

**Notice — Change to 2004 Instructions for Forms 1099-R and 5498: Guide to Distribution Codes**

The *Explanations* for Codes 1 and 2 shown in the Guide to Distribution Codes for box 7 have been changed. If you have issued a Form 1099-R (or applicable substitute), you may have to issue a corrected return based on the change in the chart below.

<b>Distribution Codes</b>	<b>Explanations</b>	<b>Used with code ... (if applicable)</b>
1—Early distribution, no known exception	Use Code 1 only if the employee/taxpayer has <b>not</b> reached age 59½ and you do not know if any of the exceptions under Distribution Code 2, 3, or 4 apply. Use Code 1 even if the distribution is made for medical expenses, health insurance premiums, qualified higher education expenses, or as a first-time homebuyer, under section 72(t)(2)(B), (E), or (F).	<b>8, D, L, or P</b>
2—Early distribution, exception applies	<p>Use Code 2 only if the employee/taxpayer has not reached age 59½ and the distribution is:</p> <ul style="list-style-type: none"><li>• A Roth IRA conversion (an IRA converted to a Roth IRA) or a reconversion.</li><li>• A distribution made from a qualified retirement plan or IRA (Roth IRA) because of an IRS levy under section 6331.</li><li>• A section 457(b) plan distribution that is not subject to the additional 10% tax. But see <b>Section 457(b) plan distributions</b> under the box 7 instructions in the <a href="#">2004 Instructions for Forms 1099-R and 5498</a> for information on distributions that may be subject to the 10% additional tax.</li><li>• A distribution from a qualified retirement plan after separation from service where the taxpayer has reached age 55.</li><li>• A distribution that is a part of a series of substantially equal periodic payments as described in section 72(q), (t), and (v).</li><li>• Any other distribution subject to an exception under section 72(q), (t), and (v) that is not required to be reported using Code 1, 3, or 4.</li></ul>	<b>8, D, or P</b>

This information supplements the [2004 Instructions for Forms 1099-R and 5498](#) which are not being revised at this time. --09-AUG-2004

## Instructions for Recipient

Generally, distributions from pensions, annuities, profit-sharing and retirement plans (including section 457 state and local government plans), IRAs, insurance contracts, etc., are reported to recipients on Form 1099-R.

**Qualified plans.** If your annuity starting date is after 1997, you must use the simplified method to figure your taxable amount if your payer did not show the taxable amount in box 2a. See **Pub. 575**, Pension and Annuity Income.

**IRAs.** For distributions from a traditional individual retirement arrangement (IRA), simplified employee pension (SEP), or savings incentive match plan for employees (SIMPLE), generally the payer is not required to compute the taxable amount. Therefore, the amounts in boxes 1 and 2a will be the same most of the time. See the Form 1040 or 1040A instructions to determine the taxable amount. If you are at least age 70½, you must take minimum distributions from your IRA (other than a Roth IRA). If you do not, you may be subject to a 50% excise tax on the amount that should have been distributed. See **Pub. 590**, Individual Retirement Arrangements (IRAs), and **Pub. 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), for more information on IRAs.

**Roth IRAs.** For distributions from a Roth IRA, generally the payer is not required to compute the taxable amount. You must compute any taxable amount on **Form 8606**, Nondeductible IRAs. An amount shown in box 2a may be taxable earnings on an excess contribution.

**Loans treated as distributions.** If you borrow money from a qualified plan, tax-sheltered annuity, or government plan, you may have to treat the loan as a distribution and include all or part of the amount borrowed in your income. There are exceptions to this rule. If your loan is taxable, Code L will be shown in box 7. See **Pub. 575**.

**Box 1.** Shows the total amount you received this year. The amount may have been a direct rollover, a transfer or conversion to a Roth IRA, a recharacterized IRA contribution; or you may have received it as periodic payments, as nonperiodic payments, or as a total distribution. Report the amount on Form 1040 or 1040A on the line for "IRA distributions" or "Pensions and annuities" (or the line for "Taxable amount"), and on Form 8606, whichever applies. However, if this is a lump-sum distribution, report it on **Form 4972**, Tax on

Lump-Sum Distributions. If you have not reached minimum retirement age, report your disability payments on the line for "Wages, salaries, tips, etc." Also report on that line corrective distributions of excess deferrals, excess contributions, or excess aggregate contributions.

If a life insurance, annuity, or endowment contract was transferred tax free to another trustee or contract issuer, an amount will be shown in this box and Code 6 will be shown in box 7. You need not report this on your tax return.

**Box 2a.** This part of the distribution is generally taxable. If there is no entry in this box, the payer may not have all the facts needed to figure the taxable amount. In that case, the first box in box 2b should be checked. You may want to get one of the following publications from the IRS to help you figure the taxable amount: **Pub. 560**, **Pub. 571**, Tax-Sheltered Annuity Plans (403(b) Plans) for Employees of Public Schools and Certain Tax-Exempt Organizations, **Pub. 575**, **Pub. 590**, **Pub. 721**, Tax Guide to U.S. Civil Service Retirement Benefits, or **Pub. 939**, General Rule for Pensions and Annuities. For an IRA distribution, see **IRAs** and **Roth IRAs** above. For a direct rollover, zero should be shown, and you must enter zero (-0-) on the "Taxable amount" line of your tax return.

If this is a total distribution from a qualified plan (other than an IRA or tax-sheltered annuity) and you were born before January 2, 1936 (or you are the beneficiary of someone born before January 2, 1936), you may be eligible for the 10-year tax option. See the **Instructions for Form 4972** for more information.

**Box 2b.** If the first box is checked, the payer was unable to determine the taxable amount, and box 2a should be blank. However, if this is a traditional IRA, SEP, or SIMPLE distribution, then see **IRAs** above. If the second box is checked, the distribution was a total distribution that closed out your account.

**Box 3.** If you received a lump-sum distribution from a qualified plan and were born before January 2, 1936 (or you are the beneficiary of someone born before January 2, 1936), you may be able to elect to treat this amount as a capital gain on Form 4972 (not on Schedule D (Form 1040)). See the Instructions for Form 4972. For a charitable gift annuity, report as a long-term capital gain on Schedule D (Form 1040).

*(Continued on the back of Copy C.)*

## Instructions for Recipient (*Continued*)

**Box 4.** This is the amount of Federal income tax withheld. **Include this on your income tax return as tax withheld, and if box 4 shows an amount (other than zero), attach Copy B to your return.** Generally, if you will receive payments next year that are not eligible rollover distributions, you can change your withholding or elect not to have income tax withheld by giving the payer **Form W-4P**, Withholding Certificate for Pension or Annuity Payments.

**Box 5.** Generally, this shows the employee's investment in the contract (after-tax contributions), if any, recovered tax free this year; the part of premiums paid on commercial annuities or insurance contracts recovered tax free; or the nontaxable part of a charitable gift annuity. This box does not show any IRA contributions.

**Box 6.** If you received a lump-sum distribution from a qualified plan that includes securities of the employer's company, the net unrealized appreciation (NUA) (any increase in value of such securities while in the trust) is taxed only when you sell the securities unless you choose to include it in your gross income this year. See Pub. 575 and the Instructions for Form 4972. If you did not receive a lump-sum distribution, the amount shown is the NUA attributable to employee contributions, which is not taxed until you sell the securities.

**Box 7.** The following codes identify the distribution you received. **1**—Early distribution, no known exception (in most cases, under age 59½). See the Form 1040/1040A instructions and **Form 5329**, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts. For a rollover to a traditional IRA of the entire taxable part of the distribution, do not file Form 5329. See the Form 1040/1040A instructions. **2**—Early distribution, exception applies (under age 59½)\*. **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 2004. **9**—Cost of current life insurance protection (premiums paid by a trustee or custodian for current insurance protection, taxable to you currently). **A**—May be eligible for 10-year tax option. See Form 4972. **D**—Excess contributions plus earnings/excess deferrals taxable in 2002. **E**—Excess annual additions under section 415 and certain excess amounts under section 403(b) plans. Report on Form 1040/1040A on the line for taxable pension or annuity income\*.

**F**—Charitable gift annuity. **G**—Direct rollover to a qualified plan, a tax-sheltered annuity, a governmental 457(b) plan, or an IRA. May also include a transfer from a conduit IRA to a qualified plan\*.

