

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 2000-13, page 774.

Fringe benefits aircraft valuation formula. For purposes of section 1.61-21(g) of the Income Tax Regulations, relating to the rule for valuing noncommercial flights on employer-provided aircraft, the Standard Industry Fare Level (SIFL) cents-per-mile rates and terminal charges in effect for the first half of 2000 are set forth.

Rev. Rul. 2000-14, page 779.

LIFO; price indexes; department stores. The January 2000 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, January 31, 2000.

Rev. Rul. 2000-15, page 774.

Election in respect to losses attributable to a disaster. This ruling lists the areas declared by the President to qualify as major disaster or emergency areas during 1999 under the Disaster Relief and Emergency Assistance Act.

Rev. Rul. 2000-16, page 780.

Interests rates; underpayments and overpayments. The rate of interest determined under section 6621 of the Code for the calendar quarter beginning April 1, 2000, will be 9 percent for overpayments (8 percent in the case of a corporation), 9 percent for underpayments, and 11 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding \$10,000 is 6.5 percent.

Notice 2000-16, page 826.

Differential earnings rate for mutual life insurance companies. This notice sets forth the tentative "differential earn-

ings rate" for 1999 and the "recomputed differential earnings rate" for 1998 under section 809 of the Code.

EXEMPT ORGANIZATIONS

REG-209601-92, page 829.

Proposed regulations under section 513 of the Code relate to the tax treatment of sponsorship payments received by exempt organizations. A public hearing is scheduled for June 21, 2000.

Announcement 2000-15, page 837.

A list is provided of organizations that no longer qualify as organizations to which contributions are deductible under section 170 of the Code.

ADMINISTRATIVE

Rev. Proc. 2000-19, page 785.

Substitute printed, computed-prepared, and computer-generated tax forms and schedules. Requirements are set forth for privately designed and printed federal tax forms and conditions under which the Service will accept computer-prepared and computer-generated tax forms and schedules. Rev. Proc. 98-65 superseded.

Notice 2000-15, page 826.

Listed transactions. This notice lists certain transactions that the Service has determined to be tax avoidance transactions and identifies the transactions as "listed transactions" for purposes of section 1.6011-4T(b)(2) of the Temporary Income Tax Regulations and section 301.6111-2T(b)(2) of the Temporary Procedure and Administration Regulations.

(Continued on the next page)

Finding Lists begin on page ii.



Notice 2000-17, page 827.

Due date; 1999 federal tax returns; Patriots' Day. This notice extends to April 18, 2000, the due date for filing 1999 federal tax returns and requests for extensions, and for making federal tax payments for taxpayers residing in certain parts of the northeast due to Patriots' Day, a legal holiday in Massachusetts and Maine.

Announcement 2000-12, page 835.

The Treasury Department and Internal Revenue Service have issued three sets of temporary and proposed regulations requiring promoters to register confidential corporate tax shel-

ters and to maintain lists of investors, and requiring corporate taxpayers to disclose large transactions that have characteristics common to tax shelters. In addition, the Service has created an Office of Tax Analysis to serve as the focal point for efforts to gather information relating to tax shelter activity and to coordinate appropriate responses.

Announcement 2000-16, page 837.

This announcement is a reprint of proposed regulations REG-101492-98 (2000-3 I.R.B. 326) with typographical errors corrected.

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities

and by applying the tax law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

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Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 61.—Gross Income Defined

26 CFR 1.61-21: Taxation of fringe benefits.

Fringe benefits aircraft valuation formula. For purposes of section 1.61-21(g) of the Income Tax Regulations, relating to the rule for valuing noncommercial flights on employer-provided aircraft, the Standard Industry Fare Level (SIFL) cents-per-mile rates and terminal charges in effect for the first half of 2000 are set forth.

Period During Which the Flight Is Taken

1/1/00 - 6/30/00

Rev. Rul. 2000-13

For purposes of the taxation of fringe benefits under section 61 of the Internal Revenue Code, section 1.61-21(g) of the Income Tax Regulations provides a rule for valuing noncommercial flights on employer-provided aircraft. Section 1.61-21(g)(5) provides an aircraft valuation formula to determine the value of such flights. The value of a flight is determined under the base aircraft valuation formula (also known as the Standard Industry Fare Level formula or SIFL) by

Terminal Charge

\$32.98

multiplying the SIFL cents-per-mile rates applicable for the period during which the flight was taken by the appropriate aircraft multiple provided in section 1.61-21(g)(7) and then adding the applicable terminal charge. The SIFL cents-per-mile rates in the formula and the terminal charge are calculated by the Department of Transportation and are reviewed semi-annually.

The following chart sets forth the terminal charges and SIFL mileage rates:

SIFL Mileage Rates

Up to 500 miles
= \$.1804 per mile

501-1500 miles
= \$.1376 per mile

Over 1500 miles
= \$.1323 per mile

DRAFTING INFORMATION

The principle author of this revenue ruling is Kathleen Edmondson of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations). For further information regarding this revenue ruling, contact Ms. Edmondson on (202) 622-6080 (not a toll-free call).

Section 165.—Losses

26 CFR 1.165-11: Election in respect of losses attributable to a disaster.

Election in respect of losses attributable to a disaster. This ruling lists the areas declared by the President to qualify as major disaster or emergency areas during 1999 under the Disaster Relief and Emergency Assistance Act.

Rev. Rul. 2000-15

Under § 165(i) of the Internal Revenue Code, if a taxpayer suffers a loss attributable to a disaster occurring in an area subsequently determined by the President of

the United States to warrant assistance by the Federal Government under the Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5204c (1988 & Supp. V 1993) (the Act), the taxpayer may elect to claim a deduction for that loss on the taxpayer's federal income tax return for the taxable year immediately preceding the taxable year in which the disaster occurred. For purposes of § 165(i), a disaster includes an event declared a major disaster or an emergency under the Act.

Section 1.165-11(e) of the Income Tax Regulations provides that the election to deduct a disaster loss for the preceding year must be made by filing a return, an amended return, or a claim for refund on or before the later of (1) the due date of the taxpayer's income tax return (determined without regard to any extension of time to file the return) for the taxable year in which the disaster actually occurred, or (2) the due date of the taxpayer's income tax return (determined with regard to any extension of time to file the return) for the taxable year immediately preceding the taxable year in which the disaster actually occurred.

The provisions of § 165(i) apply only to losses that are otherwise deductible under § 165(a). An individual taxpayer may deduct losses if they are incurred in a trade or business, if they are incurred in a transaction entered into for profit, or if they are casualty losses under § 165(c)(3).

The President has determined that during 1999 the areas listed below have been adversely affected by disasters of sufficient severity and magnitude to warrant assistance by the Federal Government under the Act.

DRAFTING INFORMATION

The principal author of this revenue ruling is Timothy Sheppard of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Robert M. Casey on (202) 622-4960 (not a toll-free call).

Disaster Areas in 1999	Type of Disaster	Date of Disaster
Arizona County of Maricopa	Severe storms, flooding, and high winds	September 14-23
Arkansas Counties of Bradley, Chicot, Clay, Columbia, Drew, Faulkner, Grant, Greene, Hempstead, Independence, Jackson, Jefferson, Lafayette, Lonoke, Miller, Monroe, Poinsett, Pulaski, Randolph, St. Francis, Saline, and White; and City of Beebe in White County	Severe storms, tornadoes, and high winds	January 21-31
California Counties of Butte, Humboldt, Napa, Plumas, San Bernardino, Shasta, Tehama, Trinity, Tuolumne, and Yuba	Severe fires	August 24- November 29
Colorado Counties of Bent, Crowley, Custer, Elbert, El Paso, Fremont, Kiowa, Larimer, Las Animas, Otero, Pueblo, and Weld	Severe storms, flooding, landslides, and mudslides	April 29-May 19
Connecticut Counties of Fairfield, Litchfield, and Hartford	High winds, heavy rain and flooding associated with Tropical Storm Floyd	September 16-21
Delaware County of New Castle	Hurricane Floyd	September 15-17
Florida Counties of Alachua, Baker, Bay, Bradford, Brevard, Broward, Calhoun, Charlotte, Clay, Collier, Columbia, Dade, De Soto, Duval, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Hillsborough, Holms, Indian River, Jackson, Jefferson, Lee, Leon, Levy, Liberty, Manatee, Marion, Martin, Monroe, Nassau, Okeechobee Orange, Osceola, Palm Beach Pinellas, Polk, Putnam, Sarasota, Seminole, St. Lucie, Swannee, Union, Wakulla, Walton, and Washington	Fire hazards	April 15-May 25
Counties of Brevard, Duval, Flagler, Glades, Highlands, Indian River, Martin, Nassau, Palm Beach, St. Johns, St. Lucie, and Volusia.	Hurricane Floyd	September 13-25
Counties of Broward and Dade	Hurricane Floyd	September 14-16
Counties of Brevard, Broward, Collier, Dade, Flagler, Glades, Hendry, Highlands, Indian River, Martin, Monroe, Okeechobee, Orange, Osceola, Palm Beach, Polk, St. Lucie, Seminole, and Volusia	Hurricane Irene	October 14-24
Counties of Charlotte, De Soto, Hardee, Hillsborough, Lake, Lee, Manatee, Pasco, Pinellas, and Sarasota	Hurricane Irene	October 14-24
Georgia Counties of Candler and Dooly	Severe storms and tornadoes	April 15
Counties of Bryan, Camden, Chatham, Glynn, Liberty, and McIntosh	Hurricane Floyd	September 14-17
Illinois Counties of Adams, Brown, Bureau, Calhoun, Cass, Champaign, Christian, Cook, DeWitt, Douglas, DuPage, Ford, Fulton, Greene, Grundy, Hancock, Henderson, Henry, Iroquois, Kane, Kankakee, Kendall, Knox, Lake, La Salle, Livingston, Logan, Macon, Marshall, Mason, McDonough,	Record/near record snow	January 1-15

McHenry, McLean, Mercer, Menard, Morgan, Moultrie, Peoria, Piatt, Pike, Putnam, Sangamon, Schuyler, Scott, Shelby, Stark, Tazewell, Vermillion, Warren, Will, and Woodford		
County of Jo Daviess	Severe storms and flash flooding	May 16-17
Indiana		
Counties of Adams, Allen, Benton, Blackford, Boone, Carroll, Cass, Clay, Clinton, DeKalb, Delaware, Elkhart, Fayette, Fountain, Fulton, Grant, Hamilton, Hancock, Hendricks, Henry, Howard, Huntington, Jasper, Jay, Johnson, Kosciusko, Lake, Lagrange, LaPorte, Madison, Marion, Marshall, Miami, Montgomery, Morgan, Newton, Noble, Parke, Porter, Pulaski, Putnam, Randolph, Rush, St. Joseph, Shelby, Starke, Steuben, Tipton, Tippecanoe, Vermillion, Vigo, Wabash, Warren, Wayne, Wells, White, and Whitley	Record/near record snow	January 1-15
Iowa		
Counties of Black Hawk, Bremer, Buchanan, Butler, Chickasaw, Clayton, Clinton, Crawford, Delaware, Dubuque, Fayette, Harrison, Jones, Linn, Montgomery, and Scott	Severe storms, flooding, and tornadoes	May 16-29
Counties of Black Hawk, Bremer, Buchanan, Butler, Cerro Gordo, Chickasaw, Clayton, Crawford, Fayette, Floyd, Harrison, Howard, Jones, Linn, Mills, Mitchell, Montgomery, Pottawattamie, Story, Woodbury, and Worth	Severe storms and flooding	July 2-August 10
Kansas		
Counties of Reno, Sedgwick, and Sumner	Severe storms and tornadoes	May 3-6
Louisiana		
Parishes of Bossier, Caddo, Claiborne, De Soto, and Webster	Severe storms, tornadoes, and flooding	April 3-7
Maine		
Counties of Androscoggin, Cumberland, Kennebec, Oxford, and Somerset	Hurricane Floyd	September 16-19
Maryland		
Counties of Anne Arundel, Calvert, Caroline, Cecil, Charles, Harford, Kent, Queen Anne's, Somerset, St. Mary's, and Talbot	Hurricane Floyd	September 16-20
Massachusetts		
County of Worcester	Fire	December 3-13
Michigan		
Counties of Alcona, Allegan, Arenac, Barry, Berrien, Cass, Crawford, Ionia, Iosco, Jackson, Kalamazoo, Kent, Lawrence, Lenawee, Macomb, Marquette, Mecosta, Monroe, Montmorency, Muskegeon, Newaygo, Oakland, Oceana, Ogemaw, Osceola, Oscoda, Otsego, Ottawa, St. Joseph, Van Buren, Washtenaw, and Wayne	Near record snow	January 2-15
Minnesota		
Counties of Kittston, Marshall, Pennington, Polk, Red Lake, and Roseau	Severe ice storms, flooding and heavy rains	March 1-May 30
Counties of Aitkin, Beltrami, Cass, Clay, Cook, Hubbard, Itasca, Lake, and St. Louis	Severe storms, winds, and flooding	July 4-August 2
Missouri		
Counties of Andrew, Cole, Iron, Macon, Madison, and Osage	Severe storms and flooding	April 3-14

Nebraska Counties of Burt, Douglas, and Washington	Severe storms and flooding	August 6-9
Nevada County of Clark	Severe storms and flash flooding	July 8-16
New Hampshire Counties of Belknap, Cheshire, and Grafton	Tropical Storm Floyd	September 16-18
New Jersey Counties of Atlantic, Bergen, Burlington, Camden, Cape May, Cumberland, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Sussex, Union, and Warren	Hurricane Floyd	September 16-18
New Mexico Counties of Dona Ana, Luna, Mora, Rio Arriba, San Juan, Sandoval, and Sierra; and the Mescalero Apache Reservation	Severe storms and flooding	July 16-August 7
New York Counties of Cattaraugus, Chautauqua, Erie, Genesee, Jefferson, Lewis, Niagara, Orleans, St. Lawrence, and Wyoming	Near record snow	January 1-15
Counties of Livingston, Monroe, Ontario, Orleans, Wayne, and Wyoming	Near record snow	March 3-6
Counties of Albany, Dutchess, Essex, Greene, Nassau, Orange, Putnam, Rensselaer, Rockland, Schenectady, Schoharie, Suffolk, Ulster, Warren, and Westchester	Hurricane Floyd	September 16-18
North Carolina Counties of Beaufort, Brunswick, Carteret, Craven, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, and Pender	Hurricane Dennis	August 29-September 11
Counties of Alamance, Anson, Beaufort, Bertie, Bladen, Brunswick, Camden, Carteret, Caswell, Chatham, Chowan, Columbus, Craven, Cumberland, Currituck, Dare, Davidson, Duplin, Durham, Edgecombe, Forsyth, Franklin, Gates, Granville, Greene, Guilford, Halifax, Harnett, Hertford, Hoke, Hyde, Johnston, Jones, Lee, Lenoir, Martin, Montgomery, Moore, Nash, New Hanover, Northampton, Onslow, Orange, Pamlico, Pasquotank, Pender, Perquimans, Person, Pitt, Randolph, Richmond, Robeson, Rockingham, Rowan, Sampson, Scotland, Stanly, Stokes, Tyrrell, Union, Vance, Wake, Warren, Washington, Wayne, and Wilson	Hurricane Floyd	September 15-November 2
North Dakota Counties of Barnes, Benson, Bottineau, Burke, Burleigh, Cass, Cavalier, Dickey, Divide, Eddy, Emmons, Foster, Grand Forks, Griggs, Kidder, LaMoure, Logan, McHenry, McIntosh, McLean, Mercer, Morton, Mountrail, Nelson, Pembina, Pierce, Ramsey, Ransom, Renville, Richland, Rolette, Sargent, Sheridan, Sioux, Steele, Stutsman, Towner, Traill, Walsh, Ward, Wells, and Williams; and the Indian Reservations of the Spirit Lake Sioux Tribe, Standing Rock Soix (that portion of the reservation that lies within the State of North Dakota), Three Affiliated Tribes, and Turtle Mountain Band of Chippewa	Severe storms, flooding, snow and ice, ground saturation, landslides, mudslides, and tornadoes	March 1-July 19
Oklahoma Counties of Caddo, Canadian, Cleveland, Craig, Creek, Grady, Kingfisher, Latimer, Le Flore, Lincoln, Logan, McClain, Noble, Oklahoma, Okmulgee, Ottawa, Payne Pottawatomie, and Tulsa	Tornadoes and severe storms	May 3-5

Pennsylvania		
Counties of Juniata and McKean	Severe storms and flooding	August 20-21
Counties of Dauphin, Lycoming, Northumberland, Snyder, and Union	Severe flash flooding associated with Tropical Depression Dennis	September 6-7
Counties of Berks, Bucks, Chester, Delaware, Lancaster, Montgomery, Philadelphia, and York	Hurricane Floyd	September 16-29
Puerto Rico		
All 78 municipalities	Hurricane Lenny	November 17-20
South Carolina		
Counties Allendale, Bamberg, Barnwell, Beaufort, Berkeley, Calhoun, Charleston, Chesterfield, Clarendon, Colleton, Darlington, Dillon, Dorchester, Florence, Georgetown, Hampton, Horry, Jasper, Kershaw, Lee, Lexington, Marion, Marlboro, Orangeburg, Richland, Sumter, and Williamsburg	Hurricane Floyd	September 14-30
South Dakota		
County of Shannon and the Pine Ridge Indian Reservation	Severe storms, tornadoes, and flooding	June 4-18
Tennessee		
Counties of Benton, Carroll, Crockett, Decatur, Dickson, Fayette, Franklin, Giles, Hardeman, Haywood, Henderson, Houston, Humphreys, Jackson, Lauderdale, Lawrence, Lewis, Madison, Maury, Montgomery, Perry, Stewart, Warren, and Wayne	Severe storms, tornadoes, and high winds	January 17-February 1
Counties of Cheatham, Chester, Davidson, Decatur, Dickson, Hardeman, Hardin, Henderson, Hickman, Houston, Humphreys, Lawrence, McNairy, Perry, Stewart, Sumner, White, and Williamson	Severe storms, tornadoes, and flooding	May 5-19
Texas		
Counties of Bowie, Gregg, Red River, and Titus	Severe storms and tornadoes	May 4
Counties of Anderson, Andrews, Angelina, Archer, Armstrong, Austin, Bailey, Bandera, Bastrop, Baylor, Bell, Bexar, Blanco, Borden, Bosque, Bowie, Brazoria, Brazos, Brewster, Briscoe, Brown, Burleson, Burnet, Caldwell, Calhoun, Callahan, Camp, Carson, Cass, Castro, Chambers, Cherokee, Childress, Clay, Cochran, Coke, Coleman, Collin, Collingsworth, Colorado, Comal, Comanche, Concho, Cooke, Coryell, Cottle, Crane, Crockett, Crosby, Culberson, Dallam, Dallas, Dawson, Deaf Smith, Delta, Denton, DeWitt, Dickens, Donley, Eastland, Ector, Edwards, El Paso, Ellis, Erath, Falls, Fannin, Fayette, Fisher, Floyd, Foard, Fort Bend, Franklin, Freestone, Gaines, Galveston, Garza, Gillespie, Glasscock, Gonzales, Gray, Grayson, Gregg, Grimes, Guadalupe, Hale, Hall, Hamilton, Hansford, Hardeman, Hardin, Harris, Harrison, Hartley, Haskell, Hays, Hemphill, Henderson, Hill, Hockley, Hood, Hopkins, Houston, Howard, Hudspeth, Hunt, Hutchinson, Irion, Jack, Jackson, Jasper, Jeff Davis, Jefferson, Johnson, Jones, Kaufman, Kendall, Kent, Kerr, Kimble, King, Kinney, Knox, Lamar, Lamb, Lampasas, Lavaca, Lee, Leon, Liberty, Limestone, Lipscomb, Llano, Loving, Lubbock, Lynn, Madison, Marion, Martin, Mason, Matagorda, McCulloch, McLennan, Medina, Menard, Midland, Milam, Mills, Mitchell, Montague, Montgomery, Moore, Morris, Motley, Nacogdoches,	Extreme fire hazards	August 1-December 10

Navarro, Newton, Nolan, Ochiltree, Oldham, Orange, Palo Pinto, Panola, Parker, Parmer, Pecos, Polk, Potter, Presidio, Rains, Randall, Reagan, Real, Red River, Reeves, Roberts, Robertson, Rockwall, Runnels, Rusk, Sabine, San Augustine, San Jacinto, San Saba, Schleicher, Scurry, Shackelford, Shelby, Sherman, Smith, Somervell, Stephens, Sterling, Stonewall, Sutton, Swisher, Tarrant, Taylor, Terrell, Terry, Throckmorton, Titus, Tom Green, Travis, Trinity, Tyler, Upshur, Upton, Uvalde, Val Verde, Van Zandt, Victoria, Walker, Waller, Ward, Washington, Wharton, Wheeler, Wichita, Wilbarger, Williamson, Wilson, Winkler, Wise, Wood, Yoakum, and Young

Counties of Aransas, Brooks, Cameron, Duval, Hidalgo, Jim Hogg, Jim Wells, Kenedy, Kleberg, Nueces, San Patricio, Webb, and Willacy

Severe storms and flooding caused by Hurricane Bret

August 21-26

U.S. Virgin Islands
The U.S. Virgin Islands

Hurricane Lenny

November 16-20

Utah
County of Salt Lake

Tornado, severe thunderstorms, and hail

August 11

Vermont
Counties of Bennington, Caledonia, Essex, Lamoille, Orange, Orleans, Rutland, Washington, Windham, and Windsor

Severe storms and flooding associated with Hurricane Floyd

September 16-21

Virginia
City of Hampton

Tropical Storm Dennis

August 27-September 13

Counties of Accomack, Brunswick, Caroline, Charles City, Chesterfield, Dinwiddie, Essex, Fairfax, Gloucester, Greenville, Halifax, Hanover, Henrico, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Lunenburg, Mathews, Mecklenburg, Middlesex, New Kent, Northampton, Northumberland, Prince George, Richmond, Southampton, Surry, Sussex, Westmoreland, and York, and Cities of Chesapeake City, Colonial Heights, Emporia, Franklin, Hampton, Hopewell, Newport News, Norfolk, Petersburg, Poquoson, Portsmouth, Richmond, Suffolk, Virginia Beach, and Williamsburg

Hurricane Floyd

September 13-26

Wisconsin

Counties of Ashland, Bayfield, Douglas, Florence, Iron, Oneida, Price, Rusk, Sawyer, and Vilas

Severe storms, straight-line winds, and flooding

July 4-31

Section 472.—Last-in, First-out Inventories

Rev. Rul. 2000-14

methods for tax years ended on, or with reference to, January 31, 2000.

