in your state, you may want to complete boxes 13 and 14 on Form W-2G. Copy 1 of the form may be used to provide information to the state, and Copy 2 may be used as the winner's copy for use in filing a state income tax return. A state identification number is assigned by each individual state.

Form 5754

If the person receiving the winnings is not the actual winner, or is a member of a group of winners, see **Specific Instructions for Form 5754** on page W-4.

Statements to Winners

If you are required to file Form W-2G, you must also provide a statement to the winner. For information about the requirement to furnish a statement to the winner, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**. You may furnish Copies B and C of Form W-2G.

1—Horse Racing, Dog Racing, Jai Alai, and Other Wagering Transactions Not Discussed Later

File Form W-2G for every person to whom you pay $600 or more in gambling winnings if such winnings are at least 300 times the amount of the wager. If the person presenting the ticket for payment is the sole owner of the ticket, complete Form W-2G showing the name, address, and TIN of the winner. If regular gambling withholding is required, the winner must sign Form W-2G, under penalties of perjury, stating that he or she is the sole owner and that the information listed on the form is correct.

Withholding

You must withhold Federal income tax, at the rate of 27% (regular gambling withholding), from the amount of winnings less the amount wagered. Do this if the winnings less the wager exceed $5,000 and if the winnings are at least 300 times the amount of the wager.

If the winner of reportable gambling winnings does not provide a TIN, you must backup withhold at the rate of 30% on any such winnings that are not subject to 27% regular gambling withholding. That is, backup withholding applies if the winnings are at least $600 but not more than $5,000 and are at least 300 times the wager. Figure the 30% backup withholding on the amount of the winnings reduced, at the option of the payer, by the amount wagered.

Multiple Wagers

For multiple wagers sold on one ticket, such as the $12 box bet on a Big Triple or Trifecta, the wager is considered as six $2 bets and not one $12 bet for purposes of computing the amount to be reported or withheld. Winnings on a $12 box bet must be reported if they are $600 or more, and Federal income tax must be withheld if the proceeds total more than $5,000 or, if the proceeds do not exceed $5,000, if the recipient fails to provide a TIN.

Identical Wagers

Winnings from identical wagers (e.g., two $2 bets on a particular horse to win the same race) are added together for purposes of the reporting and withholding requirements. Also, winnings from identical wagers that are not part of the payment for which the Form W-2G is being prepared are added together for purposes of withholding to determine if the total amount of proceeds from identical wagers is more than $5,000.

Box 1

Enter payments of $600 or more if the payment is at least 300 times the amount of the wager.

Box 2

Enter any Federal income tax withheld, whether 27% regular gambling withholding or 30% backup withholding.

Box 3

Enter the type of wager if other than a regular race bet, for example, Daily Double or Big Triple.

Box 4

Enter the date of the winning event. This is not the date the money was paid if it was paid after the date of the race (or game).

Box 5

Not applicable.

Box 6

Enter the race (or game) applicable to the winning ticket.

Box 7

Enter the amount of additional winnings from identical wagers.

Box 8 or 10

Enter the cashier and/or window number making the winning payment.

Boxes 11 and 12

Enter the identification numbers of the person receiving the winnings. Identification from a driver's license, social security card, or voter registration may be furnished by the person receiving the winnings.

Box 13 (optional)

Enter the abbreviated name of the state and your state identification number.

Box 14 (optional)

Enter the amount of state income tax withheld.

2—Sweepstakes, Wagering Pools, and Lotteries

File Form W-2G for each person to whom you pay $600 or more in gambling winnings from a sweepstakes, wagering pool, or lottery (including a state-conducted lottery) if the winnings are at least 300 times the amount of the wager. The wager must be subtracted from the total winnings to determine whether withholding is required and, at the option of the payer, to determine whether reporting is required. The wager must be subtracted at the time of the first payment.

The requirements in this section apply to church raffles, charity drawings, etc. In the case of one wager for multiple raffle tickets, such as five for $1, the wager is considered as $.20 for each ticket.

Withholding

You must withhold Federal income tax, at the rate of 27% (regular gambling withholding), from the amount of winnings less the amount wagered if the winnings less the wager exceed $5,000. If the winner of reportable gambling winnings does not provide a TIN, you must backup withhold at the rate of 30% on

any such winnings that are not subject to 27% regular gambling withholding. That is, backup withholding applies if the winnings are at least $600 but not more than $5,000 and are at least 300 times the wager. Figure the 30% backup withholding on the amount of the winnings reduced, at the option of the payer, by the amount wagered.