**J**—Early distribution from a Roth IRA, no known exception (in most cases, under age 59½). Report on Forms 1040 and 8606 and see Form 5329. **L**—Loans treated as distributions. **N**—Recharacterized IRA contribution made for 2004 and recharacterized in 2004. Report on 2004 Form 1040/1040A and Form 8606, if applicable. **P**—Excess contributions plus earnings/excess deferrals taxable in 2003.

**Q**—Qualified distribution from a Roth IRA. You are age 59½ or over and meet the 5-year holding period for a Roth IRA. See the Form 1040/1040A instructions\*. **R**—Recharacterized IRA contribution made for 2003 and recharacterized in 2004. Report on 2003 Form 1040/1040A and Form 8606, if applicable. **S**—Early distribution from a SIMPLE IRA in first 2 years, no known exception (under age 59½). May be subject to an additional 25% tax. See Form 5329. **T**—Roth IRA distribution, exception applies. (You may not meet the 5-year holding period.) You are either age 59½ or over or an exception (code 3 or 4) applies. See the Form 1040/1040A instructions.

If the IRA/SEP/SIMPLE box is checked, you have received a traditional IRA, SEP, or SIMPLE distribution.

**Box 8.** If you received an annuity contract as part of a distribution, the value of the contract is shown. It is not taxable when you receive it and should not be included in boxes 1 and 2a. When you receive periodic payments from the annuity contract, they are taxable at that time. If the distribution is made to more than one person, the percentage of the annuity contract distributed to you is also shown. You will need this information if you use the 10-year tax option (Form 4972).

**Box 9a.** If a total distribution was made to more than one person, the percentage you received is shown.

**Box 9b.** For a life annuity from a qualified plan or from a tax-sheltered annuity (with after-tax contributions), an amount may be shown for the employee's total investment in the contract. It is used to compute the taxable part of the distribution. See Pub. 575.

**Boxes 10–15.** If state or local income tax was withheld from the distribution, these boxes may be completed. Boxes 12 and 15 may show the part of the distribution subject to state and/or local tax.

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\*You are not required to file Form 5329.

## Instructions for Payers

We now provide general and specific form instructions as separate products. The products you should use for 2004 are the **General Instructions for Forms 1099, 1098, 5498, and W-2G** and the **2004 Instructions for Forms 1099-R and 5498**. A chart in the general instructions gives a quick guide to which form must be filed to report a particular payment. To order these instructions and additional forms, call 1-800-TAX-FORM (1-800-829-3676).

**Caution:** *Because paper forms are scanned during processing, you cannot file with the IRS Forms 1096, 1098, 1099, or 5498 that you print from the IRS website.*

**Due dates.** Furnish Copies B and C of this form to the recipient by January 31, 2005.

File Copy A of this form with the IRS by February 28, 2005. If you file electronically, the due date is March 31, 2005.



# Instructions for Forms 1099-R and 5498

Section references are to the Internal Revenue Code unless otherwise noted.

## What's New for 2004

### Form 1099-R

**Distribution codes.** The explanations to distribution Codes 1, 2, J, Q, and T have been modified. See **Guide to Distribution Codes** on pages R-9 and R-10.

### An Item To Note

In addition, see the **2004 General Instructions for Forms 1099, 1098, 5498, and W-2G** for information on:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- Who must file (nominee/middleman)
- 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 website at [www.irs.gov](http://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 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.

**Governmental section 457(b) plans.** Report on Form 1099-R, not Form W-2, income tax withholding and distributions from a governmental section 457(b) plan maintained by a state or local government employer. Distributions from a governmental section 457(b) plan to a participant or beneficiary include all amounts that are paid from the plan. See Notice 2003-20, 2003-19 I.R.B. 894, 2003-1 C.B. 894, for more information. Also

see, **Section 457(b) plan distributions** on page R-8 for information on distribution codes.

**Nonqualified plans.** Report any reportable distributions from commercial annuities. Report distributions to **plan participants** from nonqualified deferred compensation plans including nongovernmental section 457(b) plans on Form W-2, not on Form 1099-R. However, report distributions to **beneficiaries** of deceased employees on Form 1099-R. See box 1 on page R-5.

**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-6.

**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 the cost of current life or other insurance protection. Costs of current life insurance protection are not subject to the 10% additional tax under section 72(t). See **Cost of current life insurance protection** 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 Distributions



For deemed IRAs under section 408(q), use the rules below for traditional IRAs or Roth IRAs as applicable.

**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 on this page do not apply to distributions from any IRA. However, taxable distributions from traditional IRAs and SEP IRAs may be rolled over into an eligible retirement plan. See section 408(d)(3). SIMPLE IRAs may also be rolled over into an eligible retirement plan, but only after the 2-year period described in section 72(t)(6).

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.** For distributions from a Roth IRA, 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, Q, or T as appropriate in box 7. You may enter Code 8 or P with Code J. For the withdrawal of excess contributions, see **Box 2a** on page R-6. It is not necessary to mark the IRA/SEP/SIMPLE checkbox.

**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 depending on the participant's age.

**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, enter 0 (zero) in box 2a, and use Code G 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 Contribution Information, must be filed to report any regular, rollover, Roth IRA conversion, SEP IRA, or SIMPLE IRA 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 for a traditional IRA and Code 8 with Code J for a Roth IRA. If earnings are distributed, enter the amount of earnings in box 2a. For a traditional IRA, enter Code 1 in box 7; for a Roth IRA, enter Code J. These earnings could be subject to the 10% early distribution tax under section 72(t). 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 J in box 7. If earnings are distributed, enter the amount of the earnings in box 2a and Code J in box 7. These earnings could be subject to the 10% early distribution tax under section 72(t).

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 on IRAs that have been revoked, 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 (NUA)) from a qualified plan (including a governmental section 457(b) plan) or a tax-sheltered annuity 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. Cost of current life insurance protection.
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. Any hardship distribution.

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 NUA in box 6. Enter Code G in box 7. Prepare the form using the name and social security number (SSN) 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.



*Also, use Code G with Code 4 for a surviving spouse who elects a direct rollover to an IRA or a qualified plan. Prepare the form using the name and SSN of the surviving spouse.*

If you receive a direct rollover to an IRA, you must prepare Form 5498. If you receive a direct rollover to a qualified plan (including a governmental section 457(b) 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. Also, see Rev. Rul. 2002-62, 2002-42 I.R.B. 710, 2002-2 C.B. 710, for guidance on substantially equal periodic payments that began after December 31, 2002.



*For information on distributions of amounts attributable to rollover contributions separately accounted for by an eligible retirement plan, see Rev. Rul. 2004-12, 2004-7 I.R.B. 478.*

## Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice)

For qualified plans, tax-sheltered annuities, and governmental section 457(b) 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, 2002-1 C.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 (2003) contribution or Code N if reporting a recharacterization of a contribution in the same year (2004). It is not necessary to

check the IRA/SEP/SIMPLE checkbox. For more information, see Notice 2000-30, 2000-1 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 depending on the participant's age.

**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 an IRA to spouse.** If you transfer an interest in an IRA from one spouse to another spouse under a divorce or separation instrument, 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). Excess contributions that are recharacterized under a section 401(k) plan are treated as distributed. 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.



*The total amount of the elective deferral is reported in Box 12 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), 402(g), and 457.

**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. See the regulations under section 457 for special rules for excess deferrals under governmental section 457(b) plans.

**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 minimus 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 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 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 Federal 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 in the year distributed (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 2004 and file a Form 1099-R with the IRS and then discover in 2005 that the plan **failed** either the section 401(k)(3) actual deferral percentage (ADP) test for 2004 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 2004 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 2004 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.

**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. Also, enter Code 1, 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.

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 repayments.** 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.

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.

## 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 **2004 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, trust, or estate, prepare Form 1099-R using the name and TIN of the beneficiary, trust, or estate, not that 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 a Qualified Domestic Relations Order (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. If the alternate payee under a QDRO is a non-spouse, enter the name and TIN of the employee. However, see **Transfer of an 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. See the **Presumption Rules** in part O of the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

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 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.



*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, IRA rollovers to accepting employer plans, premiums paid by a trustee or custodian for the cost of current life or other insurance protection, 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.

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.

Include in box 1 amounts distributed from a qualified retirement plan for which the recipient elects to pay health insurance premiums under a cafeteria plan or that are paid directly to reimburse medical care expenses incurred by the recipient (see Rev. Rul. 2003-62, 2003-25 I.R.B. 1034). Also include this amount in box 2a.