26 CFR 1.472-1: Last-in, first-out inventories.

LIFO; price indexes; department stores. The January 2000 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, January 31, 2000.

The following Department Store Inventory Price Indexes for January 2000 were issued by the Bureau of Labor Statistics. The indexes are accepted by the Internal Revenue Service, under § 1.472-1(k) of the Income Tax Regulations and Rev. Proc. 86-46, 1986-2 C.B. 739, for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups - soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE
INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS
(January 1941 = 100, unless otherwise noted)

Groups	Jan. 1999	Jan. 2000	Percent Change from Jan. 1999 to Jan. 2000 ¹
1. Piece Goods - - - - -	507.3	493.8	-2.7
2. Domestic and Draperies - - - - -	643.1	622.0	-3.3
3. Women's and Children's Shoes - - - - -	640.4	613.3	-4.2
4. Men's Shoes - - - - -	894.0	887.2	-0.8
5. Infants' Wear - - - - -	628.6	650.8	3.5
6. Women's Underwear - - - - -	560.7	571.4	1.9
7. Women's Hosiery - - - - -	316.2	327.6	3.6
8. Women's and Girls' Accessories - - - - -	535.4	530.3	-1.0
9. Women's Outerwear and Girls' Wear - - - - -	376.9	369.1	-2.1
10. Men's Clothing - - - - -	603.8	612.9	1.5
11. Men's Furnishings - - - - -	585.2	618.0	5.6
12. Boys' Clothing and Furnishings - - - - -	482.1	497.1	3.1
13. Jewelry - - - - -	965.3	962.0	-0.3
14. Notions - - - - -	729.7	764.5	4.8
15. Toilet Articles and Drugs - - - - -	946.8	970.9	2.5
16. Furniture and Bedding - - - - -	678.4	697.0	2.7
17. Floor Coverings - - - - -	602.4	603.2	0.1
18. Housewares - - - - -	813.6	789.9	-2.9
19. Major Appliances - - - - -	237.7	233.3	-1.9
20. Radio and Television - - - - -	69.6	62.7	-9.9
21. Recreation and Education ² - - - - -	100.7	95.2	-5.5
22. Home Improvements ² - - - - -	130.3	129.8	-0.4
23. Auto Accessories ² - - - - -	107.8	107.6	-0.2
Groups 1 - 15: Soft Goods - - - - -	586.4	588.6	0.4
Groups 16 - 20: Durable Goods - - - - -	459.0	446.2	-2.8
Groups 21 - 23: Misc. Goods ² - - - - -	106.0	102.2	-3.6
Store Total ³ - - - - -	539.4	535.4	-0.7

¹ Absence of a minus sign before the percentage change in this column signifies a price increase.

² Indexes on a January 1986=100 base.

³ The store total index covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Alan J. Tomsic of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Tomsic on (202) 622-4970 (not a toll-free call).

Section 6621.—Determination of Interest Rate

26 CFR 301.6621-1: *Interest rate.*

Interest rates; underpayments and overpayments. The rate of interest determined under section 6621 of the Code for the calendar quarter beginning April 1,

2000, will be 9 percent for overpayments (8 percent in the case of a corporation), 9 percent for underpayments, and 11 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate overpayment exceeding \$10,000 is 6.5 percent.

Rev. Rul. 2000-16

Section 6621 of the Internal Revenue Code establishes the rates for interest on tax overpayments and tax underpayments. Under § 6621(a)(1), the overpayment rate beginning April 1, 2000, is the sum of the federal short-term rate plus 3 percentage points (2 percentage points in the case of a corporation), except the rate for the por-

tion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the sum of the federal short-term rate plus 0.5 of a percentage point for interest computations made after December 31, 1994. Under § 6621(a)(2), the underpayment rate is the sum of the federal short-term rate plus 3 percentage points.

Section 6621(c) provides that for purposes of interest payable under § 6601 on any large corporate underpayment, the underpayment rate under § 6621(a)(2) is determined by substituting "5 percentage points" for "3 percentage points." See § 6621(c) and § 301.6621-3 of the Regulations on Procedure and Administration for the definition of a large corporate underpayment and for the rules for determining

the applicable date. Section 6621(c) and § 301.6621-3 are generally effective for periods after December 31, 1990.

Section 6621(b)(1) provides that the Secretary will determine the federal short-term rate for the first month in each calendar quarter.

Section 6621(b)(2)(A) provides that the federal short-term rate determined under § 6621(b)(1) for any month applies during the first calendar quarter beginning after such month.

Section 6621(b)(2)(B) provides that in determining the addition to tax under § 6654 for failure to pay estimated tax for any taxable year, the federal short-term rate that applies during the third month following such taxable year also applies during the first 15 days of the fourth month following such taxable year.

Section 6621(b)(3) provides that the federal short-term rate for any month is the federal short-term rate determined during such month by the Secretary in accordance with § 1274(d), rounded to the nearest full percent (or, if a multiple of 1/2 of 1 percent, the rate is increased to

the next highest full percent).

Notice 88-59, 1988-1 C.B. 546, announced that, in determining the quarterly interest rates to be used for overpayments and underpayments of tax under § 6621, the Internal Revenue Service will use the federal short-term rate based on daily compounding because that rate is most consistent with § 6621 which, pursuant to § 6622, is subject to daily compounding.

Rounded to the nearest full percent, the federal short-term rate based on daily compounding determined during the month of January 2000 is 6 percent. Accordingly, an overpayment rate of 9 percent (8 percent in the case of a corporation) and an underpayment rate of 9 percent are established for the calendar quarter beginning April 1, 2000. The overpayment rate for the portion of a corporate overpayment exceeding \$10,000 for the calendar quarter beginning April 1, 2000, is 6.5 percent. The underpayment rate for large corporate underpayments for the calendar quarter beginning April 1, 2000, is 11 percent. These rates apply to amounts bearing interest during that cal-

endar quarter.

Under § 6621(b)(2)(B), the 8 percent rate that applies to estimated tax underpayments for the first calendar quarter in 2000, as provided in Rev. Rul. 99-53, 1999-50 I.R.B. 657, also applies to such underpayments for the first 15 days in April 2000.

Interest factors for daily compound interest for annual rates of 6.5 percent, 8 percent, 9 percent, and 11 percent are published in Tables 66, 69, 71, and 75 of Rev. Proc. 95-17, 1995-1 C.B. 556, 620, 623, 625, and 629.

Annual interest rates to be compounded daily pursuant to § 6622 that apply for prior periods are set forth in the tables accompanying this revenue ruling.

DRAFTING INFORMATION

The principal author of this revenue ruling is Raymond Bailey of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Bailey on (202) 622-6226 (not a toll-free call).

TABLE OF INTEREST RATES
PERIODS BEFORE JUL. 1, 1975 - PERIODS ENDING DEC. 31, 1986
OVERPAYMENTS AND UNDERPAYMENTS

PERIOD	RATE	In 1995-1 C.B. DAILY RATE TABLE
Before Jul. 1, 1975	6%	Table 2, pg. 557
Jul. 1, 1975—Jan. 31, 1976	9%	Table 4, pg. 559
Feb. 1, 1976—Jan. 31, 1978	7%	Table 3, pg. 558
Feb. 1, 1978—Jan. 31, 1980	6%	Table 2, pg. 557
Feb. 1, 1980—Jan. 31, 1982	12%	Table 5, pg. 560
Feb. 1, 1982—Dec. 31, 1982	20%	Table 6, pg. 560
Jan. 1, 1983—Jun. 30, 1983	16%	Table 37, pg. 591
Jul. 1, 1983—Dec. 31, 1983	11%	Table 27, pg. 581
Jan. 1, 1984—Jun. 30, 1984	11%	Table 75, pg. 629
Jul. 1, 1984—Dec. 31, 1984	11%	Table 75, pg. 629
Jan. 1, 1985—Jun. 30, 1985	13%	Table 31, pg. 585
Jul. 1, 1985—Dec. 31, 1985	11%	Table 27, pg. 581
Jan. 1, 1986—Jun. 30, 1986	10%	Table 25, pg. 579
Jul. 1, 1986—Dec. 31, 1986	9%	Table 23, pg. 577

TABLE OF INTEREST RATES
FROM JAN. 1, 1987 - Dec. 31, 1998

	OVERPAYMENTS			UNDERPAYMENTS		
	1995-1 C.B.			1995-1 C.B.		
	RATE	TABLE	PG	RATE	TABLE	PG
Jan. 1, 1987—Mar. 31, 1987	8%	21	575	9%	23	577
Apr. 1, 1987—Jun. 30, 1987	8%	21	575	9%	23	577
Jul. 1, 1987—Sep. 30, 1987	8%	21	575	9%	23	577
Oct. 1, 1987—Dec. 31, 1987	9%	23	577	10%	25	579
Jan. 1, 1988—Mar. 31, 1988	10%	73	627	11%	75	629
Apr. 1, 1988—Jun. 30, 1988	9%	71	625	10%	73	627
Jul. 1, 1988—Sep. 30, 1988	9%	71	625	10%	73	627
Oct. 1, 1988—Dec. 31, 1988	10%	73	627	11%	75	629
Jan. 1, 1989—Mar. 31, 1989	10%	25	579	11%	27	581
Apr. 1, 1989—Jun. 30, 1989	11%	27	581	12%	29	583
Jul. 1, 1989—Sep. 30, 1989	11%	27	581	12%	29	583
Oct. 1, 1989—Dec. 31, 1989	10%	25	579	11%	27	581
Jan. 1, 1990—Mar. 31, 1990	10%	25	579	11%	27	581
Apr. 1, 1990—Jun. 30, 1990	10%	25	579	11%	27	581
Jul. 1, 1990—Sep. 30, 1990	10%	25	579	11%	27	581
Oct. 1, 1990—Dec. 31, 1990	10%	25	579	11%	27	581
Jan. 1, 1991—Mar. 31, 1991	10%	25	579	11%	27	581
Apr. 1, 1991—Jun. 30, 1991	9%	23	577	10%	25	579
Jul. 1, 1991—Sep. 30, 1991	9%	23	577	10%	25	579
Oct. 1, 1991—Dec. 31, 1991	9%	23	577	10%	25	579
Jan. 1, 1992—Mar. 31, 1992	8%	69	623	9%	71	625
Apr. 1, 1992—Jun. 30, 1992	7%	67	621	8%	69	623
Jul. 1, 1992—Sep. 30, 1992	7%	67	621	8%	69	623
Oct. 1, 1992—Dec. 31, 1992	6%	65	619	7%	67	621
Jan. 1, 1993—Mar. 31, 1993	6%	17	571	7%	19	573
Apr. 1, 1993—Jun. 30, 1993	6%	17	571	7%	19	573
Jul. 1, 1993—Sep. 30, 1993	6%	17	571	7%	19	573
Oct. 1, 1993—Dec. 31, 1993	6%	17	571	7%	19	573
Jan. 1, 1994—Mar. 31, 1994	6%	17	571	7%	19	573
Apr. 1, 1994—Jun. 30, 1994	6%	17	571	7%	19	573
Jul. 1, 1994—Sep. 30, 1994	7%	19	573	8%	21	575
Oct. 1, 1994—Dec. 31, 1994	8%	21	575	9%	23	577
Jan. 1, 1995—Mar. 31, 1995	8%	21	575	9%	23	577
Apr. 1, 1995—Jun. 30, 1995	9%	23	577	10%	25	579
Jul. 1, 1995—Sep. 30, 1995	8%	21	575	9%	23	577
Oct. 1, 1995—Dec. 31, 1995	8%	21	575	9%	23	577
Jan. 1, 1996—Mar. 31, 1996	8%	69	623	9%	71	625
Apr. 1, 1996—Jun. 30, 1996	7%	67	621	8%	69	623
Jul. 1, 1996—Sep. 30, 1996	8%	69	623	9%	71	625
Oct. 1, 1996—Dec. 31, 1996	8%	69	623	9%	71	625
Jan. 1, 1997—Mar. 31, 1997	8%	21	575	9%	23	577
Apr. 1, 1997—Jun. 30, 1997	8%	21	575	9%	23	577
Jul. 1, 1997—Sep. 30, 1997	8%	21	575	9%	23	577
Oct. 1, 1997—Dec. 31, 1997	8%	21	575	9%	23	577
Jan. 1, 1998—Mar. 31, 1998	8%	21	575	9%	23	577
Apr. 1, 1998—Jun. 30, 1998	7%	19	573	8%	21	575
Jul. 1, 1998—Sep. 30, 1998	7%	19	573	8%	21	575
Oct. 1, 1998—Dec. 31, 1998	7%	19	573	8%	21	575

TABLE INTEREST RATES
FROM JANUARY 1, 1999 - PRESENT
NONCORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	RATE	1995-1 C.B.	
		TABLE	PAGE
Jan. 1, 1999—Mar. 31, 1999	7%	19	573
Apr. 1, 1999—Jun. 30, 1999	8%	21	575
Jul. 1, 1999—Sep. 30, 1999	8%	21	575
Oct. 1, 1999—Dec. 31, 1999	8%	21	575
Jan. 1, 2000—Mar. 31, 2000	8%	69	623
Apr. 1, 2000—Jun. 30, 2000	9%	71	625

TABLE OF INTEREST RATES
FROM JANUARY 1, 1999 - PRESENT
CORPORATE OVERPAYMENTS AND UNDERPAYMENTS

	OVERPAYMENTS			UNDERPAYMENTS		
	1995-1 C.B.			1995-1 C.B.		
	RATE	TABLE	PG	RATE	TABLE	PG
Jan. 1, 1999—Mar. 31, 1999	6%	17	571	7%	19	573
Apr. 1, 1999—Jun. 30, 1999	7%	19	573	8%	21	575
Jul. 1, 1999—Sep. 30, 1999	7%	19	573	8%	21	575
Oct. 1, 1999—Dec. 31, 1999	7%	19	573	8%	21	575
Jan. 1, 2000—Mar. 31, 2000	7%	67	621	8%	69	623
Apr. 1, 2000—Jun. 30, 2000	8%	69	623	9%	71	625

TABLE OF INTEREST RATES FOR
LARGE CORPORATE UNDERPAYMENTS
FROM JANUARY 1, 1991 - PRESENT

	1995-1 C.B.		
	RATE	TABLE	PG
Jan. 1, 1991—Mar. 31, 1991	13%	31	85
Apr. 1, 1991—Jun. 30, 1991	12%	29	583
Jul. 1, 1991—Sep. 30, 1991	12%	29	583
Oct. 1, 1991—Dec. 31, 1991	12%	29	583
Jan. 1, 1992—Mar. 31, 1992	11%	75	629
Apr. 1, 1992—Jun. 30, 1992	10%	73	627
Jul. 1, 1992—Sep. 30, 1992	10%	73	627
Oct. 1, 1992—Dec. 31, 1992	9%	71	625
Jan. 1, 1993—Mar. 31, 1993	9%	23	577
Apr. 1, 1993—Jun. 30, 1993	9%	23	577
Jul. 1, 1993—Sep. 30, 1993	9%	23	577
Oct. 1, 1993—Dec. 31, 1993	9%	23	577
Jan. 1, 1994—Mar. 31, 1994	9%	23	577
Apr. 1, 1994—Jun. 30, 1994	9%	23	577
Jul. 1, 1994—Sep. 30, 1994	10%	25	579
Oct. 1, 1994—Dec. 31, 1994	11%	27	581
Jan. 1, 1995—Mar. 31, 1995	11%	27	581
Apr. 1, 1995—Jun. 30, 1995	12%	29	583
Jul. 1, 1995—Sep. 30, 1995	11%	27	581
Oct. 1, 1995—Dec. 31, 1995	11%	27	581
Jan. 1, 1996—Mar. 31, 1996	11%	75	629
Apr. 1, 1996—Jun. 30, 1996	10%	73	627

TABLE OF INTEREST RATES FOR
LARGE CORPORATE UNDERPAYMENTS—Continued
FROM JANUARY 1, 1991 - PRESENT

	RATE	1995-1 C.B. TABLE	PG
Jul. 1, 1996—Sep. 30, 1996	11%	75	629
Oct. 1, 1996—Dec. 31, 1996	11%	75	629
Jan. 1, 1997—Mar. 31, 1997	11%	27	581
Apr. 1, 1997—Jun. 30, 1997	11%	27	581
Jul. 1, 1997—Sep. 30, 1997	11%	27	581
Oct. 1, 1997—Dec. 31, 1997	11%	27	581
Jan. 1, 1998—Mar. 31, 1998	11%	27	581
Apr. 1, 1998—Jun. 30, 1998	10%	25	579
Jul. 1, 1998—Sep. 30, 1998	10%	25	579
Oct. 1, 1998—Dec. 31, 1998	10%	25	579
Jan. 1, 1999—Mar. 31, 1999	9%	23	577
Apr. 1, 1999—Jun. 30, 1999	10%	25	579
Jul. 1, 1999—Sep. 30, 1999	10%	25	579
Oct. 1, 1999—Dec. 31, 1999	10%	25	579
Jan. 1, 2000—Mar. 31, 2000	10%	73	627
Apr. 1, 2000—Jun. 30, 2000	11%	75	629