Installment payments of $5,000 or less are subject to 27% regular gambling withholding if the total proceeds from the wager will exceed $5,000.

If payments are to be made for the life of a person (or for the lives of more than one person), and it is actuarially determined that the total proceeds from the wager are expected to exceed $5,000, such payments are subject to 27% regular gambling withholding. When a third party makes the payments, for example, an insurance company handling the winnings as an annuity, that third party must withhold.

When Paid

A payment of winnings is considered made when it is paid, either actually or constructively, to the winner. Winnings are constructively paid when they are credited to, or set apart for, that person without any substantial limitation or restriction on the time, manner, or condition of payment. However, if not later than 60 days after the winner becomes entitled to the prize, the winner chooses the option of a lump sum or an annuity payable over at least 10 years, the payment of winnings is considered made when actually paid. If the winner chooses an annuity, file Form W-2G each year to report the annuity paid during that year.

Box 1

Enter payments of $600 or more if the payment is at least 300 times the amount of the wager.

Box 2

Enter any Federal income tax withheld, whether 27% regular gambling withholding or 30% backup withholding.

Box 3

Enter the type of wager (such as raffle or 50-50 drawing) or the name of the lottery (such as Instant, Big 50, Baker's Dozen, or Powerball) and the price of the wager ($.50, $1, etc.).

Box 4

Enter the date of the winning transaction, such as the date of the drawing of the winning number. This might not be the date the winnings are paid.

Box 5

For a state lottery, enter the ticket number or other identifying number.

Boxes 6 Through 8 and 10

Not applicable.

Boxes 11 and 12

For other than state lotteries, enter the identification numbers of the person receiving the winnings. Identification from a driver's license, social security card, or voter registration may be furnished by the person receiving the winnings.

Box 13 (optional)

Enter the abbreviated name of the state and your state identification number.

Box 14 (optional)

Enter the amount of state income tax withheld.

3—Bingo, Keno, and Slot Machines

File Form W-2G for every person to whom you pay $1,200 or more in gambling winnings from bingo or slot machines, or $1,500 or more from keno after the price of the wager for the winning keno game is deducted. If the winnings are not paid in cash, the FMV of the item won is considered the amount of the winnings. Total all winnings from each bingo or keno game. Winnings and losses from other wagering transactions are not to be taken into account in arriving at the $1,200 or $1,500 figure.

Withholding

Regular gambling withholding (27%) **does not** apply to winnings from bingo, keno, or slot machines. However, if the recipient of reportable gambling winnings from bingo, keno, or slot machines does not provide a TIN, you must backup withhold at the rate of 30%. That is, if the winnings are at least $1,200 from bingo or slot machines or $1,500 from keno, 30% backup withholding applies to the amount of the winnings reduced, at the option of the payer, by the amount wagered.

Box 1

Enter payments of $1,200 or more from bingo or slot machines or payments of $1,500 or more from keno.

Box 2

Enter any 30% backup withholding.

Box 3

Enter the type of wager (i.e., bingo, keno, or slot machines) and the amount of the wager.

Box 4

Enter the date of the winning transaction.

Box 5

Enter the ticket number, card number (and color, if applicable), machine serial number, or any other information that will help identify the winning transaction.

Boxes 6 and 7

Not applicable.

Box 8

Enter the initials of the person paying the winnings.

Box 10

Enter the location of the person paying the winnings, if applicable.

Boxes 11 and 12

Enter the identification numbers of the person receiving the winnings. Identification from a driver's license, social security card, or voter registration may be furnished by the person receiving the winnings.

Box 13 (optional)

Enter the abbreviated name of the state and your state identification number.

Box 14 (optional)

Enter the amount of state income tax withheld.

Specific Instructions for Form 5754

Use **Form 5754**, Statement by Person(s) Receiving Gambling Winnings, only to prepare Form W-2G when the person receiving gambling winnings subject to reporting or withholding is not the actual winner or is a member of a group of two or more winners on the same winning ticket. The payer is required to file Forms W-2G based on Form 5754.

The person receiving the winnings must furnish all the information required by Form 5754. However, a recipient of winnings from a state-conducted lottery need not provide identification other than his or her taxpayer identification number (TIN).