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.



*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 the total amount distributed during the year in box 1. See **Charitable gift annuities** under box 3, below.

### 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 (including a governmental section 457(b) 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.

**Cost of current life insurance protection.** Include current life insurance protection costs (net premium costs) that were reported in box 1. However, do not report these costs and a distribution on the same Form 1099-R. Use a separate Form 1099-R for each. For the cost of current life insurance protection, enter Code 9 in box 7. See Regulations section 1.72-16(b) and Notice 2002-8, 2002-4 I.R.B. 398, 2002-1 C.B. 398, 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.



*Certain transition rules in Notice 2002-8 regarding split-dollar arrangements expired on December 31, 2003. Also, see Rev. Rul. 2003-105, 2003-40 I.R.B. 696.*

**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)(1)) 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.

**Traditional IRA or SEP IRA.** Generally, you are not required to compute the taxable amount of a traditional IRA or SEP IRA 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 IRA 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 or 4, 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. For a traditional IRA and a SEP IRA rolled over to an accepting employer plan, enter the gross amount in box 1, 0 (zero) in box 2a, and Code G in box 7.

**SIMPLE IRA.** Enter the total amount distributed from a SIMPLE IRA in box 2a. For a SIMPLE IRA rolled over to an accepting employer plan after the 2-year period (see section 72(t)(6)), enter the gross amount in box 1, 0 (zero) in box 2a, and Code G in box 7.

**Roth IRA.** For a distribution from a Roth IRA, 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, Q, or T as appropriate in box 7. Use Code 8 or P, if applicable, in box 7 with Code J. **Do not** combine Codes Q or T with any other codes.

However, for the distribution of excess Roth IRA contributions, report the gross distribution in box 1 and only the earnings in box 2a. Enter Code J, and Code 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 from a profit-sharing plan 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.

**Corrective distributions.** Enter in box 2a the amount of excess deferrals, excess contributions, or excess aggregate contributions (other than employee contributions). See **Corrective Distributions** on page R-3.

### 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. However, see **IRA Revocation** on page R-2 and **Corrective Distributions** on page R-3.

### 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)

If any amount is taxable as a capital gain, report it in box 3.

**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. Advise the annuity recipient of any amount in box 3 subject to the 28% rate gain 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.

**Special rule for participants born before January 2, 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** below.

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.



*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 eligible rollover 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. 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)). Generally, Roth IRA distributions are not subject to withholding except on the earnings portion of excess contributions distributed under section 408(d)(4).

An IRA recharacterization is not subject to income tax withholding.

**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.



*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 (cost of current life insurance protection) (only if the life insurance contract itself is distributed), and **(d)** premiums paid on commercial annuities. Also 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.

 **CAUTION** *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-6.

## Box 6. Net Unrealized Appreciation (NUA) in Employer's Securities


Use this box if a distribution from a qualified plan includes securities of the employer corporation (or a subsidiary or parent corporation) and you can compute the 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(s)


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 for an IRA recharacterization.

**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 or a qualified plan for the surviving spouse of a deceased participant, enter Codes 4 and G.

 **CAUTION** *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 age 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.

 **CAUTION** *For further guidance on what makes a series of substantially equal periodic payments, see Notice 89-25, 1989-1 C.B. 662, as modified by Rev. Rul. 2002-62, 2002-42 I.R.B. 710. Notice 2004-15, 2004-9 I.R.B. 526, allows taxpayers to use one of three methods in Notice 89-25, as modified by Rev. Rul. 2002-62, to determine whether a distribution is part of a series of substantially equal periodic payments under section 72(q)(2)(D).*

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.

**Section 457(b) plan distributions.** Generally, a distribution from a governmental section 457(b) plan is not subject to the 10% additional tax under section 72(t). However, an early distribution from a governmental section 457(b) plan of an amount that is attributable to a rollover from another type of plan or IRA is subject to the additional tax as if the distribution were from a plan described in section 401(a) (see section 72(t)(9)). If the distribution consists solely of amounts that are not attributable to a rollover, enter Code 2 in box 7. If the distribution consists solely of amounts attributable to a rollover, then enter the appropriate code in box 7 as if the distribution were from a plan described in section 401(a). If the distribution is made up of amounts from both sources, you must file separate Forms 1099-R for each part of the distribution unless Code 2 would be entered on each form.

## 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)
<b>1—Early distribution, no known exception.</b>	Use Code 1 only if the employee/taxpayer has <b>not</b> reached age 59½, and if none of the exceptions under distribution Codes 2, 3, or 4 apply when the distribution is made. Use Code 1 even if the distribution is made for medical, first-time homebuyer, or qualified higher education expenses, under section 72(t).	8, D, L, or P
<b>2—Early distribution, exception applies.</b>	Use Code 2 only if the distribution is: <ul style="list-style-type: none"><li>• A Roth IRA conversion (an IRA converted to a Roth IRA) or a reconversion if the participant is under age 59½,</li><li>• An early distribution made from a qualified retirement plan or IRA because of an IRS levy under section 6331,</li><li>• A section 457(b) plan distribution and not subject to the additional 10% tax. But see <b>Section 457(b) plan distributions</b> on page R-8 for these distributions that may be subject to the 10% additional tax, and</li><li>• A distribution from a qualified retirement plan after separation from service where the taxpayer has reached age 55.</li></ul>	8, D, or P
<b>3—Disability.</b>	For these purposes, see section 72(m)(7).	None
<b>4—Death.</b>	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, or P
<b>5—Prohibited transaction.</b>	Use Code 5 if there was an improper use of the account. Code 5 means the account is no longer an IRA.	None
<b>6—Section 1035 exchange.</b>	Use Code 6 to indicate the tax-free exchange of life insurance, annuity, or endowment contracts under section 1035.	None
<b>7—Normal distribution.</b>	Use Code 7: <b>(a)</b> for a normal distribution from a plan, including a traditional IRA, if the employee/taxpayer is at least age 59½, <b>(b)</b> for a Roth IRA conversion or reconversion if the participant is at least age 59½, and <b>(c)</b> 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. <b>Do not</b> use Code 7 for a Roth IRA distribution.	A

Guide to Distribution Codes		
Distribution Codes	Explanations	*Used with code ...(if applicable)
<b>8—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2004.</b>	Use Code 8 for an IRA or Roth IRA distribution under section 408(d)(4), 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 <b>Corrective distributions</b> on page R-3 and <b>IRA revocation</b> on page R-2 for more information.	1, 2, 4, or J
<b>9—Cost of current life insurance protection.</b>	Use Code 9 to report premiums paid by a trustee or custodian for current life or other insurance protection. See <b>Box 2a</b> on page R-6 for more information.	None
<b>A—May be eligible for 10-year tax option.</b>	Use Code A only for participants born before January 2, 1936, or their beneficiaries to indicate the distribution may be eligible for the 10-year tax option method of computing the tax on lump-sum distributions (on <b>Form 4972</b> , 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
<b>D—Excess contributions plus earnings/excess deferrals taxable in 2002.</b>	See the explanation for Code 8. Generally, do not use Code D for an IRA distribution under section 408(d)(4) or 408(d)(5).	1, 2, or 4
<b>E—Excess annual additions under section 415/certain excess amounts under section 403(b) plans.</b>	See <b>Excess Annual Additions Under Section 415</b> on page R-4.	None
<b>F—Charitable gift annuity.</b>	See <b>Charitable gift annuities</b> on page R-6.	None
<b>G—Direct rollover and rollover contribution.</b>	Use Code G for a direct rollover from a qualified plan (including a governmental section 457(b) plan) or tax-sheltered annuity to an eligible retirement plan (another qualified plan, a tax-sheltered annuity, or an IRA). See <b>Direct Rollovers</b> on page R-2. Also use Code G for certain distributions from conduit IRAs to an employer plan and IRA rollover contributions to an accepting employer plan. See <b>Conduit IRAs</b> on page R-2.	4
<b>J—Early distribution from a Roth IRA.</b>	Use Code J for a distribution from a Roth IRA when Code Q or Code T does not apply.	8 or P
<b>L—Loans treated as deemed distributions under section 72(p).</b>	Do not use Code L to report a loan offset. See <b>Loans Treated as Distributions</b> on page R-4.	1 or 4
<b>N—Recharacterized IRA contribution made for 2004.</b>	Use Code N for a recharacterization of an IRA contribution made for 2004 and recharacterized in 2004 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.	None
<b>P—Excess contributions plus earnings/excess deferrals taxable in 2003.</b>	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, 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, or J
<b>Q—Qualified distribution from a Roth IRA.</b>	Use Code Q for a distribution from a Roth IRA if <b>you know</b> that the participant meets the 5-year holding period and: <ul style="list-style-type: none"> <li>• The participant has reached age 59 1/2, or</li> <li>• The participant died, or</li> <li>• The participant is disabled.</li> </ul> <b>Note:</b> If any other code, such as 8 or P applies, use Code J.	None
<b>R—Recharacterized IRA contribution made for 2003.</b>	Use Code R for a recharacterization of an IRA contribution made for 2003 and recharacterized in 2004 to another type of IRA by a trustee-to-trustee transfer or with the same trustee.	None
<b>S—Early distribution from a SIMPLE IRA in the first 2 years, no known exception.</b>	Use Code S only if the distribution is from a SIMPLE IRA in the first 2 years, the employee/taxpayer has not reached age 59 1/2, and none of the exceptions under section 72(t) are known to apply when the distribution is made. 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
<b>T—Roth IRA distribution, exception applies.</b>	Use Code T for a distribution from a Roth IRA if you <b>do not know</b> if the 5-year holding period has been met but: <ul style="list-style-type: none"> <li>• The participant has reached age 59 1/2, or</li> <li>• The participant died, or</li> <li>• The participant is disabled.</li> </ul> <b>Note:</b> If any other code, such as 8 or P applies, use Code J.	None
*See the <b>Caution</b> for box 7 instructions on page R-8.		