TABLE OF INTEREST RATES FOR CORPORATE
OVERPAYMENTS EXCEEDING \$10,000
FROM JANUARY 1, 1995 - PRESENT

	RATE	1995-1 C.B. TABLE	PG
Jan. 1, 1995—Mar. 31, 1995	6.5%	18	572
Apr. 1, 1995—Jun. 30, 1995	7.5%	20	574
Jul. 1, 1995—Sep. 30, 1995	6.5%	18	572
Oct. 1, 1995—Dec. 31, 1995	6.5%	18	572
Jan. 1, 1996—Mar. 31, 1996	6.5%	66	620
Apr. 1, 1996—Jun. 30, 1996	5.5%	64	618
Jul. 1, 1996—Sep. 30, 1996	6.5%	66	620
Oct. 1, 1996—Dec. 31, 1996	6.5%	66	620
Jan. 1, 1997—Mar. 31, 1997	6.5%	18	572
Apr. 1, 1997—Jun. 30, 1997	6.5%	18	572
Jul. 1, 1997—Sep. 30, 1997	6.5%	18	572
Oct. 1, 1997—Dec. 31, 1997	6.5%	18	572
Jan. 1, 1998—Mar. 31, 1998	6.5%	18	572
Apr. 1, 1998—Jun. 30, 1998	5.5%	16	570
Jul. 1, 1998—Sep. 30, 1998	5.5%	16	570
Oct. 1, 1998—Dec. 31, 1998	5.5%	16	570
Jan. 1, 1999—Mar. 31, 1999	4.5%	14	568
Apr. 1, 1999—Jun. 30, 1999	5.5%	16	570
Jul. 1, 1999—Sep. 30, 1999	5.5%	16	570
Oct. 1, 1999—Dec. 31, 1999	5.5%	16	570
Jan. 1, 2000—Mar. 31, 2000	5.5%	64	618
Apr. 1, 2000—Jun. 30, 2000	6.5%	66	620

Part III. Administrative, Procedural, and Miscellaneous

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- Exhibit A-1. Schedule A (Preferred)
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- Exhibit B-1. Schedule B (Preferred)
- Exhibit B-2. Schedule B (Acceptable)
- Exhibit CG-A. Schedule A (Computer Generated)
- Exhibit CG-B. Schedule B (Computer Generated)
- Exhibit C. Sample Checklist
- Exhibit L-1. List of Forms Referred to in Revenue Procedure

Chapter 1
Introduction to Substitute Forms

Section 1.1 - Overview of Revenue Procedure 2000–19

1.1.1 Purpose	This revenue procedure provides the general requirements and conditions for the development, printing, and approval of all substitute tax forms to be acceptable for filing in lieu of official IRS forms.
1.1.2 Unique Forms	Certain unique, specialized forms require the use of other additional revenue procedures to supplement this publication. See Chapter 4.
1.1.3 Scope	<p>The Internal Revenue Service accepts quality substitute tax forms that are consistent with the official forms and do not have an adverse impact on our processing. The IRS Substitute Forms Program administers the formal acceptance and processing of these forms nationwide. While this program deals primarily with paper documents, it also interfaces with other processing and filing media such as:</p> <ul style="list-style-type: none"> • Magnetic tape, • Optical character recognition, and • Electronic filing, etc. <p>Only those substitute forms that comply fully with the requirements set forth herein are acceptable. Exhibit L-1 lists the form numbers mentioned in this document and their titles. This revenue procedure is updated as required to reflect pertinent tax year form changes and to meet processing and/or legislative requirements.</p>
1.1.4 Forms Covered by This Revenue Procedure	<p>The following types of forms are covered by this revenue procedure:</p> <ul style="list-style-type: none"> • IRS tax returns and their related forms and schedules. • Applications for permission to file returns electronically and forms used as required documentation for electronically filed returns. • Powers of Attorney. • Estimated tax payment vouchers. • Forms and schedules relating to partnerships, exempt organizations, and employee plans.
1.1.5 Forms NOT Covered by This Revenue	<p>The following types of forms are not covered:</p> <ul style="list-style-type: none"> • W-2, W-3 (see Publication 1141 for information on these forms) • 1096, 1098 series, 1099 series, 5498 series, and W-2G (see Publication 1179 for information on

Procedure

these forms)

- Federal Tax Deposit (FTD) coupons, which may not be reproduced.
- Forms 1040-ES(OCR) and 1041-ES(OCR), which may not be reproduced.
- Requests for information or documentation initiated by the Service.
- Forms used internally by the Service.
- State tax forms.
- Forms developed outside IRS (except for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts).

Section 1.2 — IRS Contacts

**1.2.1
Where To Send
Substitute Forms**

Send your substitute forms for approval to the following offices (**DO NOT** send forms with taxpayer data):

Form	Office and Address
4789, 8300, 8362, 8852, TD F 90-22.1, TD F 90-22.47	IRS Computing Center BSA Compliance Branch P.O. Box 32063 Detroit, MI 48232-0063
4461, 4461-A, 4461-B, 5300, 5303, 5307, 5310, 5310-A, and 6406	Internal Revenue Service Attn: EP OCR Forms Coordinator OP:E:EP:FC 1111 Constitution Avenue, NW Room 2232 IR Washington, DC 20224
All others (except W-2, W-3, 1096, 1098, 1099, 5498, and W-2G)	Internal Revenue Service Attn: Substitute Forms Program OP:FS:FP:F:CD 1111 Constitution Avenue, NW Room 5244 IR Washington, DC 20224

In addition, the Substitute Forms Program can be contacted via email at tfpmail@publish.no.irs.gov. Use this email address only to inquire about forms covered by this revenue procedure. **DO NOT** attach graphic files for approval with email.

For questions about Forms W-2 and W-3, refer to IRS Publication 1141, General Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3. For Forms 1096, 1098, 1099, 5498, and W-2G, refer to IRS Publication 1179, Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099 Series, 5498, and W-2G.

Section 1.3 - Nature of Changes

**1.3.1 Changes to the
Revenue Procedure**

- The pages of this revenue procedure has been numbered to facilitate ease of use.
- The IRS Internet website address has been changed to <http://www.irs.gov>. References to the FTP and Telnet addresses have been deleted..
- Definition of “advanced draft” has been added.
- Vendor responsibility for monitoring revisions to official forms has been articulated.
- Section on Form 941 OCR requirements has been removed.
- Pricing information for the Federal Tax Forms CD-ROM has been revised.
- Processing of 1999 Plan Year Forms 5500 and 5500-EZ will be processed by the Pension and Welfare Benefits Administration, effective July 1, 2000.

- Form 5500-C/R has been obsoleted for Plan Year 1999.
- The Electronic Filing Program is now called the IRS *e-file* Program.
- Instructions for the boxes on Form 1042-S have been revised.
- Voucher scan lines now have a six-digit tax period (YYYYMM).
- Forms 8543-NR and 8453-OL are now referenced in the section on electronically filed returns.
- Forms 1040-ES(OCR) and 1041-ES(OCR) added to list of forms not covered by this revenue procedure.
- Four-digit portion of ZIP codes on envelopes revised for forms 1040, 940, and 943.
- Various editorial changes have been made.

Section 1.4 - Definitions

1.4.1 Substitute Form	A tax form (or related schedule) that differs in any way from the official version and is intended to replace the entire form that is printed and distributed by the Service. This term also covers those approved substitute forms exhibited in this revenue procedure.
1.4.2 Printed (or Preprinted) Form	A form produced using conventional printing processes. Also, a printed form which has been reproduced by photocopying or similar processes.
1.4.3 Preprinted Pin-Fed Form	A printed form that has marginal perforations for use with automated and high-speed printing equipment.
1.4.4 Computer-Prepared Substitute Form	A preprinted form in which the taxpayer's tax entry information has been inserted by a computer, computer-printer, or other computer type equipment, such as word-processing equipment.
1.4.5 Computer-Generated Substitute Tax Return or Form	A tax return or form that is entirely designed and printed by the use of a computer printer, such as a laser printer, etc., on plain white paper. This return or form must conform to the physical layout of the corresponding Service form although the typeface may differ. The text should match the text on the officially printed form as closely as possible; condensed text and abbreviations will be considered on a case-by-case basis. Exception: All jurats (perjury statements) must be reproduced verbatim.
1.4.6 Manually-Prepared Form	A preprinted reproduced form in which the taxpayer's tax entry information is entered by an individual using a pen, pencil, typewriter, or other non-automated equipment.
1.4.7 Computer-Generated Answer Sheet Format Tax Return	A tax return that contains only the taxpayer's significant line entries, and is formatted three columns per page with tax form headings, a summary, and jurat. This return is printed on plain white paper using a computer printer.
1.4.8 Graphics	Those parts of a printed tax form that are not tax amount entries nor called-for information. Generally, these are line numbers, captions, shadings, instructions, special indicators, borders, rules, and strokes created by typesetting, photographics, photocomposition, etc.
1.4.9 Acceptable Reproduced Form	A legible photocopy of an original form.
1.4.10 Supporting Statement (Supplemental Schedule)	A document providing detailed information to support an entry for a line(s) on an official or approved substitute form and filed with (attached to) a tax return. (A supporting statement is not a tax form and does not take the place of an official form, unless specifically permitted elsewhere in this procedure.)
1.4.11 Specific Forms Terms	The following terms are used throughout this revenue procedure in reference to all substitute forms, with the exception of the 1040PC "answer sheet format" tax return.

Continued on next page

1.4.12 Format	The overall physical arrangement and general layout of a substitute form.
1.4.13 Sequence	The same numeric and logical placement order of data, as reflected on the official form version. Sequence is an integral part of the total format requirement.
1.4.14 Line Reference (Code)	The line numbers, letters or alphanumerics used to identify each captioned line on the official forms, and printed to the immediate left of each caption or data entry field.
1.4.15 Item Caption	The textual portion of each line on the form identifying the specific data elements required.
1.4.16 Data Entry Field	All areas designated on a form for the insertion of data, such as dollar amounts, quantities, responses, checkboxes, etc.
1.4.17 Advanced Draft	A draft revision of a new or revised form may be posted to the IRS Internet site for information purposes. Substitute forms may be submitted based on these advanced drafts but any company that receives forms approval based on these early drafts is responsible for monitoring and revising forms to mirror any revisions in the final forms provided by the Service.

Section 1.5 - Agreement

Section 1.5.1 Important Stipulation of This Revenue Procedure	<p>Any person or company who uses substitute forms and makes all or part of the changes specified in this revenue procedure agrees to the following stipulations:</p> <ul style="list-style-type: none"> • The Internal Revenue Service presumes the changes are made in accordance with these procedures and, as such, will be noninterruptive to the processing of the tax return. • Should any of the changes prove to be not exactly as described, and as a result become disruptive to the Internal Revenue Service during processing of the tax return, the person or company agrees to accept the determination of the IRS as to whether or not the form may continue to be used during the filing season. • The person or company agrees to work with the IRS in correcting noted deficiencies. Notification of deficiencies may be made by any combination of fax, letter, email, or phone contact and may include the return of unacceptable forms for resubmission of acceptable forms.
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Chapter 2

General Guidelines for Submissions and Approvals

Section 2.1 - General Specifications for Approval

2.1.1 Overview	If you produce any tax returns and forms using IRS guidelines on permitted changes, you can generate your own substitutes without further approval. If your changes are more extensive, you must get official approval before using substitute forms. These changes include the use of typefaces and sizes other than those found on the official form and the condensing of line item descriptions to save space.
2.1.2 Schedules	Schedules are considered to be an integral part of a complete tax return when assigned consecutive page numbers and printed contiguously with page 1 of the return.
2.1.3 Example of Schedules That Must Be Submitted With the Return	Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, is an example of this situation, where Schedules A through U have pages numbered as part of the basic return. For a Form 706 to be approved, the entire form including Schedules A through U must be submitted.
2.1.4 Examples of Schedules That	However, Schedules 1, 2, and 3 of Form 1040A are examples of schedules that can be separately computer-generated. Although printed by the IRS as a continuation of Form 1040A, none of these sched-

Can Be Submitted Separately

ules have page numbers that require them to be filed with Form 1040A, and may, therefore, be separated from Form 1040A and submitted as computer-generated substitute schedules.

2.1.5 Use and Distribution of Unapproved Forms

The Internal Revenue Service is continuing a program to identify and contact tax return preparers, forms developers, and software publishers who use or distribute unapproved forms that do not conform to this revenue procedure. The use of unapproved forms impedes processing of the returns.

Section 2.2 - Highlights of Permitted Changes and Requirements

2.1.1 Methods of Reproducing Internal Revenue Service Forms

Official versions are supplied by the Internal Revenue Service, such as those in the taxpayer’s tax package, those printed in revenue procedures, and over-the-counter forms available at IRS and other governmental public offices or buildings. Forms are also available on CD-ROM, and on-line viaFedworld and the Internet.

There are methods of reproducing Internal Revenue Service printed tax forms suitable for use as substitute tax forms without prior approval.

- You can photocopy most tax forms and use them instead of the official ones. The entire substitute form, including entries, must be legible.
- You can reproduce any current tax form as cut sheets, snapsets, and marginally punched, pin-fed forms so long as you use an official IRS version as the master copy.
- You can reproduce a “signature form” as a valid substitute form. Many tax forms (including returns) have a taxpayer signature requirement as part of the form layout. The jurat/perjury statement/signature line areas must be retained and worded exactly as on the official form. The requirement for a signature by itself does not prohibit a tax form from being properly computer-generated.
- You can computer-generate Answer Sheet Format Tax Returns on plain bond paper using IRS-accepted software for the 1040PC format for return types 1040EZ, 1040, 1040A, and attachments, forms, and schedules.

Section 2.3 - Vouchers

2.3.1 Overview

All payment vouchers (Forms 940-V, 940-EZ(V), 941- V, 943-V, 945-V, 1040-V, and 2290-V) must be reproduced. Substitute vouchers must be the same size as the officially printed vouchers. Vouchers that are prepared for printing on a laser printer may include a scanline.

2.3.2 Scanline Specifications

NNNNNNNNN AA AAAA NN N NNNNNN NNN
A B C D E F G

- A - Social Security Number/Employer Identification Number (SSN/EIN) has 9 numeric spaces.
- B - Check Digit has 2 alpha spaces.
- C - Name Control has 4 alphanumeric spaces.
- D - Master File Tax (MFT) Code has 2 numeric spaces (see below).
- E - Taxpayer Identification Number (TIN) Type has 1 numeric space (see below).
- F - Tax period has six numeric spaces in year/month format (YYYYMM).
- G - Transaction Code has 3 numeric spaces.

2.3.3 MFT Code

Code Number for:

- Form 1040 family - 30;
- Form 940/940-EZ - 10;
- Form 941 - 01;
- Form 943 - 11;
- Form 945 - 16; and
- Form 2290 - 60.

2.4 TIN Type

Type Number for:

- Form 1040 family - 0; and
- Forms 940, 940-EZ, 941, 943, 945, and 2290 - 2.

2.3.5 Voucher Size

The voucher size must be exactly 8.0” X 3.25”. The document scanline must be vertically positioned 1.625 inches from the bottom of the scanline to the bottom of the voucher. The right most character

Continued on next page

of the scanline must be placed 3.5 inches from the right leading edge of the document. The maximum vertical displacement is .06 inches. The minimum required horizontal clear space between characters is .014 inches. The line to be scanned must have a clear band 0.25 inches in height from top to bottom of the scanline, and from border to border of the document. "Clear band" means no printing except for dropout ink.

2.3.6 Print and Paper Weight

Vouchers must be imaged in black ink using OCR A or OCR B, size 1 font. The paper must be 20 to 24 pound OCR bond paper weight.

Section 2.4 - Restrictions on Changes

2.4.1 Things You CANNOT Do to IRS Forms Suitable for Substitute Tax Forms

You cannot, without prior IRS approval, change any Internal Revenue Service tax form or use your own (non-approved) versions (preprinted labels), including graphics, unless specifically permitted by this revenue procedure.

You cannot adjust any of the graphics on Forms 1040, 1040A, and 1040EZ (except in those areas specified in Chapter 5 of this revenue procedure) without prior approval from the IRS Substitute Forms Program.

You cannot use your own preprinted label on tax returns filed with IRS, unless you fully comply with the exception criteria specified in the section on use of preaddressed IRS labels in this revenue procedure.

Section 2.5 - Guidelines for Obtaining IRS Approval

2.5.1 Basic Requirements

Preparers who desire to file substitute privately designed and printed tax forms and/or computer-generated and computer-prepared tax forms must develop such substitutes using the guidelines for substitute forms established in this chapter. These substitutes, unless excepted by revenue procedure, must be approved by the IRS before being filed.

2.5.2 1040PC Format Return

A software developer who wants to market, distribute, or use for its own clientele, a tax preparation package featuring the 1040PC tax return format, must first file an application to participate in the program. Only after successfully fulfilling test requirements will a developer's software package be accepted by the IRS to produce 1040PC tax returns.

2.5.3 Conditional Approval Based on Advance Drafts

The Internal Revenue Service cannot grant final approval of your substitute form until the official form has been published. However, the IRS has established a location on the Internet for the posting of advance drafts of forms. This site can be reached through the Tax Professional's Corner at http://www.irs.ustreas.gov/prod/bus_info/tax_pro.

We encourage submission of proposed substitutes of these advance draft forms, and will grant conditional approval based solely on these early drafts. These advance drafts are subject to significant change before forms are finalized. If these advance drafts are used as the basis for your substitute forms, you will be responsible for subsequently updating your final forms to agree with the final official version before use. These revisions need not be submitted for further approval.

NOTE: Approval of forms based on advance drafts will not be granted after the final version of an official form is published.

- Any alteration of forms must be within the limits acceptable to the Service. It is possible that, from one filing period to another, a change in law or a change in internal need (processing, audit, compliance, etc.) may change the allowable limits for the alteration of the official form.
- When specific approval of any substitute form (other than those specified in Chapter 2, IRS Contacts) is desired, a sample of the proposed substitute should be forwarded for consideration by letter to the Substitute Forms Program Coordinator at the address shown in Chapter 2.
- To expedite multiple forms approval, we prefer that your proposed forms be submitted in separate sets by return. For example, Forms 1040 and their normally related schedules or attach-

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2.5.3 Conditional Approval Based on Advanced Drafts (continued)

ments should be submitted separately from Forms 1120, 1065, 5500 Series, etc., if at all possible. Schedules and forms (e.g., Forms 3468, 4136, etc.) that can be used with more than one type of return (e.g., 1040, 1041, 1120, etc.) should be submitted only once for approval, regardless of the number of different tax returns with which they may be ultimately associated. In addition, all pages of a multipage form or return should be submitted in the same package.

2.5.4 Approving Offices

As no IRS office except the ones specified in this procedure (per the chart in Chapter 1) are authorized to approve substitute forms, unnecessary delay may result if forms are sent elsewhere for approval. All forms submitted to any other office must be forwarded to the appropriate office for formal control and review. The Substitute Forms Program Coordinator may then coordinate the response with the program analyst responsible for the processing of that form. Such coordination may include allowing the analyst to officially approve the form. No IRS office is authorized to allow deviations from this revenue procedure.

2.5.5 Service's Review of Software Programs, etc.

The IRS does not review or approve the logic of specific software programs, nor confirm the calculations entered on forms output from these programs that are submitted for approval. The accuracy of the program itself remains the responsibility of the software package developer, distributor, or user. The Substitute Forms Program is primarily concerned with the prefilling quality review of the final forms output, produced by whatever means, that are expected to be processed by IRS field offices. For the above reasons, it is suggested that you submit forms without including any "taxpayer" information such as names, addresses, monetary amounts, etc.

2.5.6 When to Send Proposed Substitutes

Proposed substitutes, which are required to be submitted per this revenue procedure, should be sent as much in advance of the filing period as possible. This is to allow adequate time for analysis and response.

2.5.7 Accompanying Statement

When the sample substitute is submitted, there should be an accompanying statement that lists the form number of each substitute requested and detail those items that deviate from the official form in position, arrangement, appearance, line numbers, additions, deletions, etc. Included with each of the items should be a detailed reason or justification for the change and an approximation of the number of forms expected to be filed.

When requesting approval for multiple forms, the statement should be presented as a checksheet. Checksheets are not mandatory, but do facilitate the approval process. The checksheet may look like the example (Exhibit C) displayed in the back of this procedure or may be one of your own design. Please include your fax number on the checksheet.

2.5.8 Approval/Non-Approval Notice

The Substitute Forms Coordinator will fax the checksheet or an approval letter back to the originator if a fax number has been provided, unless:

- the requester has asked for a formal letter; or
- significant corrections are required to the submitted forms

Notice of approval may contain qualifications for use of the substitutes. Notices of non-approval letters may specify the changes required for approval, and may also require resubmission of the form(s) in question. Telephone contact is used when possible.