Part I lists the identification of the person to whom the winnings are paid, and Part II lists the actual winners, their respective shares of the winnings, and any additional winnings from identical wagers.

In Part II, the person receiving the winnings must provide the name, address, TIN, respective share of the winnings, and additional winnings from identical wagers for each of the winners. In addition, if regular gambling withholding is required, the form must be signed, under penalties of perjury, and dated by the person receiving the winnings.

The form must be returned to the payer for preparation of Form W-2G for each of the persons listed as winners. Forms W-2G may be issued immediately or by January 31 following the year of the payment.

Do not send Form 5754 to the IRS. Keep it for your records.

Withholding and Forms W-2G for Multiple Winners

If more than one person shares in the winnings from a single wager, the total amount of the winnings (less the amount wagered) will determine the amount of the proceeds for purposes of reporting and withholding. Do not allocate winnings to each winner before determining whether the withholding or reporting thresholds were reached.

For example, E purchases a sweepstakes ticket for $1 on behalf of himself and S, who contributes an equal amount of the ticket price and who will share equally in any winnings. The ticket wins $5,002. Because the winnings ($5,002 - $1 = $5,001) are more than $5,000, you must withhold 27% of $5,001. You must prepare a separate Form W-2G for E and for S using the information furnished to you on Form 5754.

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■

BEFORE YOU MAIL CHECK LIST

- ✔ CORRECT TCC IS LISTED ON MEDIA LABEL, PAPERWORK AND FILE

- ✔ FILE FORMATTED ACCORDING TO CURRENT PUBLICATION 1220 (UPDATED ANNUALLY)

- ✔ FORM 4804 FILLED OUT CORRECTLY, **SIGNED AND PLACED IN PACKAGE WITH MEDIA**

- ✔ MEDIA IS WELL LABELED; SEE NOTICE 210 FOR INSTRUCTIONS

- ✔ MEDIA IS BEING MAILED TO PROPER ADDRESS; SEE PART A PUBLICATION 1220

- ~~W-2~~ DO NOT SEND FORMS W-2 TO IRS. FILE FORMS W-2 WITH THE SOCIAL SECURITY ADMINISTRATION

(See Instructions on back)

Form **4419** (Rev. May 2002)	Department of the Treasury – Internal Revenue Service **Application for Filing Information Returns Electronically/Magnetically** Please type or print in **BLACK** ink.	IRS Use Only	OMB No. 1545-0387

1. Transmitter information

Name _____

Address _____

City _____ State _____ Zip _____

2. Person to contact about this request

Name _____

Title _____

Email address _____

Telephone number ( ) _____

3. Employer Identification Number **(EIN)**	**4.** Foreign Transmitter without an EIN ☐ Yes	**5. Tax year** you wish to begin filing lectronically/magnetically

6. Will you be using your TCC only for transmitting requests for extension of time to file? ☐ Yes ☐ No

7. Type of Return To Be Reported
(Check all forms you wish to file)

Important: Form W-2 information is sent to the Social Security Administration only. Do not use Form 4419 to request authorization to file this information electronically/magnetically. Contact SSA for W-2 magnetic/electronic filing information.

☐ Forms 1098 and 1099, 5498 and W-2G (Electronic, Tape Cartridge, 3 ½ " Diskette)	☐ 1042-S (Electronic, Tape Cartridge, 3 ½"Diskette)
	☐ 8027 (Electronic, Tape Cartridge, 3 ½" Diskette)
	☐ W-4 (Electronic, Tape Cartridge, 3 ½" Diskette)

8. Type of Filing

☐ Electronic Filing ☐ Tape cartridge ☐ 3 ½ "Diskette

9. Person responsible for preparation of tax reports	Name (type or print)	Title
	Signature	Date

General Instructions

Paperwork Reduction Act Notice. We ask for the information on these forms to carry out the Internal Revenue Laws of the United States. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to provide this information would vary depending on individual circumstances. The estimated average time is:

Preparing Form 4419 . . . . . 20 min.

If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001.

DO NOT SEND THE FORM TO THIS OFFICE. Instead, see the instructions below on where to file. **When completing this form, please type or print clearly in BLACK ink.**

Purpose of Form. File Form 4419 to request authorization to file any of the forms shown in Block 6 electronically or magnetically. Please be sure to complete all appropriate blocks. If your application is approved, a five-character alpha-numeric Transmitter Control Code (TCC) will be assigned to your organization.