## Specific Instructions for Form 5498

File **Form 5498**, IRA Contribution Information, with the IRS by May 31, 2005, for each person for whom in 2004 you maintained any individual retirement arrangement (IRA), including a deemed IRA under section 408(q).

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 certificates of deposit (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 a participant 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 on Form 5498. See the instructions under boxes 1, 2, 3, 4, 8, 9, and 10 on page R-13. If no reportable contributions were made for 2004, complete only boxes 5 and 7, and box 11 if applicable.

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, 2005, 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 participants 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 or to a SEP IRA, (b) a SIMPLE IRA to another SIMPLE IRA, (c) a SEP IRA to another SEP IRA or to a traditional IRA, or (d) a Roth IRA to a Roth IRA. 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. For 2004, up to \$3,000 in catch-up elective deferral contributions may be made under a SARSEP, and up to \$1,500 to a SIMPLE IRA plan. For more information on catch-up

elective deferral contributions, see 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 IRA, Roth IRA, or SIMPLE 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, IRA conversion, SEP IRA, or SIMPLE IRA contributions to a revoked IRA. 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.

**Required minimum distributions (RMDs).** An IRA (other than a Roth IRA) owner/participant must begin taking distributions for each calendar year beginning with the calendar year in which the participant attains age 70½. The distribution for the 70½ year must be made no later than April 1 of the following calendar year; RMDs for any other year must be made no later than December 31 of the year.

For each IRA you held as of December 31 of the prior year, if an RMD is required for the year, you must provide a statement to the IRA participant by January 31 regarding the RMD using one of two alternative methods described below. You are not required to use the same method for all IRA participants; you can use Alternative one for some IRA participants and Alternative two for the rest. Under both methods, the statement must inform the participant that you are reporting to the IRS that an RMD is required for the year. The statement can be provided in conjunction with the statement of the FMV.

If the IRA participant is deceased, and the surviving spouse is the sole beneficiary, special rules apply for RMD reporting. If the surviving spouse elects to treat the IRA as the spouse's own, then report with the surviving spouse as the owner. However, if the surviving spouse does not elect to treat the IRA as the spouse's own, then you may continue to treat the surviving spouse as a beneficiary. Until further guidance is issued, no reporting is required for IRAs of deceased participants (except where the surviving spouse elects to treat the IRA as the spouse's own, as described above).

**Alternative one.** Under this method, include in the statement the amount of the RMD with respect to the IRA for the calendar year and the date by which the distribution must be made. The amount may be calculated assuming the sole beneficiary of the IRA is not a spouse more than 10 years younger than the participant. Use the value of the account as of December 31 of the prior year to compute the amount. See **Box 11** on page R-13 for how to report.

**Alternative two.** Under this method, the statement informs the participant that a minimum distribution with respect to the IRA is required for the calendar year and the date by which such amount must be distributed. You must include an offer to furnish the participant with a calculation of the amount of the RMD if requested by the participant.

**Electronic filing.** These statements may be furnished electronically using the procedures described in part H of the **2004 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

**Reporting to the IRS.** If an RMD is required, check box 11 (see page R-13). For example, box 11 is checked on the 2004 Form 5498 for a 2005 RMD. You are not required to report to the IRS the amount or the date by which the distribution must be made.



For more details, see Notice 2002-27, 2002-18 I.R.B. 814, and Notice 2003-3, 2003-2 I.R.B. 258. Also see the regulations under section 401(a)(9) and Notice 2003-2, 2003-2 I.R.B. 257, for transitional relief related to RMDs from annuity contracts.

**Inherited IRAs.** In the year an IRA participant 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 Willow as beneficiary of Joan Maple" or something similar that signifies that the IRA was once owned by Joan Maple. 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 participant 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.

**Special reporting for U.S. Armed Forces in designated combat zones.** A participant 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 participant was in the designated zone or area plus at least 180 days. The participant 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 participant makes a contribution to an IRA after April 15th and designates the contribution for a prior year, you must report the type of contribution (box 7) and the amount on Form 5498. Report the amount 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 in 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:

- Use "JG" (Joint Guard) or "AF" (Allied Force) for the Kosovo area.
- Use "JE" (Joint Endeavor) for the Persian Gulf area.
- Use "EF" (Enduring Freedom) for Afghanistan, Uzbekistan, Kyrgyzstan, Pakistan, Tajikistan, and Jordan.
- Use "IF" (Iraqi Freedom) for the Arabian Peninsula Areas (the Persian Gulf, the Red Sea, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates and the airspace above such locations).

Under 2 above, enter the information in the blank box to the left of box 10. **Do not** enter the amount in box 1 (or box 10). 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.

**Electronic/magnetic media filers.** You may request an automatic waiver from filing combat zone Forms 5498 by submitting **Form 8508**, Request for Waiver From Filing Information Returns Magnetically. 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, electronically, or on paper.

See **Electronic/Magnetic Media Reporting** in the 2004 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 2004 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, therefore, 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, 2005, you must provide participants with a statement of the December 31, 2004, value of the participant's account and RMD, if applicable. Trustees of SIMPLE IRAs also must provide a statement of the account activity by January 31. Contribution information for all other types of IRAs must be provided by May 31, 2005. 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, and RMD if applicable, to the participant by January 31, 2005, and no reportable contributions, including rollovers, recharacterizations, or Roth IRA conversions, were made for 2004, 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 May 31, 2005, to report the December 31, 2004 FMV of the account. This rule also applies to beneficiary accounts under the inherited IRA rules on this page.

For more information about the requirement to furnish statements to participants, see part H in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.





*If you do not furnish another statement to the participant because no reportable 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 2–4 and 8–10)

Enter **contributions** to a traditional IRA made in 2004 and through April 15, 2005, designated for 2004.

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 participants 50 or older) limits of section 219. Do not include employer SEP IRA contributions or SARSEP contributions under section 408(k)(6). Instead, include them in box 8.

Also, **do not** include in box 1 contributions to a SIMPLE IRA (report them in box 9) and a Roth IRA (report them in box 10). 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 2004. Include a direct rollover from a qualified plan (including a governmental section 457(b) 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 2004. 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 plus earnings 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-12.

### 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, or 10, 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, or 10, 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. 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. Do not check this box for a SIMPLE 401(k) plan. See section 408(p).

**Roth IRA.** Check "Roth IRA" if you are filing Form 5498 to report information about a Roth IRA account.

### Box 8. SEP Contributions

Enter **employer** contributions made to a SEP IRA (including salary deferrals under a SARSEP) during 2004 including contributions made in 2004 for 2003, but not including contributions made in 2005 for 2004. **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 2004. Do not include contributions to a SIMPLE 401(k) plan.

### Box 10. Roth IRA Contributions

Enter any contributions made to a Roth IRA in 2004 and through April 15, 2005, designated for 2004. However, report Roth IRA conversion amounts in box 3.

