

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 1.61-7: Interest.
(Also Part I, §§ 1273, 6049; 1.1273-2, 1.6049-4).

Rev. Proc. 2000-30

SECTION 1. PURPOSE

This revenue procedure provides guidance to depositors who receive “de minimis premiums” (as defined below) from financial institutions. It also provides guidance to financial institutions on their information reporting obligations for those premiums.

SECTION 2. BACKGROUND

.01 Banks and other financial institutions sometimes provide premiums as inducements to depositors to open new accounts or add to existing accounts. Questions have arisen as to a depositor’s tax treatment of non-cash premiums and the financial institution’s information reporting obligations for the premiums.

.02 Interest (including original issue discount) generally is includible in a

recipient's gross income under § 61(a)(4) of the Internal Revenue Code and § 1.61-7 of the Income Tax Regulations. The term "interest" means amounts paid for the use or forbearance of money, which includes amounts, whether or not designated as interest, paid on savings accounts and other deposit arrangements. Under § 1.1273-2, a payment from a financial institution to a depositor upon the origination of an account reduces the issue price of the account and, in effect, the depositor's basis in the account. The reduction generally creates original issue discount on the account. In addition, payments made on an account over its term are first treated as a payment of accrued but unpaid interest and then as a payment of principal. See §§ 1.446-2(e) and 1.1275-2(a).

.03 Under § 6049 and § 1.6049-4, a person who pays interest aggregating \$10 or more to another person during a calendar year generally must file a return setting forth certain required information.

SECTION 3. DEFINITION

For purposes of this revenue procedure, a "de minimis premium" is a non-cash inducement, provided by a financial institution (as defined in § 265(b)(5)) to a depositor to open or add to an account, that does not have a value in excess of \$10 for a deposit of less than \$5,000 or \$20 for a deposit of \$5,000 or more. The cost to the financial institution of the premium is used in determining whether the dollar limitations are met.

SECTION 4. APPLICATION

.01 Depositor. For administrative convenience, the Internal Revenue Service will not require a depositor who receives a de minimis premium to treat the value of the

premium as includible in gross income. In addition, the Service will not require the depositor to reduce the basis in the account by the de minimis premium.

.02 Financial Institution. For administrative convenience, the Service will not require a financial institution that provides a de minimis premium to treat it as interest for purposes of information reporting under § 6049.

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective for de minimis premiums provided after December 31, 1999.

DRAFTING INFORMATION

The principal author of this revenue procedure is G. Channing Horton of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure contact Mr. Horton on (202) 622-4920 (not a toll free call).