2.5.9 Duration of Approval

Most signature tax returns and many of their schedules and related forms have the tax (liability) year printed in the upper right corner. Approvals for these forms are usually good for one calendar year (January through December of the year of filing). Quarterly tax forms in the 94X series, and Form 720, require approval for any quarter in which the form has been revised.

- If the preprinted year is the only change made to a form, the form for the upcoming year is not subject to review.
- Otherwise, each new filing season requires a new approval.

2.5.10 Limited Continued Use of Approved Change

Limited continued use of a change approved for one tax year may be allowed for the same form in the following tax year. Examples of such limitations and requirements are the use of abbreviated words, revised form spacing, compressed text lines, shortened captions, etc., which do not change the consistency of lines or text on the official forms.

If substantial changes are made to the form, new substitutes must be submitted for approval. If only minor editorial changes are made to the form, it is not subject to review.

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If you received written approval of a previous tax year substitute form governed by this revenue procedure and continue to use the approved change on your current tax year substitute form, you may revise your form to include this change and, without additional written approval, use it as a current tax year substitute form, provided you comply with the requirements in this revenue procedure.

2.5.11 When Approval Is Not Required

If you received written approval for a specific change on a specific form last year, such as deleting the vertical lines used to separate dollars and cents on some forms and schedules, e.g., Schedules A&B of Form 1040, you may again make the same change on the same form this year if the item changed is still present on this year's official form.

- The new substitute does not have to be sent to the IRS and written approval is not required.
- However, the new substitute must conform to the official current year IRS form in other respects: date, Office of Management and Budget (OMB) approval number, attachment sequence number, Paperwork Reduction Act Notice statement, arrangement, item caption, line number, line reference, data sequence, etc.
- It must also comply with this revenue procedure—which may have eliminated, added to, or otherwise changed the guideline(s) which affected the change approved last year.

Exception: Those written approvals which state that the approved change or form would not be allowed in any other tax year, or for a temporary, limited, or interim approval pending resolution of a failure to meet one or more IRS-prescribed requirements are subject to revire in subsequent years.

- This authorization for continued use of an approved change is limited to the continuation of design logic from an immediately prior tax year substitute form to a current tax year substitute form.

2.5.12 Continuous Use Forms

Forms without preprinted tax years are called “continuous use” forms. Many of these forms had expiration dates, but these are being phased out. Continuous use forms are revised when a legislative change affects the form or a change will facilitate processing.

2.5.13 Internet Program Chart

A chart of print dates (for annual and quarterly forms) and most current revision dates (for continuous use forms) will be maintained on the Internet. For further details, see the section on Internet access in Chapter 4 of this revenue procedure.

2.5.14 Required Copies

Generally, you must send us one copy of each form being submitted for approval. However, if you are producing forms for different computer systems (e.g., IBM (or compatible) vs. MacIntosh) or different types of printers (laser vs. dot matrix), and these forms differ significantly in appearance, submit one copy for each type of system or printer.

2.5.15 Requestor's Responsibility After Receipt of Approval

Following the receipt of initial approval for a substitute forms package, or of a software output program to print substitute forms, it is the responsibility of the originator (designer or distributor) to provide each subsequent client firm or individual with the pertinent Service forms requirements that must be met for continuing acceptability.

Examples of this responsibility include:

- The use of prescribed print paper, font size, legibility, state tax data deletion.
- The legal requirements of the Paperwork Reduction Act Notice for informing all users of substitute forms of the official use and collection requirements stated in the instructions for the official IRS forms, completion of documents, etc.

2.5.16 Source Code

The Substitute Forms Program Unit, OP:FS:FP:F:CD, will assign a unique source code to each firm that submits substitute paper forms for approval. This will be a permanent control number that should be used on every form created by a particular firm.

- This source code should be printed at the bottom left margin area on the first page of every approved substitute paper form.
- The source code for paper returns consists of three alpha characters.
- This source code should not be used on optically scanned (OCR) forms.

Section 2.6 - Office of Management and Budget (OMB) Requirements for All Substitute Forms

2.6.1 OMB Requirements for All Substitute Forms

Legal Requirements of the Paperwork Reduction Act of 1995 (“Act”). Public Law 104-13 requires that:

- OMB approve all IRS tax forms that are subject to the Act,
- Each IRS form contains (in the upper right corner) the OMB number, if any, and
- Each IRS form (or its instructions) states why IRS needs the information, how it will be used, and whether or not the information is required to be furnished.

This information must be provided to every user of official or substitute tax forms.

2.6.2 Application of Act to Substitute Forms

On forms to which OMB numbers have been assigned:

- All substitute forms must contain in the upper right corner the OMB number that is on the official form.
 - Format Required - OMB No. XXXX-XXXX (Preferred) or OMB # XXXX-XXXX.
-

2.6.3 Required Explanation to Users

You must also inform the users of your substitute forms of the IRS use and collection requirements stated in the instructions for the official IRS form.

- If you provide your users or customers with the official IRS instructions, page 1 of each form must retain either the Paperwork Reduction Act Notice, or a reference to it as the IRS does on the official forms (usually in the lower left corner of the forms).
 - If the IRS instructions are not provided to users of your forms, the exact text of the Paperwork Reduction Act Notice must be furnished on the form or separately.
 - This notice reads, in part, “We ask for this information to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax...”
 - You must also include a copy of the alternative statement provided to users of your forms with the forms you submit for approval.
-

2.6.4 Obtaining OMB Number and Notice

The OMB number and Paperwork Reduction Act Notice may be obtained from the official form (or its instructions), or any format produced by the IRS (e.g., Compact Disc (CD), Internet download, or Bulletin Board System (BBS) download).

Chapter 3

Physical Aspects and Requirements

Section 3.1 - General Guidelines for Substitute Forms

3.1.1 General Information

The Official Form is the standard. Because a substitute form is a variation from the official form, you should know the requirements of the official form for the year of use before you modify it to meet your needs. The IRS provides several means of obtaining the most frequently used tax forms. These include the Internet, fax-on-demand, CD-ROM and an electronic forms bulletin board (see chapter 4).

3.1.2 Design

Each form must follow the design of the official form as to format arrangement, item caption, line numbers, line references, and sequence.

3.1.3 State Tax Information Prohibited

State tax information must not appear (be visible) on the federal tax return or associated form or schedule which is filed with the IRS, except where amounts are claimed on or required by the federal return, e.g., state and local income taxes, Schedule A (Form 1040).

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3.1.4 Vertical Alignment of Amount Fields

IF a form is to be...	THEN...
A form is to be manually prepared	<ul style="list-style-type: none"> • The federal column must have a vertical line or some type of indicator in the amount field to separate dollars from cents if the official form has a vertical line. • The cents column must be at least 3/10" wide.
Computer-generated	<ul style="list-style-type: none"> • Vertically align the amount entry fields where possible. • Use one of the following amount formats: <ul style="list-style-type: none"> • 0,000,000. • 0,000,000.00
Computer-prepared	<ul style="list-style-type: none"> • You may remove the vertical line in the amount field that separates dollars from cents. • Use one of the following amount formats: <ul style="list-style-type: none"> • 0,000,000. • 0,000,000.00

3.1.5 Attachment Sequence Number

- Most individual income tax forms have a required “attachment sequence number” located just below the year designation in the upper right corner of the form. The IRS uses this number to indicate the order in which forms are to be attached to the tax return so they may be processed in that order. Some of the attachment sequence numbers may change each year.

On computer-prepared forms:

- The sequence number may be printed in no less than 12-point boldface type and centered below the form’s year designation.
- The sequence number may also be placed following the year designation for the tax form and separate with an asterisk.
- It is not necessary to duplicate the “Attachment Sequence Number” wording, except for the actual number.

3.1.6 Paid Preparer’s Information and Signature Area

On Forms 1040EZ, 1040A, 1040, and 1120, etc., the “Paid Preparer’s Use Only” area may not be rearranged or relocated. You may, however, add three extra lines to the paid preparer’s address area without prior approval. This applies to other tax forms as well. Please note that the preparer’s area on Form 1040EZ is on the bottom of page 2. Substitute Forms 1040EZ with the preparer area in any location other than the bottom of page 2 will not be accepted.

3.1.7 Assembly of Forms

If developing software or forms for use by others, please inform your customers/clients that the order in which the forms are arranged may affect the processing of the package. A return must be arranged in order indicated below.

If the form is...	Then sequence is
1040	<ul style="list-style-type: none"> • Form 1040 • Schedules and forms in sequence number order
Any other (Form 1120, 1120S, 1065, 1041, etc.)	<ul style="list-style-type: none"> • The tax return • Lettered schedules (Schedule D, etc.) in alphabetical order • nNumbered forms in numerical order

Supporting statements should then follow in the same sequence as the forms they support. Additional information required should be attached last.

In this way, the forms are received in the order in which they must be processed. If you do not send returns to us in this order, the IRS has to delay processing to disassemble them and place them in order before processing is continued.

Section 3.2 - Paper

3.2.1 Paper Content

The paper must be:

- Chemical wood writing paper that is equal to or better than the quality used for the official form,
- At least 18 pound (17" x 22", 500 sheets), or
- At least 50 pound offset book (25" x 38", 500 sheets).

3.2.2 Paper with Chemical Transfer Properties

There are several kinds of paper prohibited for substitute forms. These are:

- Carbon-bonded paper
- Chemical transfer paper except when the following specifications are met:
 - Each ply within the chemical transfer set of forms must be labeled.
 - Only the top ply (ply one and white in color), the one that contains chemical on the back only (coated back), may be filed with the Service.

3.2.3 Example

A set containing three plies would be constructed as follows:

one ply (coated back), "Federal Return, File with IRS"; ply two (coated front and back), "Taxpayer's copy", and ply three (coated front), "Preparer's copy."

- The file designation, "Federal Return, File with IRS," for ply one must be printed in the bottom right margin (just below the last line of the form) in 12-point, bold-face type.
- It is not mandatory, but recommended, that the file designation "Federal Return, File with IRS," be printed in a contrasting ink for visual emphasis.

3.2.4 Carbon Paper

Do not attach any carbon paper to any return you file with the Internal Revenue Service.

3.2.5 Paper and Ink Color

We prefer that the color and opacity of paper substantially duplicates that of the original form. This means that your substitute must be printed in black ink and may be on white or on the colored paper the IRS form is printed on. Forms 1040A and 1040 substitute reproductions may be in black ink without the colored shading. The only exception to this rule is Form 1041-ES, which should always be printed with a very light gray shading in the color screened area. This is necessary to assist us in expeditiously separating this form from the very similar Form 1040-ES.

3.2.6 Page Size

Substitute or reproduced forms and computer prepared/generated substitutes may be the same size as the official form (8" x 11" in most cases) or they may be the standard commercial size (8 1/2" x 11") exclusive of pin-feed holes. The thickness of the stock cannot be less than .003 inch.

Section 3.3 - Printing

3.3.1 Printing Medium	The private printing of all substitute tax forms must be by conventional printing processes, photo copying, computer-graphics, or similar reproduction processes.
3.3.2 Legibility	All forms must have a high standard of legibility, both as to printing and reproduction and as to fill-in matter. Entries of taxpayer data may be no smaller than eight points. The Internal Revenue Service reserves the right to reject those with poor legibility. The ink and printing method used must ensure that no part of a form (including text, graphics, data entries, etc.) develops “smears” or similar quality deterioration. This includes any subsequent copies or reproductions made from an approved master substitute form, either during preparation or during IRS processing.
3.3.3 Type Font	Many federal tax forms are printed using “Helvetica” as the basic type font. We request that you use this type font when composing substitute forms.
3.3.4 Print Spacing	Substitute forms should be printed using a 6 lines/inch vertical print option. They should also be printed horizontally in 10 pitch pica (i.e., 10 print characters per inch) or 12 pitch elite (i.e., 12 print positions per inch).
3.3.5 Image Size	The image size of a printed substitute form should be as close as possible to that of the official form. You may omit any text on both computer-prepared and computer-generated forms that is solely instructional.
3.3.6 Title Area Changes	To allow a large top margin for marginal printing and more lines per page, the title line(s) for all substitute forms (not including the form’s year designation and sequence number, when present), may be photographically reduced by 40 percent or reset as one line of type. When reset as one line, the type size may be no smaller than 14-point. You may omit “Department of the Treasury, Internal Revenue Service” and all reference to instructions in the form’s title area.
3.3.7 Remove Government Printing Office Symbol and IRS Catalog Number	When privately printing substitute tax forms, the Government Printing Office symbol and/or jacket number must be removed. In the same place, using the same type size, print the Employer Identification Number (EIN), the Social Security Number (SSN) of the printer or designer, or the IRS assigned source code. (We prefer this last number be printed in the lower left area of the first page of each form.) Also remove the IRS Catalog Number, if one is present in the bottom center margin, and the Recycle Symbol, if the substitute is not produced on recycled paper.
3.3.8 Printing on One Side of Paper	While it is preferred that both sides of the paper be used for substitute and reproduced forms, resulting in the same page arrangement as that of the official form or schedule, the IRS will not reject your forms if only one side of the paper is used.
3.3.9 Photocopy Equipment	The IRS does not undertake to approve or disapprove the specific equipment or process used in reproducing official forms. Photocopies of forms must be entirely legible and satisfy the conditions stated in this and other revenue procedures.
3.3.10 Reproductions	Reproductions of official forms and substitute forms that do not meet the requirements of this revenue procedure may not be filed instead of the official forms. Illegible photocopies are subject to being returned to the filer for resubmission of legible copies.
3.3.11 Removal of Instructions	You may remove all references to instructions. No prior approval is needed. One exception is that the statement, “For Paperwork Reduction Act Notice, see instructions”, must be retained or a similar statement provided on each form. Some forms refer the taxpayer to a page number in the instructions for information on the Paperwork Reduction Act.

Section 3.4 - Margins

3.4.1 Margin Size	<p>The format of a reproduced tax return when printed on the page must have margins on all sides at least as large as the margins on the official form. This allows room for IRS employees to make the necessary entries on the form during processing.</p> <ul style="list-style-type: none">• A 1/2” to 1/4” inch margin must be maintained across the top, bottom, and both sides (exclusive of any pin-fed holes) of all computer-generated substitutes.
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- The marginal, perforated strips containing the pin-fed holes must be removed from all forms prior to filing with the Internal Revenue Service.

3.4.2 Marginal Printing

Non-tax material allowed in limited areas.

- Printing is never allowed in the top right margin of the tax return form (i.e., Forms 1040, 1040A, 1040EZ, 1120, 940, 941, 5500 Series, etc.). The Service uses this area to imprint a Document Locator Number for each return.
- With the exception of the actual tax return forms (i.e., Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.), you may print in the left vertical margin and in the left half of the bottom margin.

Prior approval is not required for the marginal printing allowed when printed on an official form or on a photocopy of an official form.

The marginal printing allowance is also the guide for the preparation of acceptable substitute forms. There is no exception to the requirement that no printing is allowed in the top right margin of the tax return form.

Section 3.5 - Examples of Approved Formats

3.5.1 Examples of Approved Formats From the Exhibits

Two sets of exhibits (Exhibits A-1, A-2, B-1, and B-2) are at the end of this revenue procedure. These are examples of how the guidelines in this revenue procedure may be used in some specific cases. Vertical spacing is six (6) lines to the inch.

3.5.2 Examples of Acceptable computer-generated formats

Examples of acceptable computer-generated formats are also shown in the Exhibits section of this revenue procedure. Exhibits CG-A and CG-B show computer-generated Schedules 1995 A and B. Vertical spacing is six (6) lines to the inch. You may also refer to them as examples of how the guidelines in this revenue procedure may be used in specific cases. A combination of upper and lower case print fonts is acceptable in producing the computer-generated forms included in this procedure. This same logic for computer-generated forms can be applied to any IRS form that is normally reproducible as a substitute form, with the exception of tax return forms as discussed elsewhere. These examples are from a prior year and are not to be used as substitute forms.

Section 3.6 - Miscellaneous Information for Substitute Forms

3.6.1 Filing Substitute Forms

To be acceptable for filing, a substitute return or form must print out in a format that will allow the party submitting the return to follow the same instructions as for filing official forms. These instructions are in the taxpayer's tax package or in the related form instructions. The form must be on the appropriate size paper, be legible, and include a jurat where one appears on the published form.

3.6.2 Caution to Software Publishers

The IRS has received returns produced by software packages with approved output where either the form heading was altered or the lines were spaced irregularly. This produces an illegible or unrecognizable return or a return with the wrong number of pages. We realize that many of these problems are caused by individual printer differences but they may delay input of return data and, in some cases, generate correspondence to the taxpayer. Therefore, in the instructions to the purchasers of your product, both individual and professional, please stress that their returns will be processed more efficiently if they are properly formatted. This includes:

- Having the correct form numbers and titles at the top of the return, and
 - Submitting the same number of pages as if the form were an official IRS form, with the line items on the proper pages.
-

3.6.3 Use Preaddressed IRS Label

If you are a practitioner filling out a return for a client or a software publisher who prints instruction manuals, stress the use of the preaddressed label provided in the tax package the IRS sent to the taxpayer, when available. The use of this label (or its precisely duplicated label information) is extremely important for the efficient, accurate, and economical processing of a taxpayer's return. Labeled returns indicate that a taxpayer is an established filer and permits us to automatically accelerate processing of those returns. This results in quicker refunds, more accurate names/addresses and postal deliveries, and less manual review by IRS functions.

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3.6.5 Programming to Print Forms

Whenever applicable:

- Use only the following label information format for single filers:
JOHN Q. PUBLIC
310 OAK DRIVE
HOMETOWN, STATE 94000
- Use only the following information for joint filers:
JOHN Q. PUBLIC
MARY I. PUBLIC
310 OAK DRIVE
HOMETOWN, STATE 94000

Chapter 4

Additional Resources

Section 4.1 - Guidance From Other Revenue Procedures

4.1.1 General

Guidance for the substitute tax forms not covered in this revenue procedure and the revenue procedures that govern their use are as follows:

- Revenue Procedure 94-79, IRS Publication 1355, Requirements and Conditions for the Reproduction, Private Design, and Printing of Substitute Forms 1040-ES.
- Revenue Procedures 99-24, IRS Publication 1141, General Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3.
- Revenue Procedure 99-34, IRS Publication 1179, Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099, 5498, and W-2G.
- Revenue Procedure 98-44, IRS Publication 1187, Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, on Magnetic Tape.
- Revenue Procedure 99-29, IRS Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically.
- Revenue Procedure 95-18, IRS Publication 1223, Specifications for Private Printing of Substitute Forms W-2c and W-3c.

Section 4.2 - Ordering Publications

4.2.1 Sources of Publications

The publications listed below may be ordered by calling 1-800-TAX-FORM (1-800-829-3676). Identify the requested document by IRS publication number:

- Pub. 1141, the revenue procedure on specifications for private printing for Forms W-2 and W-3.
- Pub. 1167, the revenue procedure on substitute printed, computer-prepared, and computer-generated tax forms and schedules. This publication is available from the IRS Internet website.
- Pub. 1179, the revenue procedure on paper substitute information returns (Forms 1096, 1098, 1099, 5498, and W-2G).
- Pub. 1192, Catalog of Reproducible Forms and Instructions.
- Pub. 1220, the revenue procedure on electronic or magnetic tape and magnetic diskette reporting for information returns (Forms 1098, 1099 series, 5498, and W-2G).
- Pub. 1223, the revenue procedure on substitute Forms W-2c and W-3c.
- Pub. 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, on Magnetic Tape.
- Pub. 1245, Magnetic Tape Reporting for Forms W-4.

Continued on next page

- Pub. 1345, Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 1999). (This is an annual publication; tax year is subject to change). This publication is available from the IRS Internet website.
- Pub. 1345-A, Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 1999) (Supplement). This publication, printed in the late fall, supplements Publication 1345.
- Pub. 1355, the revenue procedure on the requirements for substitute Form 1040-ES.

4.2.2 Where To Order

If you are mailing your order, the address to use is determined by your location.