If any information on the form should change, please write to IRS/Martinsburg Computing Center so we can update our database. It is not necessary to submit a new Form 4419.

NOTE: Do **NOT** use Form 4419 to request authorization to file Forms W-2 on magnetic media, since Form W-2 information is sent to the Social Security Administration *(SSA)* ONLY. **Contact SSA if you have any questions concerning the filing of Forms W-2 on magnetic media.**

Specific Instructions

Block 1

Enter the name and complete address of the person or organization that will submit the electronic or magnetic media files *(transmitter)*.

Block 2

Enter the name, title, email address (if available) and telephone number *(with area code)* of the person to contact about this application if IRS needs additional information. This should be a person who is knowledgeable about electronic/magnetic filing of information returns.

Block 3

Enter the employer identification number *(EIN)* of the organization transmitting the electronic and/or magnetic media files.

Block 4

If you are a foreign transmitter who does not have a nine-digit taxpayer identification number, check this box.

Block 5

Enter the tax year that you wish to start filing electronically and/or magnetically.

Block 6

Indicate if you are requesting this transmitter control code solely for filing electronic and/or magnetic requests for an extension of time to file information returns.

Block 7

Check the box next to all of the returns you will file with IRS electronically and/or magnetically.

A separate TCC will be assigned for each form(s) identified in Block 7. Please make sure you submit your magnetic media files using the correct TCC.

Thereafter, if you need to add any of the forms identified in Block 7, it will be necessary to submit another Form 4419 to IRS so another TCC can be assigned.

Block 8

Check which method you will use to file your information returns. 3 ½-inch diskettes must be MS/DOS, ASCII recording mode. Tape cartridges must be 18, 36, 128, or 256-track.

Block 9

The form must be signed and dated by an official of the company or organization requesting authorization to report electronically and/or magnetically.

Mailing Address:

Send your Form 4419 to the address below:

Internal Revenue Service
Martinsburg Computing Center
Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

In order to ensure timely filing, submit Form 4419 at least 30 days before the due date of the return.

If your application is approved, IRS will assign a TCC to your organization. We will not issue your TCC without a signed Form 4419 from you, and we will not issue a TCC over the phone. If you do not receive a reply from IRS within 30 days, contact us at the telephone number shown below. Do not submit any files until you receive your TCC.

For further information concerning the filing of information returns with IRS either electronically or magnetically, contact the IRS Martinsburg Computing Center toll-free at (866) 455-7438 between 8:30 a.m. and 4:30 p.m. Eastern Standard Time.

(See Instructions on back)

Form **4804** (Rev. May 2002)	Department of the Treasury – Internal Revenue Service **Transmittal of Information Returns Reported Magnetically** Please type or print in **BLACK** ink **(Use a separate Form 4804 for each file.)**	IRS Use Only	OMB No. 1545-0367

1. Type of file represented by this transmittal

☐ Original ☐ Test

☐ Replacement ☐ Correction

2. **Tax year** for which media is submitted

3. Transmitter Control Code (TCC) (Required)

4. Name of transmitter (Owner of TCC)

5. Name/address of company and name/title of person who should receive correspondence on problem files (should be the same information as in 'T' record)

Company Name_____

Address _____

City _____ State _____ Zip _____

Contact Person _____ Telephone Number (_____) _____

E-mail Address _____

6. Forms 1098, 1099, 5498, W-2G Combined total of payee **'B'** records	7. Form 1042-S Total number of **'Q'** records	8. Form 8027 Total number of establishment(s) reported	9. Transmitter in-house media number(s)

Affidavit

Under penalties of perjury, I declare that I have examined this transmittal, including accompanying documents, and, to the best of my knowledge and belief, it is correct and complete.
(Normally, the payer must sign the affidavit above. The authorized agent of the payer may sign if all conditions are met as stated on the back.)

SIGNATURE (Required)		IRS Use Only
Title	Date	

General Instructions

Paperwork Reduction Act Notice. We ask for the information on these forms to carry out the Internal Revenue Laws of the United States. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to provide this information would vary depending on individual circumstances. The estimated average time is:

Preparing Form 4804 . . . . . 15 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001.

DO NOT SEND THE FORMS TO THIS OFFICE. Instead, see the instructions below on where to file. **When completing this form, please type or print clearly in BLACK ink.**

Purpose of Form. Use Form 4804 when submitting the following types of information returns magnetically: Form 1098, 1099, 5498, W-2G, 1042-S, and 8027. You must include Form 4804 with all magnetic media you submit to the Internal Revenue Service.