### Box 11. Check if RMD for 2005

Check the box if the participant must take a required minimum distribution (RMD) for 2005. You are required to check the box for the year in which the IRA participant reaches age 70½ even though the RMD for that year need not be made until April 1 of the following year. Then check the box for each subsequent year an RMD is required to be made.

On Form 5498, or in a separate statement, report the information required by **Alternative one** or **Alternative two** (see page R-11). To determine the RMD, see the regulations under sections 401(a)(9) and 408(a)(6) and (b)(3). If you use Form 5498 to report the additional information under Alternative one, enter the amount and date in the blank box to the left of box 10 on the form.

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# 2004



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 2004

The following changes have been made to these general instructions:

1. Use of an account number is required if you have multiple accounts for a recipient for whom you are filing more than one information return of the same type (see page GEN-14).
2. Procedures for correcting paper returns have been modified (see page GEN-12). Instructions for correcting a payer TIN and/or name and address have been added on page GEN-5.
3. Electronic payee statements are permitted for all Forms 1099, 1098, and 5498 (see page GEN-11).
4. References to Forms 1099-MSA and 5498-MSA have been changed throughout these instructions to Forms 1099-SA and 5498-SA. See **Form 1099-SA** and **Form 5498-SA** below.



*See the specific form instructions for more information on the changes listed below.*

**Form 1098-E.** For loans made on or after September 1, 2004, origination fees and capitalized interest must be included in the amount reported in box 1.

**Form 1098-T.** The telephone number provided by the institution must be for the information contact at the institution not the institution's general telephone number.

**Form 1099-B.** Temporary Regulations sections 1.6045-3T and 1.6043-4T were reissued under Treasury Decision 9101. Any broker that holds stock for a client in a corporation that the broker knows or has reason to know had an acquisition of control or a substantial change in capital structure must file Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, not **Form 1099-CAP**, Changes in Corporate Control and Capital Structure. The reporting is required by the broker if the shareholder is required to recognize gain (under section 367(a)) as a result of the transaction and is not an exempt recipient. Three additional boxes have been added to Form 1099-B to report these transactions. New boxes have been added relating to broker reporting under reissued regulations. A box for corporation information has been added below the box for the broker's TIN.

**Form 1099-CAP.** Temporary Regulations sections 1.6045-3T and 1.6043-4T were reissued under Treasury Decision 9101. The following changes have been made to Form 1099-CAP reporting:

- A corporation that is required to file **Form 8806**, Information Return for Acquisition of Control or Substantial Change in Capital Structure, under revised Temporary Regulations section 1.6043-4T, must file form 1099-CAP with the IRS and furnish a copy to each shareholder who receives cash, stock, or other property as a result of the acquisition of control or substantial change in capital structure (under section 367(a)) and who is not an exempt recipient. However, if the corporation can reasonably determine that the receipt of such stock would not cause the shareholder to recognize gain, the corporation is not required to report the fair market value of any stock provided to a shareholder.

- The list of exempt recipients has been expanded to include brokers.
- Brokers will not receive Forms 1099-CAP from a corporation and are not required to issue Form 1099-CAP. Instead, a broker who has reason to know, based on readily available information, that a transaction described in 1.6043-4T(c) or (d) has occurred, is required to file Form 1099-B. Accordingly, boxes that were used by brokers to report noncash transactions and backup withholding have been deleted.
- Special reporting rules apply to furnishing Forms 1099-CAP to clearing organizations.

All boxes relating to broker reporting have been removed based on the reissued regulations. The remaining boxes have been renumbered.

**Form 1099-DIV.** The boxes for post-May 5 capital gain distributions and qualified 5-year gain have been eliminated based on section 301 of the Jobs and Growth Tax Relief and Reconciliation Act of 2003.

The instructions have been revised to amend the holding period rules by changing the 120-day period to a 121-day period and the 180-day period to a 181-day period. The Commissioner of Internal Revenue has agreed to allow taxpayers to apply the new periods as if pending legislation were presently enacted.

**Form 1099-MISC.** Rules for reporting golden parachute payments have changed based on final regulations under section 280G.

Payments related to certain health arrangements are exempted by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 from the reporting requirements of section 6041 in box 6.

**Form 1099-R.** Distribution codes 1 and J have been revised to require the taxpayer to complete Forms 8606 and 5329. Codes 2, Q, and T have been revised to require that certain criteria be met in order to use these codes.

**Form 1099-S.** The escrow number related to the reported sale may be entered in the box below the transferor's name and address. The box is re-titled "Account or escrow number (optional)."

**Form 1099-SA and Form 5498-SA.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 created new Code section 223 that establishes health savings accounts (HSAs). Forms 1099-MSA and 5498-MSA have been replaced with Form 1099-SA, Distributions From an HSA, Archer MSA, or Medicare+Choice MSA, and Form 5498-SA, HSA, Archer MSA, or Medicare+Choice MSA Information. Any reference on Form 1099-SA or 5498-SA to a Medicare+Choice MSA includes a Medicare Advantage (MA) MSA.



*At the time these instructions were released for print, 2004 Forms 1099-SA and 5498-SA had not been printed. However, do not use Forms 1099-MSA or 5498-MSA to report distributions or contributions made for 2004. The new forms and instructions will be available later in 2004.*

## 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

In addition to these general instructions, which contain general information concerning Forms 1099, 1098, 5498, and W-2G, we provide specific form instructions as separate products. Get the instructions you need for completing a specific form 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-CAP**
- **Instructions for Form 1099-DIV**
- **Instructions for Form 1099-G**
- **Instructions for Form 1099-H**
- **Instructions for Forms 1099-INT and 1099-OID**
- **Instructions for Form 1099-LTC**
- **Instructions for Form 1099-MISC**
- **Instructions for Form 1099-PATR**
- **Instructions for Form 1099-Q**
- **Instructions for Forms 1099-R and 5498**
- **Instructions for Form 1099-S**
- **Instructions for Forms 1099-SA and 5498-SA**
- **Instructions for Form 5498-ESA**

If you prefer to have all the specific and general instructions in one booklet, the **2004 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 Form 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 Form 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 2004 by January 31, 2005. 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).

Any income tax withholding reported on the following forms must not be reported on Form 945:

- **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.
- **Form 1042-S**, Foreign Person's U.S. Source Income Subject to Withholding, must be reported on **Form 1042**, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.



**Pub. 515**, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, has more information on Form 1042 reporting, partnership withholding on effectively connected income, and dispositions of U.S. real property interests by a foreign person.

## 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-8.

### 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**, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S. 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.



*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-16 and GEN-17 for a brief summary of information return reporting rules.

### Taxpayer Identification Number (TIN) Matching

TIN Matching allows a payer or authorized agent who is required to file Forms 1099-B, DIV, INT, MISC, OID, and/or PATR, which report income subject to backup withholding, to match TIN and name combinations with IRS records before submitting the forms to the IRS. TIN Matching is one of the e-services products that is offered, and is accessible through the IRS website, [www.irs.gov/e-services](http://www.irs.gov/e-services). It is anticipated that payers who validate the TIN and name combinations before filing information returns will receive fewer backup withholding (CP2100) "B" notices and penalty notices. E-services technical support is available by calling 1-866-255-0654

## Need Help?

### Information Reporting Customer Service Site

If you have questions about reporting on Forms 1096, 1098, 1099, 5498, W-2, W-2G, and W-3, you may call a 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 email at [mccirp@irs.gov](mailto: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.

**Other tax-related matters.** For other tax information related to business returns or accounts, call 1-800-829-4933.

If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax account questions or to order forms and publications.

### 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 website or the CD-ROM.*

**Personal computer.** You can access the IRS website 24 hours a day, 7 days a week, at [www.irs.gov](http://www.irs.gov) to:

- Access commercial tax preparation and *e-file* services.
- Download forms, instructions, and publications.
- Order IRS products on-line.
- See answers to frequently asked tax questions.
- Search publications on-line by topic or keyword.
- Send us comments or request help by email.
- Sign up to receive local and national tax news by email.

You can also reach us using File Transfer Protocol at [ftp.irs.gov](ftp://ftp.irs.gov).

**CD-ROM.** Order **Pub. 1796**, IRS Federal Tax Products 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](http://www.irs.gov/cdorders) from the National Technical Information Service (NTIS) for \$22 (no handling fee) or call **1-877-CDFORMS** (1-877-233-6767) toll free to buy the CD-ROM for \$22 (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 28% 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), 6043(c), 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 and HSAs,
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,
11. Qualified tuition program earnings, and
12. Coverdell ESA earnings.