If you live in the ...	Then mail your order to ...
Western United States	Western Area Distribution Center Rancho Cordova, CA 95743-0001
Central United States	Central Area Distribution Center P.O. Box 8903 Bloomington, IL 61702-8903
Eastern United States or or foreign country	Eastern Area Distribution Center P.O. Box 85074 Richmond, VA 23261-5074

Section 4.3 - Electronic Tax Products

4.3.1 The Internet

Copies of tax forms with instructions, publications, and other tax related materials may be obtained via the Internet. Forms can be downloaded in several file formats (PDF- Portable Document Format, PS - PostScript, and PCL - Printer Control Language). Those choosing to use PDF files for viewing on a personal computer can also download a free copy of the Adobe Acrobat Reader.

- World Wide Web - <http://www.irs.gov>

Access to these sites is free but time on the Internet is subject to the fees charged by your Internet provider.

4.3.2 Fedworld (BBS)

The Internal Revenue Information Systems (IRIS) Bulletin Board can be reached via FedWorld, an aggregation of federal BBS maintained by the Department of Commerce. IRIS can be reached directly by modem at (703) 321-8020; FedWorld's main number is (703) 321-3339. These are toll calls.

4.3.3 Tax Fax

The most frequently requested tax forms, instructions, and other information are available through IRS Tax Fax at (703) 368-9694. Call from your fax machine and follow the voice prompts. Your request will be transmitted directly back to you. Each call is limited to requesting three items; users pay the telephone line charges.

4.3.4 Report of Print Dates

The Service makes available a site on the Internet that shows print dates for forms used by taxpayers in the preparation of returns and subsequent transactions. It is in three parts:

- Schedule of anticipated print dates of annual returns,
- Schedule of anticipated print dates of quarterly returns, and
- Schedule of last revision dates for continuous use only forms.

The site address is http://www.irs.gov/prod/bus_info/tax_pro/formsch.html. The site will be updated weekly during peak printing periods and as necessary at other times.

Section 4.4 - Federal Tax Forms on CD-ROM

4.4.1 Information About Federal Tax Forms CD-ROM

The CD-ROM contains over 3,000 tax forms and publications for small businesses, return preparers, and others who frequently need current or prior year tax products. Most current tax forms on the CD-ROM may be filled in electronically, then printed out for submission and saved for recordkeeping.

Other products on the CD-ROM include the Internal Revenue Bulletins, Tax Supplements, and Internet resources for the tax professional with links to the World Wide Web.

All necessary software to view the files must be installed from the CD-ROM. Software for Adobe Acrobat Reader is included on the disk. The software will run under Windows 95/98/NT and MacIntosh System 7.5 and later. All products are presented in Adobe's Portable Document Format (PDF). In addition, the TIPs are provided in the Standard Generalized Markup Language (SGML).

4.4.2 System Requirements and How to Order the Federal Tax Forms CD-ROM

For system requirements, contact the National Technical Information Service (NTIS) help desk at 703-487-4608.

The cost of the CD if purchased via the Internet at <http://www.irs.gov/cdorders> from NTIS is \$16 (plus a \$5 handling fee). If purchased using the following methods the cost is \$23 (plus a \$5 handling fee).

- by phone - 1-877-CDFORMS (1-877-233-6767)
- by fax - (703) 605-6900
- by mail using the order form contained in IRS Publication 1045 (Tax Professionals Program)
- by mail to:
National Technical Information Service
5285 Port Royal Road
Springfield, VA 22161

There is a \$7 discount per CD for orders of 50 or more copies, making the price \$16 per CD plus a \$5 handling fee.

Chapter 5

Requirements for Specific Tax Returns

Section 5.1 - Tax Returns (Form 1040, 1040A, 1120, Etc.)

5.1.1 Acceptable Forms

There are acceptable computer-generated versions of a tax return form (e.g., Form 1040, 1040A, 1120, etc., which requires a signature and that establishes tax liability) that are permitted under the following conditions:

- These substitute returns must be printed on plain white paper.
- Substitute returns and forms must conform to the physical layout of the corresponding IRS form although the typeface may differ. The text should match the text on the officially published form as closely as possible; condensed text and abbreviations will be considered on a case-by-case basis.

Exception: All jurats (perjury statements) must be reproduced verbatim. No text can be added, deleted, or changed in meaning. It must be readily identifiable as a valid tax return.

- Various computer-graphic print media such as laser printing, dot matrix addressable printing, etc., may be used to produce the substitute forms.
- The substitute return must be the same exact number of pages, and contain the same line text as the official return.
- All computer-generated tax returns **MUST** be submitted for approval prior to their original use. Should you receive an approval letter for a return and the following year's return has no changes except the preprinted year, the latter return is not subject to approval. **Exception:** If the approval letter specifies a one-time exception for your return, the next year's return must be approved.

5.1.2 Computer-Generated Condensed Format Versions

The accepted condensed print format version for individual returns is the 1040PC "answer sheet format" tax return. The approval process for Form 1040PC differs from that of traditional forms. See Chapter 7 for additional information.

Continued on next page

5.1.3 Prohibited Forms

The following are prohibited:

- Tax returns (e.g., Forms 1040, etc.) computer-generated on lined or color-barred paper.
- Tax returns that differ from the official IRS forms in a manner that makes them not standard or processable.

5.1.4 Changes Permitted to Forms 1040 and 1040A

Certain changes (listed in Section 5.2 through 5.4) are permitted to the graphics of the form without prior approval, but these changes apply only to acceptable preprinted forms. Changes not requiring prior approval are good only for the annual filing period, which is the current Tax Year. Such changes are valid in subsequent years only if the official form does not change.

5.1.5 Other Changes Not Listed

All changes not listed in Sections 5.2 through 5.4 require prior approval from the Service BEFORE the form may be filed.

Section 5.2 - Changes Permitted to Graphics (Forms 1040A and 1040)

5.2.1 Adjustments

You may make minor vertical and horizontal spacing adjustments to allow for computer or word-processing printing. This includes widening the amount columns or tax entry areas so long as the adjustments do not exceed other provisions stated in revenue procedures. No prior approval is needed for these changes.

5.2.2 Name and Address Area

The horizontal rules and instructions within the name and address area may be removed and the entire area left blank; no line or instruction can remain in the area. However, the statement regarding use of the IRS label should be retained. The heavy ruled border (when present) that outlines the name, address area, and social security number must not be removed, relocated, expanded, or contracted.

5.2.3 Required Format

When the name and address area is left blank, the following format must be used when printing the taxpayer's name and address. Otherwise, unless the taxpayer's preprinted label is affixed over the information entered in this area, the lines must be filled in as shown:

- 1st name line (35 characters maximum)
- 2nd name line (35 characters maximum)
- In-care-of name line (35 characters maximum)
- City, State (25 char. max.), one blank char., & ZIP (five char.)

5.2.4 Conventional Name and Address Data

When there is no in-care-of name line, the name and address will consist of only three lines (single filer) or four lines (joint filer).

Name and address (joint filer) with no in-care-of name line:

JOHN Z. JONES
MARY I. JONES
1234 ANYWHERE ST., APT 111
ANYTOWN, STATE 12321

5.2.5 Example of In-Care-Of Name Line

Name and address (single filer) with in-care-of name line:

JOHN Z. JONES
C/O THOMAS A. JONES
4311 SOMEWHERE AVE.
SAMETOWN, STATE 54345

5.2.6 Social Security Number (SSN) and Employer Identification Number (EIN) Area

The vertical lines separating the format arrangement of the SSN/EIN may be removed. When the vertical lines are removed, the SSN and EIN formats must be 000-00-0000 or 00-0000000, respectively

5.2.7 Cents Column

- You may remove the vertical rule that separates the dollars from the cents.
- All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present.
- You may omit printing the cents, but all amounts entered on the form must follow a consistent format. You are strongly urged to round off the figures to whole dollar amounts, following the official return instructions.

Continued on next page

- Where several amounts are summed together, the total should be rounded off subsequent to the addition (i.e, individual amounts should not be rounded off for computation purposes).
- When printing money amounts, you must use one of the following ten- character formats: (a) 0,000,000. (b) 000,000.00
- When there is no entry for a line, leave the line blank.

5.2.8 “Paid Preparer’s Use Only” Area

On all forms, the paid preparer’s information area may not be rearranged or relocated. You may add three lines and remove the horizontal rules in the preparer’s address area.

Section 5.3 - Changes Permitted to Form 1040A Graphics

5.3.1 General

No prior approval is needed for the following changes (for use with computer-prepared forms only).

5.3.2 Line 4 of Form 1040A

This line may be compressed horizontally (to allow for same line entry for the name of the qualifying child) by using the following caption: “Head of household; child’s name” (name field).

5.3.3 Other Lines

Any line whose caption takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

5.3.4 Page 2 of Form 1040A

All lines must be present and numbered in the order shown on the official form. These lines may also be compressed.

5.3.5 Color Screening

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040A may be printed in black and white only, with no color screening.

5.3.6 Other Changes Prohibited

No other changes to the Form 1040A graphics are allowed without prior approval, except for the removal of instructions and references to instructions.

Section 5.4 - Changes Permitted to Form 1040 Graphics

5.4.1 General

No prior approval is needed for the following changes (for use with computer-prepared forms only).

5.4.2 Line 4 of Form 1040

This line may be compressed horizontally (to allow for a larger entry area for the name of the qualifying child) by using the following caption: “Head of household; child’s name” (name field).

5.4.3 Line 6c of Form 1040

The vertical lines separating columns (1) through (4) may be removed. The captions may be shortened to allow a one-line caption for each column.

5.4.4 Other Lines

Any other line whose caption takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

5.4.5 Line 21 - Other Income

The fill-in portion of this line may be expanded vertically to three lines. The amount entry box must remain a single entry.

5.4.6 Line 40 of Form 1040 - Tax

You may change the line caption to read “Tax” and computer print the words “Total includes tax from” and either “Form(s) 8814”, or “Form 4972”. If both forms are used , print both form numbers.

5.4.7 Line 47 of Form 1040

You may change the caption to read: “Other credits from Form” and computer-print only the form(s) that apply.

5.4.8 Color Screening

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040 may be printed in black and white only, with no color screening.

5.4.9 Other Changes Prohibited

No other changes to the Form 1040 graphics are permitted without prior approval except for the removal of instructions and references to instructions.

Chapter 6

Format and Content of Substitute Returns

Section 6.1 - Acceptable Formats for Computer-Generated Forms and Schedules

6.1.1 Exhibits and Use of Acceptable Computer-Generated Formats

Exhibits of acceptable computer-generated formats for the schedules usually attached to the Form 1040 are shown in the Exhibits section of this revenue procedure.

- If your computer-generated forms appear exactly like the exhibits, no prior authorization is needed.
 - Those who want to computer-generate forms not shown here may do so, but they must design such forms themselves by following the manner and style of those in the Exhibits section of this revenue procedure, and by taking care to observe other requirements and conditions stated here. The Service encourages the submission of all proposed forms covered by this revenue procedure.
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6.1.2 Instructions

The format of each substitute schedule or form must follow the format of the official schedule or form as to item captions, line references, line numbers, sequence, form arrangement and format, etc. Basically, try to make the form look like the official one, with readability and consistency being primary factors. You may use periods and/or other similar special characters to separate the various parts and sections of the form. **DO NOT** use alpha or numeric characters for these purposes. With the exceptions described in paragraph 6.1.3, all line numbers and items must be printed even though an amount is not entered on the line.

6.1.3 Line Numbers

When a line on an official form is designated by a number or a letter, that designation (reference code) must be used on a substitute form. The reference code must be printed to the left of the corresponding captioned line and also immediately preceding the data entry field even if there is no reference code immediately preceding the data entry field on the official form. If an entry field contains multiple lines but shows the line references only one time on the left and right side of the form, do not use more than the same number of line references on the substitute return.

In addition, the reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There also must be at least two blank spaces between the period or the right parenthesis and the first digit of the data field. (See example below.)

6.1.4 Decimal Points

A decimal point (i.e., a period) should be used for each money amount regardless of whether the amount is reported in dollars and cents or in whole dollars, or whether or not the vertical line that separates the dollars from the cents is present. The decimal points must be vertically aligned when possible.

Example:

5 STATE & LOCAL INC.
TAXES.....5 495.00

6 REAL ESTATE
TAXES.....6

7 PERSONAL PROPERTY
TAXES.....7 198.00

or

5 STATE & LOCAL INC.
TAXES.....(5) 495.00

6 REAL ESTATE
TAXES.....(6)

7 PERSONAL PROPERTY
TAXES.....(7) 198.00

6.1.5 Multiple Page Forms

When submitting multiple page forms, send all pages of the form in the same package. If you are not producing certain pages, please note that in your cover letter.

Section 6.2 - Additional Instructions for All Forms

6.2.1 Use of Your Own Internal Control Numbers and

Internal control numbers and identifying symbols of the computer preparer may be shown on the substitute, if the use of such numbers or symbols is acceptable to the taxpayer and the taxpayer's representative. If shown, such information must not be printed in the top 1/2" clear area of any form or

Continued on next page

Identifying Symbols	schedule requiring a signature. With the exception of the actual tax return form (i.e., Forms 1040, 1120, 940, 941, 5500 Series, etc.), you may print in the left vertical and bottom left margins. The bottom left margin you may use extends 3 1/2 inches from the left edge of the form.
6.2.2 Descriptions for Captions, Lines, etc.	Descriptions for captions, lines, etc., appearing on the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient key words must be retained to permit ready identification of the caption, line, or item.
6.2.3 Derivation of Final Totals	Explanatory detail and/or intermediate calculations for derivation of final line totals may be included on the substitute. We prefer that such calculations be submitted in the form of a supporting statement. If intermediate calculations are included on the substitute, the line on which they appear may not be numbered or lettered. Intermediate calculations may not be printed in the right column. This column is reserved for official numbered and lettered lines that correspond to the ones on the official form. If a supporting statement is submitted, intermediate calculations or subtotals may be formatted at the preparer's option.
6.2.4 Instructional Text Prescribed for the Official Form	Text prescribed for the official form, which is solely instructional in nature, e.g., "Attach this schedule to Form 1040," "See instructions," etc., may be omitted from the substitute form.
6.2.5 Mixing of Forms on the Same Page Prohibited	Information for more than one schedule or form may not be shown on the same printout page. Both sides of the paper may be printed for multiple page official forms; but it is unacceptable to intermix single page schedules of forms, except for Schedules A and B (Form 1040), which are printed back to back by the Service. Schedule E can be printed on both sides of the paper, because the official form is multiple page, with page 2 continued on the back. However, do not print Schedule E on the front page and Schedule SE on the back, or Schedule A on the front and Form 8615 on the back, etc. Both pages of a substitute form must match the official form version it represents, except that the back page may be blank if the Service form only contains the instructions thereon.
6.2.6 Identifying Computer-Prepared Substitutes	Identify all computer-prepared substitutes clearly; print the form designation 1/2" from the top margin and 1 1/2" from the left margin; print the title centered on the first line of print; and print the taxable year and, where applicable, the sequence number on the same line _ to 1" from right margin. Include the taxpayer's name and SSN on all forms and attachments. Also, print the OMB number as reflected on the official form.
6.2.7 Negative Amounts	Negative (or loss) monetary amount entries should be enclosed in brackets, or signed minus, to assist in the accurate computation and input of form data. On many official forms the Service preprints brackets in selected negative data fields, and these designations should be retained or inserted on affected substitute forms.

Chapter 7

OCR Forms

Section 7.1 - Special Form 1040EZ Optical Character Recognition/Image Character Recognition (OCR/ICR) Requirements

7.1.1 Form 1040EZ Designed in OCR/ICR Format	The Form 1040EZ is designed in OCR/ICR format. The IRS has the capability to machine read this form by optical character recognition/image character recognition (OCR/ICR) equipment. Form 1040EZ data may also be filed electronically or on a 1040PC format return. An acceptable substitute OCR/ICR Form 1040EZ must generally be an exact replica of the official OCR/ICR reproduction proof with respect to layout, content, and required OCR/ICR characteristics.
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7.1.2 Paper Requirements for OCR/ICR Form 1040EZ

The special paper requirements which must be met for the development of a substitute (privately printed) OCR/ICR Form 1040EZ include the following:

Property	Requirements
Color and quality of paper	Paper must be white, OCR/ICR grade bond, with no fluorescent additives or water marks, and with zero rag content.
Reflectivity of paper	Must be 80% or greater.
Opacity	The paper opacity ratio must be 80% or more.
Paper Weight	Specified paper weight is 20 lb. OCR/ICR bond (.0035”).
Dirt	Must not exceed 10 parts per million.
Finish (smoothness)	Must be between 90 and 160 units (Sheffield).
Porosity	Paper should have a Gurley reading between 15 and 95.
Gloss	Paper with shiny or lustrous appearance (glossy) should be avoided.
Size	Form trim size must be 8” x 11”.

7.1.3 Specific Ink Requirements

The specific ink requirements which must be met for this form include the following:

Property	Requirements
Print Color	The face of the form prints in black and green, the back prints in black only (70 % screen).
Ink	Green ink used must be highly reflective OCR/ICR type, such as Flint J-27975, or an exact match. Black ink used must be non-reflective.
Face Registration	Black to green must be .02” (plus or minus) both horizontally and vertically.
Face Screen	Forms contain a green-screened background equal to a 15% tone of 110-line screen. Follow registration marks on repro-proof for screen positioning. Handprinted boxes are included on Page 1 of the reproduction proof and should be printed as a 50% value of the recommended OCR/ICR green ink. Inks used for handprinted boxes must reflect at least 90% of the background on which it is printed as measured in the visible range.
Face Margins	Approximately 2/6” head from top trimmed edge to screen (1/2” to black image). 1/6” outside from trimmed edges to screen.
Back Margins	1/2” head, 5/16” foot, and 5/16” sides.
Back Screen	Back copy should be screened for 70% tone value.

7.1.4 Typography	Type must be substantially identical in both size and shape with corresponding type on the official form reproduction proof.
7.1.5 Proper Alignment and Position of Handprinted Characters	To assure proper alignment and position of handprinted characters representing return lines 1 through 10 tax data, they must be handprinted (entered) into the preprinted amount field boxes on the form. A #2 lead wooden pencil, or blue, and/or black ink pen (ball point, fountain, or felt-tipped) is recommended as the writing tool that will consistently provide the required stroke width and print contrast on entered characters.
7.1.6 Reading of Handprinted Character Techniques	<p>Reading of handprinted characters requires adherence to the following techniques:</p> <ul style="list-style-type: none"> • Enter numeric amount digits carefully and clearly. Fill at least 2/3 of the individual character box height, keeping the character within the box with no overlapping or touching characters. Specific required constraints are shown below. • When entering “fours”, keep the top open. • When entering “ones”, do not use serifs. • When entering “twos”, do not add extra loops. • All character lines must be connected with no gaps.
7.1.7 Note:	All the general and detailed provisions of this revenue procedure apply (in addition to this specific OCR/ICR Section) to the development of substitute OCR/ICR Forms 1040EZ.