NOTE: A separate Form 4804 must be submitted for each file.

Specific Instructions

Block 1
Indicate whether the data in this shipment is an original, correction, replacement or test file by checking the appropriate box. Check 'Replacement' only if you are sending media in response to a specific request from IRS/MCC and you have a Form 9267 attached.

Definitions

Correction: A correction is an information return submitted by the payer to correct erroneous information previously sent to and processed by IRS/MCC.

Replacement: A replacement is an information return file sent by the filer at **the request of IRS/MCC** because of errors encountered while processing the filer's original return. Your replacement file may be submitted electronically even if the original file was sent on magnetic media.

Block 2
Indicate the tax year for which media is being submitted.

Block 3
Enter the five-character alpha/numeric Transmitter Control Code assigned by IRS. TCCs for Form 1042-S filing begin with the numbers 22. TCCs for Form 8027 filing begin with the numbers 21.

Block 4
Enter the name of the transmitter. (Reference Affidavit Requirements below.)

Block 5
Enter the name and address of the company, along with the name/title of the person to whom correspondence concerning problem media in need of replacement should be sent. This information should match the information that appears in the Transmitter 'T' Record in your file. Please include an email address if available

NOTE: IRS no longer returns media in need of replacement.

Block 6,7,8
Use only the boxes appropriate to the forms you are reporting. A separate Form 4804 is required for the information returns in box 6, 1042-S Forms in box 7, and 8027 Forms in box 8.

Block 6
Enter the combined number of all payee 'B' records on the media sent with this Form 4804.

Block 7
If reporting Form 1042-S, enter the total number Recipient 'Q' records.

Block 8
If reporting Form 8027, enter the number of establishments reported.

Block 9
If your organization uses an in-house numbering system to identify media, indicate the media number(s) in the appropriate block.

Mailing Address:
Send your media with transmittal Form(s) 4804 to the address below:

IRS, Martinsburg Computing Center
Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

NOTE: Form 4802, Transmittal of Information Returns Reported Magnetically/Electronically (Continuation) is obsolete.

Affidavit Requirement

A transmitter, service bureau, paying agent, or disbursing agent (all hereafter referred to as "agent") may sign Form 4804 on behalf of the payer (or other person required to file), if the conditions in items 1 and 2 are met:

1. The agent has the authority to sign the form under an agency agreement (oral, written, or implied) that is valid under state law.
2. The agent signs the form and adds the caption "For: (Name of payer or other person required to file)".

he authorized agent's signing of the affidavit on the payer's behalf does not relieve the payer of the responsibility for filing a correct, complete, and timely Form 4804, with attachments, and will not relieve the payer of any penalties for not complying with those requirements.

Form **8809**

(Rev. May 2002)

Department of the Treasury
Internal Revenue Service

Request for Extension of Time To File Information Returns

(For Forms W-2 series, W-2G, 1042-S, 1098 series, 1099 series, 5498 series, and 8027)

► **Send to IRS–Martinsburg Computing Center.** See **Where to file** on page 2.

OMB No. 1545-1081

Extension Requested for Tax Year 20_____

(Enter one year only.)

1 Filer or transmitter information. **Type or print clearly in black ink.**

Filer/Transmitter Name _____

Address _____

City _____ State _____ ZIP Code _____

Contact Name _____ Telephone number ( )

E-mail address

2 Taxpayer identification number (Enter your nine-digit number. Do not enter hyphens.)

3 Transmitter Control Code (TCC)

4 Check your method of filing information returns (check only one box). Use a separate Form 8809 for each method.

☐ electronic ☐ magnetic media ☐ paper

5 If you are requesting an extension for more than one filer, enter the total number of filers and attach a list of names and taxpayer identification numbers. Requests for more than 50 filers must be filed electronically or magnetically. See **How to file** below for details. ►

6 Electronic/magnetic media requests only. Enter the total number of records in your file. **Do not** attach a list.

► _____

7 Check this box only if you received an extension and you now need an additional extension. See instructions. ► ☐

8 **Caution:** ***Do not*** *use this form to request an extension of time to (1) provide statements to recipients, (2) file Form 1042 (instead use Form 2758), or (3) file Form 1040 (instead use Form 4868).*

Check the box(es) that apply. **Do not** enter the number of returns.