**When to apply backup withholding.** Generally, the period for which the 28% 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 other form that requires the payee to certify under penalty of perjury).



*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 (recent amendments are effective after December 31, 2003) 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/TIN(s), and **Pub. 1281**, Backup Withholding for Missing and Incorrect Name/TIN(s) (Including Instructions for Reading Tape Cartridges).

## 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 minimus 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 1/2 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-Q, 1099-SA, 5498, 5498-ESA, and 5498-SA

The penalties under sections 6721 and 6722 **do not** apply to:

Forms	Filed Under Code Section
1099-SA and 5498-SA	220(h) and 223
5498	408(i) and 408(l)
5498-ESA	530(h)
1099-Q	529(d) and 530(h)

The penalty for failure to timely file Forms 1099-SA, 5498-SA, 5498, 5498-ESA, or 1099-Q 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**) below. Acceptable forms of magnetic media are IBM 3480, 3490, 3490E, 3590, or 3590E tape cartridges; and 3½-inch diskettes.



*For returns filed after December 31, 2006, IRS/MCC will no longer accept 3½-inch diskettes for filing information returns.*

**Pub. 1220**, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically or Magnetically, is the revenue procedure for reporting electronically or magnetically. 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. You may access the FIRE System via the Internet at <http://FIRE.IRS.gov>. See Pub. 1220 for more information.

**Due dates.** File Forms 1098, 1099, or W-2G on magnetic media by February 28, 2005. If you file electronically, you may file by March 31, 2005. File Form 5498, 5498-ESA, or 5498-SA by May 31, 2005. 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 electronically or on magnetic media, 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.

**Reporting incorrect payer name and/or TIN.** If a payer discovers an error in reporting the payer name and/or TIN, write a letter to IRS/MCC (see below) containing the following information:

1. Name and address of the payer,
2. Type of error (including the incorrect payer name/TIN that was reported),
3. Tax year,
4. Payer TIN,
5. Transmitter Control Code (TCC), if applicable,
6. Type of return,
7. Number of payees, and
8. Filing method (paper, electronic, or magnetic media).

Send the letter to IRS-Martinsburg Computing Center, Information Reporting Program, 240 Murall Drive, Kearneysville, WV 25430. Also see Pub. 1220, Part A, Section 11.

If a payer realizes duplicate reporting or a large percentage of incorrect information has been filed, contact the information reporting customer service site at 1-866-455-7438 for further instructions.

**How to get approval to file on magnetic media.** File **Form 4419**, Application for Filing Information Returns Electronically/Magnetically, 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 Magnetically, 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** on page GEN-5.

## Paper Document Reporting

If you are required to file 250 or more information returns, see **Magnetic Media/Electronic Reporting** on page GEN-5.

**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 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 2004 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 Paper Forms** 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 conditions 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 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 Regulations sections 1.468B-1(k) and 1.468B-6 through 1.468B-9 that relate to escrow and other similar funds.

**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, 2005 (March 31, 2005, 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, 5498-ESA, and 5498-SA by May 31, 2005.

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 September 2002 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, FedEx 2 Day, FedEx International Priority, and FedEx International First.
- 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.



*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, 5498-ESA, and 5498-SA 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 can get a 30-day extension of time to file by sending **Form 8809**, Application for Extension of Time To File Information Returns, to the address shown on Form 8809. No signature or explanation is required for the extension. However, you must file Form 8809 by the due date of the returns in order to get the 30-day extension. Under certain hardship conditions you may apply for an additional 30-day extension. See Form 8809 for more information.



*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.*

For information on extensions for providing statements to recipients, see **Extension** on page GEN-11.

## 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 Paper Forms** on page GEN-11.

If you are filing on magnetic media, **Form 4804**, Transmittal of Information Returns Reported Magnetically, must accompany your submissions.



*Form 4804 is no longer required if you file information returns electronically. See **Magnetic Media/Electronic Reporting** on page GEN-5.*

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 Form 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 Form 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 (TINs)

**Recipient name.** 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 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 "doing business as (DBA)" name. You may not enter only the DBA 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.

For a single-member **limited liability company (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 EIN, if applicable). If the LLC is a corporation, partnership, etc., enter the entity's EIN.

**TINs.** 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 complete the appropriate Form W-8. See the **Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY.**



*U.S. resident aliens who rely on a "saving clause" of a tax treaty are to complete Form W-9, not Form W-8BEN. See **Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities**, and Pub. 519.*

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.



*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 on page GEN-8. For other recipients, including corporations, partnerships, and estates, the TIN is the EIN. For LLCs, see the information on LLC on page GEN-8.

SSNs have nine digits separated by two hyphens (000-00-0000), and EINs have nine digits separated by only one hyphen (00-0000000).

**Electronic submission of Forms W-9.** Requesters may establish a system for payees and payees' 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.



*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, 2001-2 C.B. 221.

**Electronic submission of Forms W-9S.** See the Instructions for Forms 1098-E and 1098-T.

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## 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.

If you do not have an EIN, you may apply for one online. Go to the IRS website [www.irs.gov/businesses/small](http://www.irs.gov/businesses/small) and click on the link for EINs. You may also apply by calling 1-800-829-4933 or by faxing or mailing form SS-4 to the IRS. See Form SS-4 for more information.

Enter your street address including the room, suite, or other unit number on the forms.

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## H. Statements to Recipients (Borrowers, Debtors, Insureds, Participants, Payers/ Borrowers, Policyholders, Students, Transferors, or Winners on Certain Forms)

If you are required to file Forms 1099, 1098, 5498, or W-2G, you must also 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-CAP, 1099-DIV, 1099-G (excluding state and local income tax refunds), 1099-H, 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.



*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-11). 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)** Form W-2, applicable Form W-8, Form 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 Forms 1099, 1098, or 5498; 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.



*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.



*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, see **Other payments** below. For Forms 1099-S, see **Real estate transactions** below.



*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-CAP, 1099-G, 1099-H, 1099-LTC, 1099-MISC, 1099-Q, 1099-R, 1099-SA, 5498, 5498-ESA, 5498-SA, 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 only 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.

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 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, 2005. 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, 2005.

Trustees or issuers of traditional IRAs must furnish participants with a statement of the value of the participant's account, and RMD if applicable, by January 31, 2005. The fair market value of SEP IRAs must also be furnished to the participant by January 31, 2005. Traditional IRA, Roth IRA, SEP, or SIMPLE contribution information must be furnished to

the participant by May 31, 2005. However, Coverdell ESA contribution information must be furnished to the beneficiary by May 2, 2005.

Trustees of a SIMPLE must furnish a statement of the account balance and the account activity by January 31, 2005.

For real estate transactions, you may furnish the statement to the transferor at closing or by mail on or before January 31, 2005.

Filers of Form 1099-G who report state or local income tax refunds, credits, or offsets must furnish the statements to recipients **during** January 2005.

See the **Guide to Information Returns** on pages GEN-16 and GEN-17 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 website, 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 to furnish a written statement (Copy B or an acceptable substitute) to a recipient, then you may furnish the statement electronically instead of on paper. This includes furnishing the statement to recipients of Forms 1098, 1098-E, 1098-T, 1099-A, B, C, CAP, DIV, H, INT, G, LTC, MISC, OID, PATR, Q, R, S, SA, 5498, 5498-ESA, and 5498-SA. It also includes 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 website.

**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 website 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 Regulations section 31.6051-1. For electronic furnishing of Forms 1098-E and 1098-T, see

Regulations section 1.6050S-2. For electronic furnishing of Forms 1099-R, 1099-SA, 1099-Q, 5498, 5498-ESA, and 5498-SA, see Notice 2004-10, 2004-6 I.R.B. 433.

**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 on Paper Forms



To file corrections on magnetic media, see **Magnetic Media/Electronic Reporting** on page GEN-5 and Pub. 1220.

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 and file Copy A and Form 1096 with your Internal Revenue Service Center (see **Where To File** on page GEN-7).
- Furnish statements to recipients showing the correction.

When making a correction, complete all required information (see **Filing Corrected Returns on Paper Forms** on page GEN-12).

- **Do not** cut or separate 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.

To correct payer information, see the instructions on page GEN-5.