Section 7.2 - Computer-Generated Alternative Returns, 1040PC Format Return

7.2.1 Introduction	The Internal Revenue Service offers an electronic approach for filing individual income tax returns. The 1040PC Format Return is an alternative to the conventional preprinted tax return. The 1040PC is an answer sheet return, generated on a personal computer in a three-column format, that prints only tax data that is input into the software. Tax returns are filed by tax preparers and taxpayers using commercially available tax preparation software packages that include the 1040PC Format Return print option.
7.2.2 1040PC Format Returns	1040PC Format Returns are computer-prepared, printed on plain white paper, signed and mailed to the designated processing center, and processed like any other conventionally filed return.
7.2.3 Software Packages Must Be Purchased	Preparers, or taxpayers, must purchase IRS-accepted tax preparation software packages that include the 1040PC print option. All that is necessary to participate in 1040PC is a personal computer, accepted software, a printer, and plain white paper. The 1040PC is attractive to tax preparers and taxpayers who might not be interested or capable of electronic filing.
7.2.4 Options Available to Taxpayers	The Direct Deposit option is available to taxpayers filing 1040PC returns. Balance due returns may also be filed using 1040PC. The payment may be forwarded to the Service Center with a separate payment voucher (Form 1040-V).
7.2.5 Use of the 1040PC Program	All software used to generate the 1040PC Format Return must be tested and accepted by the Internal Revenue Service. Testing will validate 1040PC returns generated by the software and that the software program is in compliance with validity and consistency checks in the IRS 1040PC project specifications. Software developers who wish to participate in the 1040PC program must submit Form 9356, Application for Software Developers to Participate in the 1040PC Answer Sheet for Individual Income Tax Returns, to the 1040PC Filing Section.
7.2.6 Acceptance Code	Upon successful completion of software acceptance testing, the software developer will be issued a software acceptance code that will be embedded into the software and print on every 1040PC return generated. This is not the same as the Source Code issued by the Substitute Forms Program or the approval number which is generated for OCR Scannable Application Forms for Employee Plans.
7.2.7 References/ Information on the 1040PC Format Return	The Internal Revenue Service believes that 1040PC will prove beneficial to taxpayers, tax preparers, and the Service. For specific information about the alternative computer-generated 1040PC Format Return, refer to Publication 1678, Project 1040PC, Handbook for 1040PC Format Preparers and Publication 1630, Project 1040PC, Specifications for Software Developers. You may also call (202) 283-0823 or write:

Section 7.3 - OCR Scannable Application Forms for Employee Plans

7.3.1 OCR Scannable Documents

Forms 4461, 4461-A, 4461-B, 5300, 5303, 5307, 5310-A, 5310-A, and 6406 are OCR scannable documents submitted to key district offices for employee plans matters. They may be submitted as computer-generated substitute forms if the requirements of this section are satisfied.

7.3.2 OCR Data Sheet Requirements

An OCR data sheet must be generated according to the following requirements:

- Set at least 1" margin at top, bottom, and both sides.
 - A data element consists of a less than sign (delimiter), information or at least 5 blank spaces, and a greater than sign (delimiter). All data elements from page one of the application forms listed above must be printed on the OCR data sheet, even if no information is entered between the delimiters.
 - Each data element must start at the left margin.
 - One line for each data field, except for employer and plan name fields which may be two lines. However, only one set of delimiters may bracket the field, even if the field is on two lines.
 - Each data element must appear on the OCR data sheet in the same sequence as printed on the preprinted form, reading top to bottom and from left to right.
 - Each data field must be sequentially numbered at left commencing with 1. See Notice 90-38 for examples of the acceptable format.
 - The data sheet must be printed on 8 1/2" x 11" white nonrecycled paper suitable for use with printing equipment and duplicating machines. A photocopy is not acceptable. Heavyweight bond paper and onion skin paper are not acceptable.
 - Use 10 pitch type in a standard business font (e.g., courier, elite, pica).
 - Add at least two spaces before and after each less than and greater than sign (delimiters).
 - Do not fold or staple the OCR data sheet. It may remain loose, or be paper or spring clipped to the application.
 - At the top of the OCR data sheet add the heading "OCR Data Sheet, File With Application Form (Enter Form Number), Approval Number" (leave nine spaces for approval number).
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7.3.3 Where To Send OCR Data Sheet for Approval

The OCR data sheet must be submitted for approval to EP OCR Forms Coordinator, OP:E:EP:FC, Room 2232, 1111 Constitution Ave., NW, Washington, DC 20224.

7.3.4 Submission Requirements

The OCR data sheet must be submitted with a complete word-for-word identical copy of the application form except as described below. This copy may be a photocopy or a computer-generated substitute form. Computer-generated substitute forms may be submitted for approval to the address above. However, except for the OCR data sheet, such approval is not required if the requirements of this revenue procedure are satisfied. If approval is requested, leave nine spaces for the approval number above the OMB approval number.

7.3.5 Procedures for Filing the OCR Data Sheet

The OCR data sheet replaces the first copy of page 1 of the application which must otherwise be submitted in duplicate. To avoid confusion when generating the OCR data sheet, the following wording should be deleted from page 1 of the application: "File page 1 of the form in duplicate" and "Both copies of this page must be signed". If the Procedural Requirements Checklist is being generated, the following line item statements should be modified as indicated. The question "Has page one been submitted in duplicate" should be modified to read, "Have you submitted the OCR data sheet?", and the question "Have you signed both copies of page 1 of the application?" should be modified to read "Have you signed the application?"

7.3.6 Nonscannable EP Application Forms

Nonscannable EP application forms, e.g., Form(s) 5305 and 5306, may be computer generated. They need not be submitted for approval if the requirements of this revenue procedure are satisfied. If approval is desired, these forms may be submitted to the Substitute Forms Coordinator.

Chapter 8

Miscellaneous Forms and Programs

Section 8.1 - Paper Substitutes for Form 1042-S

8.1.1 Paper Substitutes

Paper substitutes for Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, that totally conform to the specifications contained in this procedure may be privately printed without prior approval from the Internal Revenue Service. Proposed substitutes not conforming to these specifications must be submitted for consideration.

8.1.2 Timeframe for Submission of Form 1042-S

The request should be submitted by November 15 of the year prior to the year the form is to be used. This is to allow the Service adequate time to respond and the submitter adequate time to make any corrections. These requests should contain a copy of the proposed form, the need for the specific deviation(s), and the number of information returns to be printed.

8.1.3 Revisions

Form 1042-S is subject to annual review and possible change. Withholding agents and form suppliers are cautioned against overstocking supplies of the privately printed substitutes.

8.1.4 Obtaining Copies

Copies of the official form for the reporting year may be obtained from most Service offices. The Service provides only cut sheets (no carbon interleaves) of these forms. Continuous fan-fold/pin-fed forms are not provided.

8.1.5 Instructions For Withholding Agents

Instructions for withholding agents:

- Only original copies may be filed with the Service. Carbon copies and reproductions are not acceptable.
- The term "Recipient's U.S. taxpayer identification number" for an individual means the social security number (SSN) or individual taxpayer identification number (ITIN), consisting of nine digits separated by hyphens as follows: 000-00-0000. For all other recipients, the term means employer identification number (EIN). The EIN consists of nine digits separated by hyphen as follows: 00-0000000. The taxpayer identification number (TIN) must be in one of these formats.
- Withholding agents are requested to type or machine print whenever possible, provide quality data entries on the forms (that is, use black ribbon and insert data in the middle of blocks well separated from other printing and guidelines), and take other measures to guarantee a clear, sharp image. Withholding agents are not required, however, to acquire special equipment solely for the purpose of preparing these forms.
- The "VOID" and "CORRECTED" boxes must be printed at the bottom left corner of the form, and checked if applicable.
- Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single form before they are filed with the Service. The dimensions are found below. Computer cards are acceptable provided they meet all requirements regarding layout, content, and size.

8.1.6 Substitute Forms Format Requirements

Property	Substitute Forms Format Requirements
Printing	Privately printed substitute Forms 1042-S must be exact replicas of the official forms with respect to layout and contents. Only the dimensions of the substitute form may differ and the printing of the Government Printing Office symbol must be deleted. The exact dimensions are found below.
Line Entries	Line 1 must be present, line 2 may be omitted if it is not needed. If line 2 is omitted, also omit line 3.
Columns	None of the columns can be omitted. Each column (a through h) must be present and in the exact order. The column for each payment amount must contain the appropriate caption.

Property	Substitute Forms Format Requirements
Color Quality of Paper	<ul style="list-style-type: none"> • Paper For Copy A must be white chemical wood bond, or equivalent, 20 pound (basis 17 x 22-500), plus or minus 5 percent; or offset book paper, 50 pound (basis 25 x 38-500). No optical brighteners may be added to the pulp or paper during manufacture. The paper must consist of principally bleach chemical woodpulp or recycled printed paper. It also must be suitably sized to accept ink without feathering.
	<ul style="list-style-type: none"> • Copies B, C, D (for Recipient), and E (For Withholding Agent) are provided in the official assembly solely for the convenience of the withholding agent. Withholding agents may choose the format, design, color and quality of the paper used for these copies.
Color and Quality of Ink	All printing must be in a high quality non-gloss black ink. Bar codes should be free from picks and voids.
Typography	Type must be substantially identical in size and shape to corresponding type on the official form. All rules on the document are either 1 point (0.015”) or 3 point (0.045”). Vertical rules must be parallel to the left edge of the document; horizontal rules, parallel to the top edge.
Dimensions	<ul style="list-style-type: none"> • The official form is 8” wide x 5-1/2” deep, exclusive of a _ snap stub on the left side of the form. The snap feature is not required on substitutes. • The width of a substitute Copy A must be a minimum of 7” and a maximum of 8”, although adherence to the size of the official form is preferred. If the width of substitute Copy A is reduced from that of the official form, the width of each field on the substitute form must be reduced proportionately. The left margin must be 1/2” and free of all printing other than that shown on the official form. • The depth of a substitute Copy A must be a minimum of 5 1/6” and a maximum of 5 1/2”.
Carbons	Carbonized forms or “spot carbons” are not permissible. Interleaved carbons, if used, must be of good quality to preclude smudging and should be black.
Other Copies	Copies B, C, and D are required to be furnished for the convenience of payees who are required to send a copy of the form with other federal and state returns they file. Copy E may be desired as a withholding agent’s record/copy.
Assembly	If all five parts are present, the parts of the assembly shall be arranged from top to bottom as follows: Copy A (Original) “For Internal Revenue Service,” Copies B, C, and D “For Recipient,” and Copy E “For Withholding Agent.”

Section 8.2- Specifications for Filing Substitute Schedules K-1

8.2.1 Schedule K-1 Requirements

Prior approval is NOT required for a substitute Schedule K-1 that accompanies Form 1065 (for partnership), a Form 1120S (for small business corporation), or a Form 1041 (for fiduciary) when the substitute Schedule K-1 meets all of the following requirements.

- The Schedule K-1 must contain the payer and recipient's name, address and SSN/EIN.
- The Schedule K-1 must contain all the items required for use by the taxpayer.
- The line items must be in the same order and arrangement as those on the official form.
- Each taxpayer's information must be on a separate sheet of paper. Therefore, all continuously printed substitutes must be separated, by taxpayer, before filing with the Service.
- Schedule K-1 for recipients must have instructions for required line items attached.
- You may be subject to penalties if you file Schedules K-1 with the Service and furnish Schedules K-1 to partners, shareholders, or beneficiaries that do not conform to the specifications of this revenue procedure.
- The amount of each partner's shareholder's or beneficiary's share of each line item must be shown. The furnishing of a total amount of each line item and a percentage (or decimal equivalent) to be applied to such total amount by the partner, shareholder, or beneficiary does not satisfy the law and the specifications of this revenue procedure.
- If you file Schedules K-1 not conforming to the above specifications, IRS may consider these as not processable and return them to you to be filed correctly. You may also be subjected to the penalty as mentioned.

Section 8.3 - Procedures for Printing Internal Revenue Service Envelopes

8.3.1 Procedures for Printing IRS Envelopes

Organizations are permitted to produce substitute tax return envelopes. Use of substitute return envelopes that comply with the requirements set forth in this section will assist in delivery of mail by the U.S. Postal Service and facilitate internal sorting once the envelopes are received at the Internal Revenue Service Centers.

The permanent five-digit ZIP codes must be utilized when mailing returns to the prescribed service center:

Service Center	Zip Code
Atlanta, GA	39901
Kansas City, MO	64999
Austin, TX	73301
Philadelphia, PA	19255
Memphis, TN	37501
Andover, MA	05501
Cincinnati, OH	45999
Holtsville, NY	00501
Ogden, UT	84201
Fresno, CA	93888

8.3.2 Sorting of Returns by Form Type

The sorting of returns by form type is accomplished by the preprinted bar codes on return envelopes that are included in each specific type of form or package mailed to the taxpayer. The 32 bit bar code located to the left of the address on each envelope identifies the type of form that person is filing and assists the Service in consolidating like returns for processing. Failure to use the envelopes furnished by the Service results in additional processing time and effort, and possibly delays the timely deposit of funds, processing of returns, and issuance of refund checks.

8.3.3 Sorting of Returns by ZIP+4 or 9 Digit ZIP Codes

The Internal Revenue Service will not furnish or sell bulk quantities of preprinted tax return envelopes to taxpayers or tax practitioners. A suitable alternative has been developed that will accommodate the sorting needs of both the IRS and the U.S. Postal Service. The new alternative is based on the use of

ZIP + 4 or 9 digit ZIP codes for mailing various types of tax returns to the different area service centers. Essentially, the Postal Service will utilize the last four digits to identify and sort the various form types into separate groups for processing. The list of add-on four digits or + 4 portion of the 9 digit ZIP codes with the related form designations is provided below and is to become a permanent part of the five digit service center ZIP codes shown above.

8.3.4 Add-on Four Digits or + 4 Portion of the 9 Digit ZIP Codes

Form ZIP + FOUR	Package
XXXXX-0001	Reserved
XXXXX-0102	1040
XXXXX-0005	941
XXXXX-0046	940
XXXXX-0018	943
XXXXX-0011	1065
XXXXX-0012	1120
XXXXX-0013	1120S
XXXXX-0014	1040EZ
XXXXX-0015	1040A
XXXXX-0020	5500-CR
XXXXX-0024	5500EZ
XXXXX-0027	990
XXXXX-0031	2290
XXXXX-0044	5500

8.3.5 Changes Involving EPMF Forms (Plan Year 1999)

Beginning July 1, 2000, all Forms 5500 and 5500-EZ (for the 1999 plan year) will be processed by the Pension and Welfare Benefits Administration (PWBA), an agency of the Department of Labor. In addition, Form 5500-C/R has been obsoleted for plan year 1999. Forms 5500 and 5500-EZ should be filed as follows:

If the plan year is ...	Then file the form with ...
1999 even if the form used is a prior year form	The PWBA. See the instructions for Forms 5500 and 5500-EZ for the mailing addresses. Do not use the tables in paragraphs 8.3.1 or 8.3.4.
1998 or earlier	The Internal Revenue Service using the tables in paragraphs 8.3.1 and 8.3.4.

Forms 5500 and 5500-EZ for plan year 1999 will be printed in green drop-out ink. While it is not setting up a program to approve substitute (non-standard) forms, PWBA has announced that it will not reject during the first processing year any 1999 annual return/report filing submitted on an unofficial computer generated version of the form. They have however established the following criteria:

- The form should be the same size as the hand-print form.
- The layout on each page should be the same as the layout on the approved hand-print form.
- There should be no addition or deletion of words, and no misspellings or abbreviations (other than exact duplication of abbreviations on the approved form).
- The font size, spacing, and boxes on the form should be substantially the same as those used on the approved hand-print form.

Additional information is available on the PWBA website, <http://www.efast.dol.gov>.

8.3.6 Reproducible Program Is Abolished	The Reproducible Program that in past years supplied the envelope Reproduction Proofs was abolished September 30, 1996. The IRS will no longer provide camera copy to practitioners for the production of envelopes. Practitioners must develop their own camera copy.
8.3.7 Guidelines for Having Envelopes Preprinted	Use of preparer company names, addresses, and logos is permissible as long as prescribed clear areas are not invaded. The government recommends that the envelope stock have an average opacity not less than 89 percent and contain a minimum of 50 percent waste paper. Use of carbon-based ink is essential for effective address and bar code reading. Envelope construction can be of side seam or diagonal seam design. The government recommends that the size of the envelope should be 5-3/4" by 9". Continuous pin-fed construction is not desirable but is permissible if the glued edge is at the top. This requirement is firm because mail opening equipment is designed to slice or otherwise open the bottom edge of each envelope.
8.3.7 Envelopes/ Zip Codes	The above procedures or guidelines are written for the user having envelopes preprinted. Many practitioners may not wish to have volumes of the different envelopes with differing ZIP codes/form designations preprinted for reasons of low volume, warehousing, waste, etc. In this case, the practitioner can type or machine print the addresses with the appropriate ZIP codes to accommodate sorting. If the requirements/guidelines outlined in this section cannot be met, then use of only the appropriate five digit service center ZIP code is needed.

Section 8.4 - Procedures for Substitute Form 5471 and Form 5472

8.4.1 Form 5471 and Form 5472	<p>This section covers instructions for producing substitutes for:</p> <ul style="list-style-type: none"> • Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations, and accompanying Schedules J, M, N, and O. • Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business (Under Sections 6038A and 6038C of the Internal Revenue Code).
8.4.2 Paper and Computer-Generated Substitutes	Paper and computer-generated substitutes for Form 5471 and the accompanying Schedules J, M, N, and O, and Form 5472 that totally conform to the specifications contained in this procedure may be privately printed, but must have prior approval and are subject to annual review from the Internal Revenue Service.
8.4.3 Official Forms Can Be Obtained From Most Service Offices	Copies of the official forms for the reporting year may be obtained from most Service offices. The Service provides only cut sheets of these forms. Continuous fan-folded/pin-fed forms are not provided.
8.4.4 Quality Substitute Forms	The Service will accept quality substitute tax forms that are consistent with the official forms they represent AND that do not have an adverse impact on our processing. Therefore, only those substitute forms that conform to, and do not deviate from, the corresponding official forms are acceptable.
8.4.5 Computer-Prepared Tax Forms	If the substitute returns and schedules meet the guidelines prescribed herein, the Service will (for filing purposes) accept computer-prepared Forms 5471 and 5472 filled in by a computer, word processing equipment or similar automated equipment or a combination of computer-prepared/generated and filled in information. They may be filed separately or attached to individual or business income tax returns.
8.4.6 Format Arrangement	<p>The specifications for Form 5471 and 5472 are as follows:</p> <ul style="list-style-type: none"> • The substitute must follow the design of the official form as to format, arrangement, item caption, line numbers, line references, and sequence. It must be an exact textual and graphic MIRROR image of the official form for it to be acceptable. • The filer must use one of the official ten character amount formats. All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present. It must follow a consistent format. • The reference code must be printed to the left of the corresponding captioned line and also immediately preceding the data entry field EVEN if there is no reference code preceding the data entry field on the official form. The reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There also must be at least two blank spaces between the period or the right parenthesis and the first digit of the data field.

- The size of the page must be the same as the official form (8 1/2" x 11").
- The acceptable type is "Helvetica".
- The spacing of the type must be 6 lines/inch vertical, 10 or 12 print characters per inch horizontally.
- A 1/2 to 1/4" margin must be maintained across the top, bottom, and both sides (exclusive of any pin-fed holes).
- The substitute form must be of the same number of pages as the official one.
- The preprinted brackets in the money fields should be retained.
- The filer must COMPLETELY fill in all the specified numbers or referenced lines as they appear on the official form (not just totals) BEFORE attaching any supporting statement.
- Supporting statements are NEVER to be used until the required official form they support are first totally filled in (completed). A blank or incomplete form that refers to a supporting statement, in lieu of completing a tax return, is unacceptable.
- Descriptions for captions, lines, etc., appearing in the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient key words must be retained to permit ready identification of the caption, line, or item.
- Text prescribed for the official form, which is solely instructional in nature, e.g., "Attach this schedule to Form 1040", "See instruction", etc., may be omitted from the form.

8.4.7 Filing Instructions

Instructions for filing substitute forms are the same as for filing official forms.

Chapter 9

Alternative Methods of Filing

Section 9.1 - Forms for Electronically Filed Returns

9.1.1 Electronic Filing Program

Electronic filing is a method by which qualified filers transmit tax return information directly to an IRS Service Center over telephone lines in the format of the official Internal Revenue Service forms. The Service accepts both refund and balance due individual tax returns that are filed electronically.

9.1.2 Applying for the Electronic Filing Program

Anyone wishing to participate in the IRS e-File program for individual income tax returns must submit a Form 8633, Application To Participate in the IRS *e-file* Program. (**Note:** For business returns, prospective participants must submit a Form 9041, Application For Electronic/Magnetic Media Filing of Business and Employee Benefit Plan Returns.)