Form	✓ here	Form	✓ here	Form	✓ here
W-2 series		5498		8027	
1098 series, 1099 series, W-2G		5498-ESA		REMIC	
1042-S		5498-MSA			

9 State **in detail** why you need an extension of time. You must give a reason or your request will be denied. If you need more space, attach additional sheets.

Under penalties of perjury, I declare that I have examined this form, including any accompanying statements, and, to the best of my knowledge and belief, it is true, correct, and complete.

Signature ► **Title ►** **Date ►**

General Instructions

Purpose of form. Use this form to request an extension of time to file any form shown in line 8.

Who may file. Filers of returns submitted on paper, on magnetic media, or electronically may request an extension of time to file on this form.

How to file. When you request extensions of time to file for **more than 50 filers** for the forms shown in line 8, except Form 8027, you **must** submit the extension requests magnetically or electronically.

For **10–50 filers,** you are encouraged to submit the extension request magnetically or electronically.

If filing on paper with **50 or less filers,** you must attach a list of the filers' names and taxpayer identification numbers. If you are filing the extension request magnetically or electronically, you do not have to provide a list.

For more information, see **Pub. 1220,** Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically or Magnetically and **Pub. 1187,** Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Magnetically or Electronically.

Note: *Specifications for filing* ***Forms W-2,*** *Wage and Tax Statements, magnetically or electronically, are only available from the Social Security Administration (SSA). Call 1-800-SSA-6270 for more information.*

When to file. File Form 8809 as soon as you know an extension of time to file is necessary. However, Form 8809 **must** be filed by the due date of the returns. See the chart below that shows the due dates for filing this form on paper, magnetically, or electronically. IRS will respond in writing beginning in January.

If you are requesting an extension of time to file several types of forms, you may use one Form 8809, but you must file Form 8809 by the earliest due date. For example, if you are requesting an extension of time to file both **Forms 1099-INT,** Interest Income, and **Forms 1099-DIV,** Dividend Income, you must file Form 8809 by February 28 (March 31 if you file electronically). You may complete more than one Form 8809 to avoid this problem. **An extension cannot be granted if a request is filed after the due date of the original returns.**

The due dates for filing Form 8809 are shown below.

IF you file Form . . .	MAGNETICALLY or on PAPER, then the due date is . . .	ELECTRONICALLY, then the due date is . . .
W-2 Series	Last day of February	March 31
W-2G	February 28	March 31
1042-S	March 15	March 15
1098 Series	February 28	March 31
1099 Series	February 28	March 31
5498 Series	May 31	May 31
8027	Last day of February	March 31

If any due date falls on a Saturday, Sunday, or legal holiday, file by the next business day.

Caution: *You do not have to wait for a response before filing your returns. File your returns as soon as they are ready. For all forms shown in line 8, except Form 8027, if you have received a response,* ***do not*** *send a copy of the letter or Form 8809 with your returns. If you have not received a response by the end of the extension period, file your returns. When filing Form 8027 on paper* ***only,*** *attach a copy of your approval letter. If an approval letter has not been received, attach a copy of your timely filed Form 8809.*

Where to file. Send Form 8809 to IRS-Martinsburg Computing Center, Information Reporting Program, Attn: Extension of Time Coordinator, 240 Murall Dr., Kearneysville, WV 25430.

Extension period. If the IRS approves your extension request, you will be granted an extension of 30 days from the original due date.

Additional extension. Although rarely granted, you may request an additional 30-day extension by submitting another Form 8809 before the end of the first extension period.

Approval or denial of request. Requests for extensions of time to file information returns are not automatically granted. Approval or denial is based on administrative criteria and guidelines. The IRS will send you a letter of explanation approving or denying your request.

Note: *If your extension request is approved, it will only extend the due date for filing the returns. It will not extend the due date for providing statements to recipients.*

Penalty. If you file required information returns late and you have not applied for and received an approved extension of time to file, you may be subject to a late filing penalty. The amount of the penalty is based on when you file the correct information return. For more information on penalties, see the **General Instructions for Forms 1099, 1098, 5498, and W-2G.**

Specific Instructions

Tax year. You may request an extension for only 1 tax year on this form. If no tax year is shown, the IRS will assume you are requesting an extension for the returns currently due to be filed.