**Form 1096.** Use a separate Form 1096 for each type of return you are correcting. For the same type of return, you may use one Form 1096 for both originals and corrections.

**CORRECTED checkbox.** Enter an "X" in the corrected checkbox only when correcting a form previously filed with the IRS or furnished to the recipient. When the type of error requires two returns to make the correction, see **Filing Corrected Returns on Paper Forms** on page GEN-12 to determine when to mark the "CORRECTED" checkbox.

**Account number.** If the account number was provided on the original return, the same account number must be included on both the original and corrected return to properly identify and process the correction. If the account number was not provided on the original return, do not include it on the corrected return. See **Account Number Box on Forms** on page GEN-14.

**Recipient's statement.** You may enter a date next to the "CORRECTED" checkbox. This will help the recipient in the case of multiple corrections.

**Filing corrected returns on paper forms.** The error charts on page GEN-12 give step-by-step instructions for filing corrected returns for the most frequently made errors. They are grouped under **Error Type 1** or **2**, based on how the correction is made. Correction of errors may require the submission of more than one return. Be sure to read and follow the steps given.



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. 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, a reduced penalty may be imposed if the corrected returns are filed by August 1.

## Filing Corrected Returns on Paper Forms

Identify the correction needed based on **Error Type 1 or 2**; then follow the steps to make the corrections and file the form(s). Also see **Corrected Returns on Paper Forms** on page GEN-11.

Error Type 1	Correction
<p><b>Incorrect money amount(s), code, or checkbox</b> or <b>Incorrect address,</b> or <b>A return was filed when one should not have been filed</b></p> <p>These errors require only one return to make the correction.</p> <p><b>Caution:</b> <i>If you must correct a TIN and/or a name and address, follow the instructions under Error 2.</i></p> <p><b>Note:</b> <i>For information on reporting errors to the payer's name and TIN, see page GEN-5.</i></p>	<p><b>A. Form 1098, 1099, 5498, or W-2G</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new information return.</li> <li>2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form.</li> <li>3. Correct any recipient information such as money amounts and address. Report other information as per original return.</li> </ol> <p><b>B. Form 1096</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new transmittal Form 1096.</li> <li>2. Provide all requested information on the form as it applies to Part A, 1 and 2.</li> <li>3. File Form 1096 and Copy A of the return with the appropriate service center.</li> <li>4. Do not include a copy of the original return that was filed incorrectly.</li> </ol>

Error Type 2	Correction
<p><b>No payee TIN (SSN, EIN, QI-EIN, or ITIN)</b> or <b>Incorrect payee TIN</b> or <b>Incorrect name and address</b></p> <p><b>Original return filed using wrong type of return</b> (for example, a Form 1099-DIV was filed when a Form 1099-INT should have been filed).</p> <p>Two separate returns are required to make the correction properly. Follow all instructions for both Steps 1 and 2.</p> <p><b>Note:</b> <i>You do not have to file a corrected return for an incorrect payer TIN and/or incorrect payer name and address. (For an incorrect payer TIN and/or payer name and address, see page GEN-5.)</i></p>	<p><b>Step 1.</b> Identify incorrect return submitted.</p> <ol style="list-style-type: none"> <li>1. Prepare a new information return.</li> <li>2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form.</li> <li>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.</li> </ol> <hr/> <p><b>Step 2.</b> Report correct information.</p> <p><b>A. Form 1098, 1099, 5498, or W-2G</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new information return.</li> <li>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.</li> <li>3. Include all the correct information on the form including the correct TIN, name, and address.</li> </ol> <p><b>B. Form 1096</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new transmittal Form 1096.</li> <li>2. Enter the words "Filed To Correct TIN," "Filed to Correct Name and Address," or "File to Correct Return" in the bottom margin of the form.</li> <li>3. Provide all requested information on the form as it applies to the returns prepared in Steps 1 and 2.</li> <li>4. File Form 1096 and Copy A of the return with the appropriate service center.</li> <li>5. Do not include a copy of the original return that was filed incorrectly.</li> </ol>



*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.*

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## 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 on Paper Forms** on GEN-12 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.

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## K. Other Information Returns

The income information you report on the following forms must not be repeated on Forms 1099 or W-2G:

- Form W-2 reporting wages and other employee compensation.
- Forms 1042-S and 1000 reporting income to foreign persons.
- Form 2439 reporting undistributed long-term capital gains of a regulated investment company or real estate investment trust.
- Schedule K-1 of Form 1065 or 1065-B reporting distributive shares to members of a partnership.
- Schedule K-1 of Form 1041 reporting distributions to beneficiaries of trusts or estates.
- Schedule K-1 of Form 1120S reporting distributive shares to shareholders of S corporations.
- Schedule K of Form 1120-IC-DISC reporting actual and constructive distributions to shareholders and deferred DISC income.
- Schedule Q of Form 1066 reporting income from a REMIC to a residual interest holder.

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## L. Payments to Corporations and Partnerships

Generally, payments to **corporations** are not reportable. However, you must report payments to corporations for the following:

- Medical and health care payments (Form 1099-MISC),
- Withheld Federal income tax or foreign tax,
- Barter exchange transactions (Form 1099-B),
- Substitute payments in lieu of dividends and tax-exempt interest (Form 1099-MISC),
- Interest or original issue discount paid or accrued to a regular interest holder of a REMIC (Form 1099-INT or 1099-OID),
- Acquisitions or abandonments of secured property (Form 1099-A),
- Cancellation of debt (Form 1099-C),
- Payments of attorneys' fees and gross proceeds paid to attorneys (Form 1099-MISC),
- Fish purchases for cash (Form 1099-MISC), and
- Federal executive agency payments for services (Form 1099-MISC). For additional reporting requirements, see Rev. Rul. 2003-66, 2003-26 I.R.B. 1115.

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)(ii)(A).

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## M. Earnings on any IRA, Coverdell ESA, Archer MSA, or HSA

Generally, income earned in any IRA, Coverdell ESA, Archer MSA, or HSA, such as interest or dividends, is not reported on Forms 1099. However, distributions must be reported on Form 1099-R, 1099-Q, or 1099-SA.

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## 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 2004, you must have filed a **final** Form 1041 for 2003. To change reporting method, see Regulations section 1.671-4(g) and the **Instructions for Form 1041 and Schedules A, B, D, G, I, J, and K-1**.

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## 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 the terms used in these instructions are on page GEN-14.

### Presumption Rules

 *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. To order, 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 sections 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. nonexempt 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: **(a)** enter the name of the recipient whose status you relied on to determine the applicable rate of withholding and **(b)** 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** below.

**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.



*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 on page GEN-13.*

## 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.

For details on QI agreements, see Rev. Proc. 2000-12, 2000-1 C.B. 387, modified by Rev. Proc. 2003-64, Section 4A (Appendix 3), 2003-32 I.R.B. 306, further modified by Rev. Proc. 2004-21, 2004-14 I.R.B. 702.

**Nonqualified intermediary (NQI).** A nonqualified intermediary is any intermediary that is 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. See Rev. Proc. 2003-64, 2003-32 I.R.B. 306, as amended by Rev. Proc. 2004-21, for procedures for entering into a withholding foreign partnership or trust agreement.

**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 they were 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

Use the **account number** box on all Forms 1099, 1098, 5498, and W-2G for an account number designation. The account number is required if you have multiple accounts for a recipient for whom you are filing more than one information return of the same type. Additionally, the IRS encourages you to include the recipient's account number on paper forms if your system of records uses the account number rather than the name or TIN for identification purposes. Also, the IRS will include the

account number in future notices to you about backup withholding. If you are filing electronically or magnetically, see Pub. 1220.

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 unless the separate instructions indicate otherwise. Using unique account numbers ensures that corrected information returns will be processed accurately.

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.

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**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), 223, 408, 408A, 529, 530, 6041, 6041A, 6042, 6043, 6044, 6045, 6047, 6049, 6050A, 6050B, 6050D, 6050E, 6050H, 6050J, 6050N, 6050P, 6050Q, 6050R, 6050S, 6050T, 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 provide 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. We may also disclose this information to other countries under a tax treaty, and to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism. The authority to disclose information to combat terrorism expired on December 31, 2003. Legislation is pending that would reinstate this authority. If you fail to provide this information in a timely manner, you may be subject to penalties.