9.1.3 Mailing Instructions

If an application filed is...	Then mail it to:
Form 8633 for Individual Income Taxes (regular mail)	Internal Revenue Service Andover Service Center Attn: EFU Acceptance - Stop 983 P.O. Box 4099 Woburn, MA 01888-4099
Form 8633 for Individual Income Taxes (overnight mail)	Internal Revenue Service Andover Service Center Attn: EFU Acceptance -Stop 983 310 Lowell Street Andover, MA 05501
Form 9041 for Forms 1065	Internal Revenue Service Andover Service Center Attn: EFU Acceptance - Stop 983 P.O. Box 4050 Woburn, MA 01888-4050
Form 9041 for Forms 1041	Internal Revenue Service Philadelphia Service Center Attn: DP 115 11601 Roosevelt Blvd. Philadelphia, PA 19154

Form 9041 for Forms 5500 and 5500-EZ	Internal Revenue Service Attn: EFU (EPMF), Stop 261 P.O. Box 30309, A.M.F. Memphis, TN 38310
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9.1.4 Obtaining the Taxpayer Signature

The taxpayer signature does not appear on the electronically transmitted tax return and is obtained by the qualified electronic filer on Form 8453, U. S. Individual Income Tax Declaration for an IRS *e-file* Return, for Forms 1040, 1040A, and 1040EZ. Form 8453, which serves as a transmittal for the associated non electronic (paper) documents, such as Forms W-2, W-2G, and 1099-R, is a one-page form and can only be approved through the Substitute Forms Program in that format. Forms 8453-OL and 8453-NR serve the same purpose for taxpayers filing through online services and Form 1040-NR filers, respectively. For specific information about electronic filing, refer to Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns. (**Note:** For business returns, the electronic/magnetic media participants must use the official Form 8453-E, F or P, or an approved substitute that duplicates the official form in language, format, content, color, and size.)

9.1.5 Guidelines for Preparing Substitute Forms in the Electronic Filing Program

A participant in the electronic filing program who wants to develop a substitute form should follow the guidelines for preparing substitute forms throughout this publication, and send a sample of the form for approval to the Substitute Forms Coordinator at the address in Chapter 2. Forms 8453 prepared using a font where all IRS-approved wording will not fit on a single page will not be accepted as a substitute form. This applies primarily to dot-matrix printers, although forms prepared similarly on laser and inkjet printers will also be rejected. **PLEASE NOTE:** Use of unapproved forms could result in suspension of the participant from the electronic filing program.

Section 9.2 - FTD Magnetic Tape Payments

9.2.1 Instructions for Reporting Agents

Publication 1315 provides the requirements and instructions for reporting agents who submit Federal Tax Deposits (FTD) payment information on magnetic tape. Magnetic tape submissions for FTD can be made for Forms 940, 941, 942, 943, 720, CT-1, 990-PF, 990-T, 990-C, 1042, and 1120,

9.2.2 Instructions for Banks and Fiduciaries

Revenue Procedure 89-49 (Pub. 1374) provides the requirements and instructions for certain banks and fiduciaries to submit quarterly Form 1041-ES payments on magnetic tape through the Federal Tax Deposit (FTD) system.

Section 9.3 - Effect on Other Documents

9.3.1 Effect on Other Documents

This revenue procedure supersedes Revenue Procedure 98-65, I.R.B. 1998-52.

Exhibit A-1 (Preferred Format)

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

1999

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

(Schedule B is on back)

▶ **Attach to Form 1040.** ▶ See Instructions for Schedules A and B (Form 1040).

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
1	Medical and dental expenses (see page A-1)	1			
2	Enter amount from Form 1040, line 34. 2				
3	Multiply line 2 above by 7.5% (.075)	3			
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	
Taxes You Paid	5 State and local income taxes	5			
(See page A-2.)	6 Real estate taxes (see page A-2)	6			
	7 Personal property taxes	7			
	8 Other taxes. List type and amount ▶	8			
	9 Add lines 5 through 8			9	
Interest You Paid	10 Home mortgage interest and points reported to you on Form 1098	10			
(See page A-3.)	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶	11			
	12 Points not reported to you on Form 1098. See page A-3 for special rules	12			
Note. Personal interest is not deductible.	13 Investment interest. Attach Form 4952 if required. (See page A-3.)	13			
	14 Add lines 10 through 13			14	
Gifts to Charity	15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4	15			
If you made a gift and got a benefit for it, see page A-4.	16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You MUST attach Form 8283 if over \$500	16			
	17 Carryover from prior year	17			
	18 Add lines 15 through 17			18	
Casualty and Theft Losses	19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.)			19	
Job Expenses and Most Other Miscellaneous Deductions	20 Unreimbursed employee expenses—job travel, union dues, job education, etc. You MUST attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶	20			
(See page A-5 for expenses to deduct here.)	21 Tax preparation fees	21			
	22 Other expenses—investment, safe deposit box, etc. List type and amount ▶	22			
	23 Add lines 20 through 22	23			
	24 Enter amount from Form 1040, line 34. 24	24			
	25 Multiply line 24 above by 2% (.02)	25			
	26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-			26	
Other Miscellaneous Deductions	27 Other—from list on page A-6. List type and amount ▶			27	
Total Itemized Deductions	28 Is Form 1040, line 34, over \$126,600 (over \$63,300 if married filing separately)?			28	
	<input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 36. } . ▶				
	<input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. }				

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 1999

Exhibit A-2 (Acceptable Format)

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

1999

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.		
1	Medical and dental expenses (see page A-1)	1	
2	Enter amount from Form 1040, line 34. 2	3	
3	Multiply line 2 above by 7.5% (.075)	3	
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	
Taxes You Paid	5 State and local income taxes	5	
	6 Real estate taxes (see page A-2)	6	
(See page A-2.)	7 Personal property taxes	7	
	8 Other taxes. List type and amount ▶	8	
	9 Add lines 5 through 8	9	
Interest You Paid	10 Home mortgage interest and points reported to you on Form 1098	10	
(See page A-3.)	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶	11	
	12 Points not reported to you on Form 1098. See page A-3 for special rules	12	
Note. Personal interest is not deductible.	13 Investment interest. Attach Form 4952 if required. (See page A-3.)	13	
	14 Add lines 10 through 13	14	
Gifts to Charity	15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4	15	
If you made a gift and got a benefit for it, see page A-4.	16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You MUST attach Form 8283 if over \$500	16	
	17 Carryover from prior year	17	
	18 Add lines 15 through 17	18	
Casualty and Theft Losses	19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.)	19	
Job Expenses and Most Other Miscellaneous Deductions	20 Unreimbursed employee expenses—job travel, union dues, job education, etc. You MUST attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶	20	
(See page A-5 for expenses to deduct here.)	21 Tax preparation fees	21	
	22 Other expenses—investment, safe deposit box, etc. List type and amount ▶	22	
	23 Add lines 20 through 22	23	
	24 Enter amount from Form 1040, line 34. 24	25	
	25 Multiply line 24 above by 2% (.02)	25	
	26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-	26	
Other Miscellaneous Deductions	27 Other—from list on page A-6. List type and amount ▶	27	
Total Itemized Deductions	28 Is Form 1040, line 34, over \$126,600 (over \$63,300 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 36. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.	28	

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 1999

SSN _____

MEDICAL AND DENTAL EXPENSES**

- 1 Medical and dental expenses.....(1) _____
- 2 Amount from Form 1040, line 32.....(2) _____
- 3 Multiply line 2 by 7.5% (.075).....(3) _____
- 4 Subtract line 3 from line 1, not less than zero.....(4) _____

TAXES YOU PAID**

- 5 State and local income taxes.....(5) _____
- 6 Real estate taxes.....(6) _____
- 7 Personal property taxes.....(7) _____
- 8 Other taxes. List type and amount.

.....(8) _____
- 9 Add lines 5 thru 8.....(9) _____

INTEREST YOU PAID**

- 10 Home mortgage interest and points reported
to you on Form 1098.....(10) _____
- 11 Home mtg. int. not reported on Form 1098. If to
seller, person's name, I.D. No., and address:

.....(11) _____
- 12 Points not reported to you on Form 1098.....(12) _____
- 13 Investment interest. Att. Form 4952 if req.....(13) _____
- 14 Add lines 10 thru 13.....(14) _____

GIFTS TO CHARITY**

- 15 Gifts by cash or check.....(15) _____
- 16 Other than cash or check. If over \$500,
you MUST attach Form 8283.....(16) _____
- 17 Carryover from prior year.....(17) _____
- 18 Add lines 15 thru 17.....(18) _____

CASUALTY AND THEFT LOSSES**

- 19 Casualty or theft loss(es) from Form 4684.....(19) _____

JOB EXPENSES & MOST OTHER MISCELLANEOUS DEDUCTIONS**

- 20 Unreim employee exp. (Form 2106) _____

.....(20) _____
- 21 Tax preparation fees.....(21) _____
- 22 Other expenses:

.....(22) _____
- 23 Add lines 20 thru 22.....(23) _____
- 24 Amount from Form 1040, line 32.....(24) _____
- 25 Multiply line 24 by 2% (.02).....(25) _____
- 26 Subtract line 25 from line 23, not less than zero.....(26) _____

OTHER MISCELLANEOUS DEDUCTIONS**

-(27) _____

TOTAL ITEMIZED DEDUCTIONS**

- 28 If Form 1040, line 32 is more than \$114,700 (\$57,350 MFS),
see page A-5. Else add right column of lines 4-27.....(28) _____

D260 For Paperwork Reduction Act Notice, see Form 1040 Instruction.

EXHIBIT L-1 - LIST OF FORMS REFERRED TO IN REVENUE PROCEDURE

<u>FORM</u>	<u>TITLE</u>
706	United States Estate (and Generation-Skipping Transfer) Tax Return
720	Quarterly Federal Excise Tax Return
940	Employer's Annual Federal Unemployment (FUTA) Tax Return
940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return
941	Employer's Quarterly Federal Tax Return
941 Sch. B	Employer's Record of Federal Tax Liability
943	Employer's Annual Tax Return for Agricultural Employees
945	Annual Return of Withheld Federal Income Tax
945-A	Annual Record of Federal Tax Liability
990-C	Farmers' Cooperative Association Income Tax Return
990-PF	Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation
990-T	Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))
1040	U.S. Individual Income Tax Return
1040-ES	Estimated Tax for Individuals
1040A	U.S. Individual Income Tax Return
1040EZ	Income Tax Return for Single and Joint Filers with No Dependents
1040-NR	U.S. Nonresident Alien Income Tax Return
1040PC	1040PC Format U.S. Individual Income Tax Return
1041	U.S. Income Tax Return for Estates and Trusts
1041-ES	Estimated Income Tax for Estates and Trusts
1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons
1042-S	Foreign Person's U.S. Source Income Subject to Withholding
1065	U.S. Partnership Return of Income
1096	Annual Summary and Transmittal of U.S. Information Returns
1098	Mortgage Interest Statement
1099-A	Acquisition or Abandonment of Secured Property
1099-B	Proceeds from Broker and Barter Exchange Transactions
1099-C	Cancellation of Debt
1099-DIV	Dividends and Distributions
1099-G	Certain Government and Qualified State Tuition Payments
1099-INT	Interest Income
1099-MISC	Miscellaneous Income
1099-OID	Original Issue Discount
1099-PATR	Taxable Distributions Received from Cooperatives

EXHIBIT L-1 - LIST OF FORMS REFERRED TO IN REVENUE PROCEDURE
(continued)

1099-R	Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, Etc.
1099-S	Proceeds from Real Estate Transactions
1120	U.S. Corporation Income Tax Return
2290	Heavy Vehicle Use Tax Return
3468	Investment Credit
3975	Tax Professionals Annual Mailing List Application and Order Blank
4136	Credit for Federal Tax Paid on Fuels
4461	Application for Approval of Master or Prototype and Regional Prototype Defined Contribution Plan
4461-A	Application for Approval of Master or Prototype and Regional Prototype Defined Benefit Plan
4461-B	Application for Approval of Master or Prototype Plan, or Regional Prototype Plan (Mass Submitter Adopting Sponsor)
5300	Application for Determination for Employee Benefit Plan
5303	Application for Determination for Collectively Bargained Plan
5305	Individual Retirement Trust Account
5306	Application for Approval of Prototype or Employer Sponsored Individual Retirement Account
5307	Application for Determination for Adopters of Master or Prototype, Regional Prototype or Volume Submitter Plans
5310	Application for Determination Upon Termination
5310-A	Notice of Plan Merger or Consolidation, Spinoff, or Transfer of Plan Assets or Liabilities; Notice of Qualified Separate Lines of Business
5498	Individual Retirement Arrangement Information
5500	Annual Return/Report of Employee Benefit Plan (With 100 or more participants)
5500 C/R	Return/Report of Employee Benefit Plan (With fewer than 100 participants)
5500-EZ	Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan
6406	Short Form Application for Determination For Minor Amendment of Employee Benefit Plan
8109	Federal Tax Deposit Coupon
8109-B	Federal Tax Deposit Coupon
8453	U. S. Individual Income Tax Declaration for an IRS e-file Return
8453-E	Employee Benefit Plan Declaration and Signature for Electronic/Magnetic Media Filing

EXHIBIT L-1 - LIST OF FORMS REFERRED TO IN REVENUE PROCEDURE
(continued)

8453-F	U.S. Estate or Trust Income Tax Declaration and Signature for Electronic and Magnetic Media Filing
8453-NR	U.S. Nonresident Alien Income Tax Declaration for Magnetic Media filing
8453-OL	U.S. Individual Income Tax Declaration for an <i>e-file</i> Online Return
8453-P	U.S. Partnership Declaration and Signature for Electronic and Magnetic Media Filing
8633	Application to Participate in the IRS <i>e-file</i> Program
9041	Application for Electronic/Magnetic Media Filing of Business and Employee Benefit Plan Returns
CT-1	Employer's Annual Railroad Retirement Tax Return
W-2	Wage and Tax Statement
W-2G	Certain Gambling Winnings
W-3	Transmittal of Income and Tax Statements

Listed Transactions

Notice 2000-15

Transactions that are the same as or substantially similar to transactions described in the list below have been determined by the Internal Revenue Service to be tax avoidance transactions and are identified as “listed transactions” for purposes of § 1.6011-4T(b)(2) of the Temporary Income Tax Regulations and § 301.6111-2T(b)(2) of the Temporary Procedure and Administration Regulations. As a result, corporate taxpayers may need to disclose their participation in these listed transactions as prescribed in § 1.6011-4T, and promoters (or other persons responsible for registering tax shelter transactions) may need to register such transactions under § 301.6111-2T. In addition, promoters must maintain lists of investors with respect to these listed transactions pursuant to § 301.6112-1T.

(1) Rev. Rul. 90-105, 1990-2 C.B. 69 (transactions in which taxpayers claim deductions for contributions to a qualified cash or deferred arrangement or matching contributions to a defined contribution plan where the contributions are attributable to compensation earned by plan participants after the end of the taxable year);

(2) Notice 95-34, 1995-1 C.B. 309 (certain trust arrangements purported to qualify as multiple employer welfare benefit funds exempt from the limits of §§ 419 and 419A of the Internal Revenue Code);

(3) Notice 95-53, 1995-2 C.B. 334 (certain multiple-party transactions intended to allow one party to realize rental or other income from property or service contracts and to allow another party to report deductions related to that income (often referred to as “lease strips”));

(4) Transactions described in Part II of Notice 98-5, 1998-1 C.B. 334 (transactions in which the reasonably expected economic profit is insubstantial in comparison to the value of the expected foreign tax credits);

(5) Transactions substantially similar to those at issue in *ASA Investering v. Commissioner*, No. 98-1583 (D.C. Cir. Feb. 1, 2000) and *ACM Partnership v. Commissioner*, 157 F.3d 231 (3d Cir. 1998) (transactions involving contingent installment sales of securities by partnerships in order to accelerate and

allocate income to a tax-indifferent partner, such as a tax-exempt entity or foreign person, and to allocate later losses to another partner);

(6) Prop. Treas. Reg. § 1.643(a)-8 (transactions involving distributions described in

§ 1.643(a)-8 from charitable remainder trusts);

(7) Rev. Rul. 99-14, 1999-13 I.R.B. 3 (transactions in which a taxpayer purports to lease property and then purports to immediately sublease it back to the lessor (that is, lease-in/lease out or LILO transactions));

(8) Notice 99-59, 1999-52 I.R.B. 761 (transactions involving the distribution of encumbered property in which taxpayers claim tax losses for capital outlays that they have in fact recovered);

(9) Treas. Reg. § 1.7701(l)-3 (transactions involving fast-pay arrangements as defined in § 1.7701(l)-3(b)); and

(10) Rev. Rul. 2000-12, 2000-11 I.R.B. 744, dated March 13, 2000 (certain transactions involving the acquisition of two debt instruments the values of which are expected to change significantly at about the same time in opposite directions).

This notice is effective February 28, 2000, the date this notice was released to the public.

The principal author of this notice is Richard Castanon of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice contact Richard Castanon on (202) 622-3080 (not a toll-free call).

Differential Earnings Rate for Mutual Life Insurance Companies

Notice 2000-16

This notice publishes a tentative determination under § 809 of the Internal Revenue Code of the “differential earnings rate” for 1999 and the rate that is used to calculate the “recomputed differential earnings amount” for 1998. (The latter rate is referred to in this notice as the “recomputed differential earnings rate” for 1998.) These rates are used by mutual life insurance companies to calculate their federal income tax liability for taxable years beginning in 1999.

BACKGROUND

Section 809(a) provides that, in the case of any mutual life insurance company, the amount of the deduction allowable under § 808 for policyholder dividends is reduced (but not below zero) by the “differential earnings amount.” Any excess of the differential earnings amount over the amount of the deduction allowable under § 808 is taken into account as a reduction in the closing balance of reserves under subsections (a) and (b) of § 807. The “differential earnings amount” for any taxable year is the amount equal to the product of (a) the life insurance company’s average equity base for the taxable year multiplied by (b) the “differential earnings rate” for that taxable year. The “differential earnings rate” for the taxable year is the excess of (a) the “imputed earnings rate” for the taxable year over (b) the “average mutual earnings rate” for the second calendar year preceding the calendar year in which the taxable year begins. The “imputed earnings rate” for any taxable year is the amount that bears the same ratio to 16.5 percent as the “current stock earnings rate” for the taxable year bears to the “base period stock earnings rate.”

Section 809(f) provides that, in the case of any mutual life insurance company, if the “recomputed differential earnings amount” for any taxable year exceeds the differential earnings amount for that taxable year, the excess is included in life insurance gross income for the succeeding taxable year. If the differential earnings amount for any taxable year exceeds the recomputed differential earnings amount for that taxable year, the excess is allowed as a life insurance deduction for the succeeding taxable year. The “recomputed differential earnings amount” for any taxable year is an amount calculated in the same manner as the differential earnings amount for that taxable year, except that the average mutual earnings rate for the calendar year in which the taxable year begins is substituted for the average mutual earnings rate for the second calendar year preceding the calendar year in which the taxable year begins.

The stock earnings rates and mutual earnings rates taken into account under § 809 generally are determined by dividing statement gain from operations by the average equity base. For this purpose, the

term “statement gain from operations” means “the net gain or loss from operations required to be set forth in the annual statement, determined without regard to Federal income taxes, and ... properly adjusted for realized capital gains and losses....” See § 809(g)(1). The term “equity base” is defined as an amount determined in the manner prescribed by regulations equal to surplus and capital increased by the amount of nonadmitted financial assets, the excess of statutory reserves over the amount of tax reserves, the sum of certain other reserves, and 50 percent of any policyholder dividends (or other similar liability) payable in the following taxable year. See § 809(b)(2), (3), (4), (5) and (6). Section 1.809-10 of the Income Tax Regulations provides that the equity base includes both the asset valuation reserve and the interest maintenance reserve for taxable years ending after December 31, 1991.

Section 1.809-9(a) of the regulations provides that neither the differential earnings rate under § 809(c) nor the recomputed differential earnings rate that is used in computing the recomputed differential earnings amount under § 809(f)(3) may be less than zero.

Rev. Rul. 99-3, 1999-3 I.R.B. 4, provides that a life insurance subsidiary of a mutual holding company is not a mutual life insurance company for which the deduction for policyholder dividends is reduced pursuant to §§ 808(c)(2) and 809.

As described above, the differential earnings rate for 1999 and the recomputed differential earnings rate for 1998 affect the income and deductions reported by mutual life insurance companies on their federal income tax returns for the 1999 taxable year.