Line 1. Enter the name and complete mailing address, including room or suite number of the filer or transmitter requesting the extension of time. Use the name and address where you want the response sent. For example, if you are a preparer and want to receive the response, enter your client's complete name, care of (c/o) your firm, and your complete mailing address. Enter the name of someone who is familiar with this request whom the IRS can contact if additional information is required. Please provide your telephone number and e-mail address. If you act as transmitter for a group of filers, enter your name and address here, and see **How to file** on page 1.

Note: *Approval or denial notification will be sent only to the person who requested the extension (filer or transmitter).*

Line 2. Enter your nine-digit employer identification number (EIN) or qualified intermediary employer identification number (QI-EIN). If you are not required to have an EIN or QI-EIN, enter your social security number. Do not enter hyphens. Failure to provide this number, and the list of numbers if you are acting as a transmitter as explained under **Line 1,** will result in automatic denial of the extension request.

Line 3. For electronic or magnetic media only. If you filed **Form 4419,** Application for Filing Information Returns Magnetically/Electronically, to file Forms 1042-S, 1098, 1099, 5498, W-2G, or 8027, and it was approved, the IRS-Martinsburg Computing Center assigned you a five-character Transmitter Control Code (TCC). Enter that TCC here. Leave this line blank if you **(1)** are requesting an extension to file any Forms W-2, **(2)** are requesting an extension to file forms on paper, or **(3)** have not yet received your TCC.

Line 7. Check this box **if** you have already received at least one extension, but you need an additional extension for the same year and for the same forms. Do not check this box unless you received an original extension.

Signature. Form 8809 must be signed by you or a person who is duly authorized to sign a return, statement, or other document.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Form 8809 is provided by the IRS to request an extension of time to file information returns. Regulations section 1.6081-1 requires you to provide the requested information if you desire an extension of time for filing an information return. If you do not provide the requested information, an extension of time for filing an information return may not be granted. Section 6109 requires you to provide your taxpayer identification number (TIN). Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to Federal, state, or local agencies that investigate or respond to acts or threats of terrorism or participate in intelligence or counterintelligence activities concerning terrorism. If you fail to provide this information in a timely manner, you may be liable for penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping,** 2 hrs., 10 min.; **Learning about the law or the form,** 27 min.; **Preparing and sending the form to the IRS,** 28 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send the form to this address. Instead, see **Where to file** above.

Notice 210 (Rev. July 2002)	**Preparation Instructions for Media Label**	**OMB Clearance No. 1545-0295**

Media label, Form 5064, has been obsoleted. It is no longer necessary to use special labels from IRS for your media. Any pressure sensitive label can now be used as long as it contains the following information:

Type of filing: Indicate whether data is **O**riginal, **R**eplacement, **T**est or **C**orrection.

Tax Year: Indicate tax year for which media is submitted.

IRS TCC: *(Transmitter Control Code)*: Provide TCC assigned to the transmitter.

Transmitter's name

Operating system/Hardware:

For 3-1/2 inch diskette files, indicate the type of personal computer operating system, and software package used to create the media (for example: IBM.PC/AT-MSD/DOS, Apple MacIntosh/ MacWrite V2.2).

Recommended label format:

Type of filing_____
Tax Year_____ IRS TCC_____
Transmitter name_____
Operating system/Hardware_____
Number of payees _____
Transmitter number for media_____
Media sequence _____of_____

For tape cartridge, indicate operating system, either EBCDIC or ASCII, and either 18, 36, 128 or 256-track.

Number of payees: Indicate the total number of Payee "B" Records, Recipient "Q" Records for Form 1042S, or total number of establishments for Form 8027 reported on the media.

Transmitter number for media: If available, provide the in-house number assigned by your organization to the tapes, tape cartridges or diskettes.

Media sequence: Indicate sequence number of media and total number of media in file *(for example: Media sequence 1 or 3, 2 of 3, 3 of 3).*

Please affix external label to appropriate area on magnetic media. Do not hinder the ability to process media when affixing label.

Paperwork Reduction Act Notice
We ask for the information in Notice 210 to carry out the Internal Revenue laws of the United States. You are required to give us the information. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103. The time needed to provide this information would vary depending on individual circumstances. The estimated average time is 5 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001.

IRS-Martinsburg Computing Center
Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

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Department of the Treasury
Internal Revenue Service

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Publication 1220 (Rev. 7-2002)
Catalog Number 61275P