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 . . . . .	13 minutes
1098 . . . . .	7 minutes
1098-E . . . . .	7 minutes
1098-T . . . . .	13 minutes
1099-A . . . . .	9 minutes
1099-B . . . . .	20 minutes
1099-C . . . . .	10 minutes
1099-CAP . . . . .	11 minutes
1099-DIV . . . . .	18 minutes
1099-G . . . . .	11 minutes
1099-H . . . . .	18 minutes
1099-INT . . . . .	13 minutes
1099-LTC . . . . .	13 minutes
1099-MISC . . . . .	16 minutes
1099-OID . . . . .	12 minutes
1099-PATR . . . . .	15 minutes
1099-Q . . . . .	11 minutes
1099-R . . . . .	18 minutes
1099-S . . . . .	8 minutes
1099-SA . . . . .	8 minutes
5498 . . . . .	12 minutes
5498-ESA . . . . .	7 minutes
5498-SA . . . . .	10 minutes
W-2G . . . . .	18 minutes

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 Products Coordinating 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.

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## 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 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-CAP	Changes in Corporate Control and Capital Structure	Information about cash, stock, or other property from an acquisition of control or the substantial change in capital structure of a corporation.	Amounts of stock or property valued at \$100 million or more	February 28 *	(To Shareholders) 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-H	Health Insurance Advance Payments	Health insurance premiums paid on behalf of certain individuals.	All amounts	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-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

\*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-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)	Earnings from a qualified tuition program and Coverdell ESAs.	All amounts	February 28 *	January 31
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
1099-SA	Distributions From an HSA, Archer MSA, or Medicare+Choice MSA	Distributions from an HSA, Archer MSA, or Medicare+Choice MSA.	All amounts	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 Contribution Information	Contributions (including rollover contributions) to any individual retirement arrangement (IRA) including a SEP, SIMPLE, and Roth IRA; Roth conversions; IRA recharacterizations; and the fair market value (FMV) of the account.	All amounts	May 31	(To Participant) For FMV/RMD Jan.31; For contributions, May 31
5498-ESA	Coverdell ESA Contribution Information	Contributions (including rollover contributions) to a Coverdell ESA.	All amounts	May 31	April 30
5498-SA	HSA, Archer MSA, or Medicare+Choice MSA Information	Contributions to an HSA, Archer MSA and the fair market value of an HSA, 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 <b>Form 8362</b> , 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	Type of Payment	Report on Form
Abandonment . . . . .	1099-A	Health insurance advance payments . . . . .	1099-H
Accelerated death benefits . . . . .	1099-LTC	Health savings accounts:	
Acquisition of control . . . . .	1099-CAP	Contributions . . . . .	5498-SA
Advance earned income credit . . . . .	W-2	Distributions . . . . .	1099-SA
Advance health insurance payments . . . . .	1099-H	Income tax refunds, state and local . . . . .	1099-G
Agriculture payments . . . . .	1099-G	Indian gaming profits paid to tribal members . . . . .	1099-MISC
Allocated tips . . . . .	W-2	Interest income . . . . .	1099-INT
Annuities . . . . .	1099-R	Interest, mortgage . . . . .	1098
Archer MSAs:		IRA contributions . . . . .	5498
Contributions . . . . .	5498-SA	IRA distributions . . . . .	1099-R
Distributions . . . . .	1099-SA	Life insurance contract distributions . . . . .	1099-R, 1099-LTC
Attorneys, fees and gross proceeds . . . . .	1099-MISC	Liquidation, distributions in . . . . .	1099-DIV
Auto reimbursements:		Loans, distribution from pension plan . . . . .	1099-R
Employee . . . . .	W-2	Long-term care benefits . . . . .	1099-LTC
Nonemployee . . . . .	1099-MISC	Medicare+Choice MSAs (Medicare Advantage):	
Awards:		Contributions . . . . .	5498-SA
Employee . . . . .	W-2	Distributions . . . . .	1099-SA
Nonemployee . . . . .	1099-MISC	Medical services . . . . .	1099-MISC
Barter exchange income . . . . .	1099-B	Mileage:	
Bonuses:		Employee . . . . .	W-2
Employee . . . . .	W-2	Nonemployee . . . . .	1099-MISC
Nonemployee . . . . .	1099-MISC	Military retirement . . . . .	1099-R
Broker transactions . . . . .	1099-B	Mortgage interest . . . . .	1098
Cancellation of debt . . . . .	1099-C	Moving expense . . . . .	W-2
Capital gain distributions . . . . .	1099-DIV	Nonemployee compensation . . . . .	1099-MISC
Car expense:		Nonqualified plan distribution . . . . .	W-2
Employee . . . . .	W-2	Beneficiaries . . . . .	1099-R
Nonemployee . . . . .	1099-MISC	Original issue discount (OID) . . . . .	1099-OID
Changes in capital structure . . . . .	1099-CAP	Patronage dividends . . . . .	1099-PATR
Charitable gift annuities . . . . .	1099-R	Pensions . . . . .	1099-R
Commissions:		Points . . . . .	1098
Employee . . . . .	W-2	Prizes:	
Nonemployee . . . . .	1099-MISC	Employee . . . . .	W-2
Commodities transactions . . . . .	1099-B	Nonemployee . . . . .	1099-MISC
Compensation:		Profit-sharing plan . . . . .	1099-R
Employee . . . . .	W-2	Punitive damages . . . . .	1099-MISC
Nonemployee . . . . .	1099-MISC	Qualified plan distributions . . . . .	1099-R
Cost of current life insurance protection . . . . .	1099-R	Qualified tuition program payments . . . . .	1099-Q
Coverdell ESA contributions . . . . .	5498-ESA	Real estate transactions . . . . .	1099-S
Coverdell ESA distributions . . . . .	1099-Q	Recharacterized IRA contributions . . . . .	1099-R, 5498
Crop insurance proceeds . . . . .	1099-MISC	Refunds, state and local tax . . . . .	1099-G
Damages . . . . .	1099-MISC	Rents . . . . .	1099-MISC
Death benefits . . . . .	1099-R	Retirement . . . . .	1099-R
Accelerated . . . . .	1099-LTC	Roth conversion IRA contributions . . . . .	5498
Debt cancellation . . . . .	1099-C	Roth conversion IRA distributions . . . . .	1099-R
Dependent care payments . . . . .	W-2	Roth IRA contributions . . . . .	5498
Direct rollovers . . . . .	1099-Q, 1099-R, 5498	Roth IRA distributions . . . . .	1099-R
Direct sales of consumer products for resale . . . . .	1099-MISC	Royalties . . . . .	1099-MISC
Directors' fees . . . . .	1099-MISC	Timber, pay-as-cut contract . . . . .	1099-S
Discharge of indebtedness . . . . .	1099-C	Sales:	
Dividends . . . . .	1099-DIV	Real estate . . . . .	1099-S
Education loan interest . . . . .	1098-E	Securities . . . . .	1099-B
Employee business expense reimbursement . . . . .	W-2	Section 1035 exchange . . . . .	1099-R
Employee compensation . . . . .	W-2	SEP contributions . . . . .	W-2, 5498
Excess deferrals, excess contributions, distributions of . . . . .	1099-R	SEP distributions . . . . .	1099-R
Fees:		Severance pay . . . . .	W-2
Employee . . . . .	W-2	Sick pay . . . . .	W-2
Nonemployee . . . . .	1099-MISC	SIMPLE contributions . . . . .	W-2, 5498
Fishing boat crew members proceeds . . . . .	1099-MISC	SIMPLE distributions . . . . .	1099-R
Fish purchases for cash . . . . .	1099-MISC	Student loan interest . . . . .	1098-E
Foreclosures . . . . .	1099-A	Substitute payments in lieu of dividends or tax-exempt interest . . . . .	1099-MISC
Foreign persons' income . . . . .	1042-S	Supplemental unemployment . . . . .	W-2
401(k) contributions . . . . .	W-2	Tax refunds, state and local . . . . .	1099-G
404(k) dividend . . . . .	1099-DIV	Tips . . . . .	W-2
Gambling winnings . . . . .	W-2G	Tuition . . . . .	1098-T
Golden parachute:		Unemployment benefits . . . . .	1099-G
Employee . . . . .	W-2	Vacation allowance:	
Nonemployee . . . . .	1099-MISC	Employee . . . . .	W-2
Grants, taxable . . . . .	1099-G	Nonemployee . . . . .	1099-MISC
Health care services . . . . .	1099-MISC	Wages . . . . .	W-2



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