Data necessary to determine the tentative differential earnings rate for 1999 and the tentative recomputed differential earnings rate for 1998 have been compiled from returns filed by mutual life insurance companies and certain stock life insurance companies. The Internal Revenue Service is currently examining these returns. This examination will not be completed before the March 15, 2000, due date for filing 1999 calendar year returns.

NOTICE OF TENTATIVE RATES

This notice publishes a tentative determination of the differential earnings rate

for 1999 and of the recomputed differential earnings rate for 1998. This notice also publishes a tentative determination of the rates on which the calculation of the differential earnings rate for 1999 and the recomputed differential earnings rate for 1998 are based. The final determination of these rates is expected to be published before September 1, 2000.

The tentative determination of the differential earnings rate for 1999 and the tentative determination of the recomputed differential earnings rate for 1998 that are published in this notice should be used by mutual life insurance companies to calculate the amount of tax liability for taxable years beginning in 1999 (in the case of companies that file returns before publication of the final determination of these rates) or to calculate the amount of estimated unpaid tax liability for taxable years beginning in 1999 (in the case of companies that are allowed an extension of time to file returns). Companies that file returns before publication of the final determination of these rates should file amended returns after the final determination of these rates is published. If there is a failure to pay tax for a taxable year beginning in 1999 and the failure is attributable to a difference between (a) the tentative determination of the differential earnings rate for 1999 and recomputed differential earnings rate for 1998 and (b) the final determination of these rates, then any such failure through September 15, 2000, will be treated as due to reasonable

cause and will not give rise to any addition to tax under § 6651.

The tentative determination of the rates is set forth in Table 1.

DRAFTING INFORMATION

The principal author of this notice is Katherine A. Hossofsky of the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this notice, contact Ms. Hossofsky on (202) 622-3477 (not a toll-free call).

Filing and Payment Due Date Requirements for Certain Northeastern Taxpayers Affected by Legal Holiday

Notice 2000-17

For taxpayers that reside in the northeastern states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and New York (except New York City, and the New York counties of Nassau, Rockland, Suffolk, and Westchester), this notice provides guidance regarding the due dates for filing federal tax returns (whether paper or electronic) and making federal tax payments. Generally, these northeastern taxpayers are instructed to send their federal tax returns to the Internal Revenue Service Center in Andover, Massachusetts. However, northeastern taxpayers who are

Differential earnings rate for 1999	0.249
Recomputed differential earnings rate for 1998	0.182
Imputed earnings rate for 1998	16.193
Imputed earnings rate for 1999	15.815
Base period stock earnings rate	18.221
Current stock earnings rate for 1999	17.465
Stock earnings rate for 1996	17.238
Stock earnings rate for 1997	19.321
Stock earnings rate for 1998	15.836
Average mutual earnings rate for 1997	15.566
Average mutual earnings rate for 1998	16.011

making a payment with their federal tax return or automatic extension of time to file are instructed to send these documents and payments to Pittsburgh, Pennsylvania, and not to the Andover Service Center. These instructions may cause some confusion for the 2000 filing season because the due date for filing tax returns and making payments is Saturday, April 15, 2000, and Monday, April 17, 2000, is Patriots' Day, a legal holiday in Massachusetts and Maine, but not elsewhere.

To eliminate this confusion for these northeastern taxpayers for the 2000 filing season, federal tax returns (including the 1999 Form 1040, U.S. Individual Income Tax Return), automatic extensions of time to file, and federal tax payments (including the payment of the first installment of estimated tax for 2000), which are due April 15, 2000, will be treated as timely if they are sent by April 18, 2000, to either the Andover Service Center or Pittsburgh, Pennsylvania, as instructed. This special

treatment for the 2000 filing season is distinguished from the general Service position on due dates for filing and paying federal taxes set forth in Rev. Rul. 90-5, 1990-1 C.B. 189. *See also* Notice 95-17, 1995-1 C.B. 300.

The principal author of this notice is Charles A. Hall of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this notice contact Charles A. Hall at (202) 622-4940 (not a toll-free call).

Part IV. Items of General Interest

Notice of Proposed Rulemaking and Notice of Public Hearing

Taxation of Tax-Exempt Organizations' Income from Corporate Sponsorship

REG-209601-92

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Withdrawal of previous proposed rules, notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations relating to the tax treatment of sponsorship payments received by exempt organizations. The Taxpayer Relief Act of 1997 amended the Internal Revenue Code to provide that unrelated trade or business does not include the activity of soliciting and receiving qualified sponsorship payments. This action affects exempt organizations that receive sponsorship payments. This document provides notice of a public hearing on these proposed regulations. This document also withdraws proposed rules published on January 22, 1993.

DATES: Written or electronic comments must be received by May 30, 2000. Outlines of topics to be discussed at the public hearing scheduled for June 21, 2000, at 10 a.m. must be received by May 31, 2000.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG-209601-92), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-209601-92), room 5226, Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site at http://www.irs.gov/tax_regs/reglist.html. The public hearing will be held in room G-043, Internal Revenue Building,

1111 Constitution Avenue, NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Stephanie Lucas Caden, (202) 622-6080 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Exempt organizations generally must pay tax on unrelated business taxable income, as defined in section 512. Section 512(a)(1) defines *unrelated business taxable income* (UBTI) as the gross income derived by an organization from any unrelated trade or business (as defined in section 513) regularly carried on by it, less the deductions that are directly connected with the carrying on of the trade or business, both computed with the modifications provided in section 512(b).

Section 513(a) defines *unrelated trade or business* as any trade or business the conduct of which is not substantially related (aside from the need of an organization for income or funds or the use it makes of the profits derived) to the exercise or performance by the organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501. Section 513(c), captioned "Advertising, Etc., Activities," provides that the term *trade or business* includes any activity carried on for the production of income from the sale of goods or

the performance of services, and that an activity does not lose identity as a trade or business merely because it is carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which may, or may not, be related to the exempt purposes of the organization. See §1.513-1(b).

The IRS first published a Notice of Proposed Rulemaking (1993 proposed regulations) on January 22, 1993 (58 F.R. 5687), proposing that the regulations under section 513 be amended to provide guidance on the proper tax treatment of sponsorship payments received by an exempt organization. The 1993 proposed regulations focused on the nature of the services provided by the exempt organization rather than the benefit received by

the sponsor. The 1993 proposed regulations distinguished advertising, which is an unrelated trade or business activity, from acknowledgments, which are the mere recognition of a sponsor's payment, and therefore do not result in UBTI. Advertising was defined as any message or other programming material, broadcast or otherwise transmitted, published, displayed or distributed in exchange for any remuneration, that promotes or markets any company, service, facility or product. Acknowledgments were defined as mere recognition of sponsorship payments or identification of the sponsor rather than promotion of its products, services or facilities. Under the 1993 proposed regulations, the term acknowledgment included: sponsor logos and slogans that do not contain comparative or qualitative descriptions; locations and telephone numbers; value-neutral descriptions including displays or visual depictions; and sponsor brand or trade names and product or service listings.

In a so-called "tainting rule," the 1993 proposed regulations provided that if any activities, messages or programming material constituted advertising with respect to a sponsorship payment, then all related activities, messages or programming material that might otherwise be acknowledged would be considered advertising.

The 1993 proposed regulations clarified that the rules regarding corporate sponsorship apply uniformly to all sponsorship activities, both broadcast and non-broadcast activities, unless otherwise expressly stated, without regard to the local nature of the organization or activities or to the amount of the sponsorship payment. The 1993 proposed regulations expressly did not apply to qualified convention and trade show activities or to the sale of advertising in exempt organization periodicals.

The 1993 proposed regulations also proposed to amend the regulations under section 512(a) by adding examples of the allocation rule governing exploitation of exempt activities in cases involving sponsorship income.

A public hearing on the 1993 proposed regulations was held on July 8, 1993.

Public comments received by the IRS

generally welcomed the guidance as an important step in clarifying this area of the law, but suggested modifications. Several comments concerned the effective date of the amendments, but there was no consensus as to an appropriate effective date. In addition, numerous comments requested elimination of the tainting rule. One comment expressed concern that the approach taken in the 1993 proposed regulations to the exploitation rules of §1.512(a)-1(d) was likely to create confusion and could lead to application of the exploitation exception in a manner far broader than was intended.

The Taxpayer Relief Act of 1997, Public Law 105-34, section 965 (111 Stat. 788, 893-94), amended the Internal Revenue Code by adding section 513(i). Section 513(i) governs the treatment of certain sponsorship payments by providing that qualified sponsorship payments are not subject to the unrelated business income tax (UBIT). Section 513(i) defines *qualified sponsorship payments* as payments made by a person engaged in a trade or business with respect to which there is no arrangement or expectation that such person will receive any substantial return benefit other than the use or acknowledgment of the name or logo (or product lines) of the person's trade or business in connection with the exempt organization's activities. Section 513(i) further provides that use or acknowledgment does not include advertising (including messages containing qualitative or comparative language, price information or other indications of savings or value, or an endorsement or other inducement to purchase, sell, or use a sponsor's products or services). The legislative history to section 513(i) indicates that the use of promotional logos or slogans that are an established part of the sponsor's identity does not, by itself, constitute advertising. H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 476 (1997). Section 513(i)(2)(B)(i) provides that qualified sponsorship payments do not include payments where the amount is contingent upon the level of attendance at an event, broadcast ratings, or other factors indicating the degree of public exposure to an activity. However, the fact that a payment is contingent upon a sponsored activity actually being conducted or broadcast does not, by itself, cause the payment to fail to be a qualified

sponsorship payment. The legislative history to section 513(i) further indicates that mere display or distribution, whether for free or remuneration, of a sponsor's products by the sponsor or the organization to the general public at a sponsored event is not considered advertising. H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 474 (1997).

Section 513(i) differs from the 1993 proposed regulations in that section 513(i) has no tainting rule. Instead, section 513(i) specifically provides that, to the extent a portion of a payment would (if made as a separate payment) be a qualified sponsorship payment, that portion of such payment and the other portion of such payment are treated as separate payments. For example, if a sponsorship arrangement entitles the sponsor to both product advertising and use or acknowledgment of the sponsor's name or logo by the organization, the section 513(i) safe harbor applies only to the amount, if any, of the payment that exceeds the fair market value of the product advertising provided to the sponsor. Similarly, providing facilities, services or other privileges to a sponsor or the sponsor's designees (e.g., complimentary tickets, pro-am playing spots in golf tournaments, or receptions for major donors) in connection with a sponsorship arrangement is evaluated as a separate transaction in determining whether the organization has UBTI. A license granted to a sponsor as part of a sponsorship arrangement that allows a sponsor to use an intangible asset of the organization (e.g., the organization's trademark, patent, logo, or designation) is likewise treated as a separate transaction. H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 475 (1997). Whether a separate transaction that falls outside of the section 513(i) safe harbor is subject to the UBIT depends on the application of existing rules under sections 512, 513, and 514.

Section 513(i) applies to payments solicited or received after December 31, 1997. Section 513(i) does not apply to qualified convention and trade show activities (described in section 513(d)(3)(B)) or to the sale of an acknowledgment or advertising in exempt organization periodicals. For this purpose, the term *periodicals* means regularly scheduled and printed material published by or on behalf of an exempt

organization that is not related to and primarily distributed in connection with a specific event conducted by the exempt organization.

Although section 513(i) codifies the 1993 proposed regulations in many respects, there are significant differences, including the elimination of the tainting rule. To reflect these differences, and in response to comments submitted on the 1993 proposed regulations, a number of changes are made in these proposed regulations, and some additional areas are addressed, such as exclusivity arrangements. In light of these changes, the IRS and the Treasury Department decided to issue regulations in proposed form, rather than final form, to provide an opportunity for further comment.

Discussion of Proposed Regulations

These proposed regulations amend the regulations under section 513 to provide guidance in the area of corporate sponsorship. Following section 513(i), these proposed regulations provide that qualified sponsorship payments are not UBTI. These proposed regulations define the term *qualified sponsorship payments* to mean payments made by any person engaged in a trade or business with respect to which there is no arrangement or expectation that such person will receive any substantial return benefit in exchange for making the payment.

These proposed regulations define the phrase *substantial return benefit* to mean any benefit other than (1) a use or acknowledgment of the payor's name or logo in connection with the exempt organization's activities, or (2) certain goods or services that have an insubstantial value under existing IRS guidelines. Generally, benefits such as complimentary tickets, pro-am playing spots, and receptions for donors have an insubstantial value only if they have a fair market value of not more than 2% of the payment, or \$74 (for tax years beginning in calendar year 2000), whichever is less. See §1.170A-13(f)(8)(i)(A); Rev. Proc. 90-12 (1990-1 C.B. 471), as adjusted for inflation (see Rev. Proc. 99-42, 1999-46 I.R.B. 568 (November 15, 1999)). If a payor receives a substantial return benefit (such as complimentary tickets having a fair market value in excess of \$74) in exchange for a payment, the section 513(i) safe har-

bor does not apply to the payment (or portion thereof) attributable to the substantial return benefit. In that case, whether the payment (or portion thereof) is subject to UBIT must be determined under existing principles and rules. Thus, the payment may not be subject to UBIT because the exempt organization's activity is not an unrelated trade or business within the meaning of section 513(a) (for example, because substantially all of the work in carrying on the trade or business is performed by volunteers) or is not "regularly carried on" within the meaning of section 512(a)(1), or because one of the section 512(b) modifications applies.

These proposed regulations clarify that sponsored activities within the scope of the section 513(i) safe harbor may include a single event (such as a bowl game, a walkathon or a television program); a series of related events (such as a concert series or a sports tournament); an activity of extended or indefinite duration (such as an art exhibit); or continuing support of an exempt organization's operation. A payment (or portion thereof) may be a qualified sponsorship payment regardless of whether the sponsored activity conducted by the organization is substantially related to its tax exempt purpose. H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 474 n.44 (1997).

Consistent with section 513(i)(3), the tainting rule of the 1993 proposed regulations has been removed. However, these proposed regulations clarify that for an exempt organization to avail itself of the section 513(i) safe harbor, it must establish that some portion of the payment exceeds the fair market value of any substantial return benefit received by a payor in return for making the payment. In a sponsorship arrangement, the fair market value of the substantial return benefit may equal the entire amount of the sponsorship payment. The burden of establishing the fair market value of any substantial return benefit falls on the exempt organization because the exempt organization has superior access to relevant information regarding its sponsorship arrangements. These proposed regulations state that the exempt organization's determination of the fair market value of a substantial return benefit provided to the payor will not be set aside for purposes of applying the section 513(i) safe harbor so long as the

organization makes a reasonable and good faith valuation of the substantial return benefit received by the payor.

These proposed regulations provide that the right to be the only sponsor of an activity, or the only sponsor representing a particular trade, business or industry is generally not a substantial return benefit. Any portion of the payment attributable to the exclusive sponsorship arrangement, therefore, may be a qualified sponsorship payment. However, if in return for a payment, the exempt organization agrees that products or services that compete with the payor's products or services will not be sold or provided in connection with one or more activities of the exempt organization, the payor has received a substantial return benefit and the portion of the payment attributable to the exclusive provider arrangement is not a qualified sponsorship payment. Consistent with the allocation rule described above, when a payor receives both exclusive sponsorship and exclusive provider rights in exchange for making a payment, the fair market value of the exclusive provider arrangement and any other substantial return benefit is determined first (i.e., without regard to the existence of the exclusive sponsorship arrangement).

The IRS and the Treasury Department have concluded that the examples included in the 1993 proposed regulations interpreted §1.512(a)-1(d) too broadly by allowing exempt organizations to apply excess expenses directly connected with the conduct of an exempt activity (such as the conduct of a bowl game) to offset income from a separate, unrelated business activity (such as the sale of clothing featuring the name and logo of the bowl game) which does not have a proximate and primary relationship to the exempt activity. An example in these proposed regulations clarifies that §1.512(a)-1(d) applies only in circumstances where the unrelated business activity and the exempt activity are closely connected, such that a taxable entity pursuing the same business activity would normally also conduct the exempt activity. The example involves the sale of advertising in a museum's exhibition catalog. In this example, the sale of advertising exploits an activity — the publication of editorial material — normally conducted by taxable entities that sell advertising. There-

fore, the example concludes that any net loss related to the museum's publication of its exhibition catalog (after taking into account any income derived from or attributable to publication of the catalog) may be applied to offset any net unrelated business income from the museum's sale of advertising in the catalog. In contrast, expenses related to the costs of the exhibition itself are not directly connected with the unrelated advertising activity and cannot be applied to offset income from the advertising activity.

As discussed above, existing principles and rules will determine the UBIT consequences of any portion of a payment that falls outside the section 513(i) safe harbor. Existing principles and rules will also determine the non-UBIT consequences of sponsorship arrangements, including benefits to the payor. For example, see Rev. Rul. 77-367 (1977-2 C.B. 193), and Rev. Rul. 66-358 (1966-2 C.B. 218), regarding inurement and private benefit.

These proposed regulations do not specifically address the Internet activities of exempt organizations. However, the IRS and the Treasury Department are reviewing the application of existing tax laws governing exempt organizations, including the UBIT rules, to Internet activities. Comments are specifically requested on the application of the rules governing periodicals and trade shows in section 513(i)(2)(B)(ii) to an exempt organization's Internet sites, and on whether providing a link to a sponsor's Internet site is advertising within the meaning of section 513(i)(2)(A) and §1.513-4(c)(2)(iv).

These proposed regulations clarify that qualified sponsorship payments in the form of money or property (but not services) are treated as contributions received by the exempt organization for purposes of determining public support to the organization under section 170(b)(1)(A)(vi) or section 509(a)(2). The exclusion of contributed services for purposes of determining public support is consistent with the general rule regarding donated services. See §§1.509(a)-3(f), 1.170A-9(e)(7)(i), 1.170A-1(g). Thus, qualified sponsorship payments in the form of money or property are treated as contributions for purposes of Part I (Revenue, Expenses, and Changes in Net Assets or Fund Balances) of Form 990, "Re-

turn of Organization Exempt from Income Tax.” The fact that a payment is a qualified sponsorship payment that is treated as a “contribution” to the payee organization does not determine whether the payment is deductible by the payor under section 162 or section 170.

Proposed Effective Date

These regulations are proposed to apply on the date they are published as final in the **Federal Register**, although organizations may rely on these proposed regulations for payments received between January 1, 1998, and the date the regulations are published as final in the **Federal Register**.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) and electronic comments that are submitted timely to the IRS. The IRS and Treasury Department request comments on the clarity of the proposed regulations and how they may be made easier to understand. In particular, the IRS and the Treasury Department request comments on whether further clarification is needed regarding the application of §1.512(a)-1(d) in the context of corporate sponsorship payments or other unrelated business activities. All comments will be available

for public inspection and copying.

A public hearing has been scheduled for June 21, 2000, at 10 a.m. in room G-043, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC. Due to building security procedures, visitors must enter at the 10th Street entrance, located between Constitution and Pennsylvania Avenues, NW. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 15 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the “FOR FURTHER INFORMATION CONTACT” section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing must submit timely written comments and an outline of the topics to be discussed and the time to be devoted to each topic (a signed original and eight (8) copies) by May 31, 2000.

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Stephanie Lucas Caden, Office of Associate Chief Counsel (Employee Benefits and Exempt Organizations), Internal Revenue Service. However, personnel from other offices of the Service and the Treasury Department participated in their development.

* * * * *

Withdrawal of Proposed Amendments

Accordingly, under the authority of 26 U.S.C. 7805, the proposed amendments to 26 CFR part 1, relating to §1.512(a)-1 and §1.513-4, published in the **Federal Register** for January 22, 1993 (58 FR 5687), are withdrawn.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is pro-

posed to be amended as follows:

PART 1—INCOME TAX

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. In §1.170A-9, a sentence is added to the end of paragraph (e)(6)(i) to read as follows:

§1.170A-9 Definition of section 170(b)(1)(A) organization.

* * * * *

(e) * * *

(6) *Definition of support; meaning of general public—(i) In general.* * * *

For purposes of this paragraph (e), the term *contributions* includes qualified sponsorship payments (as defined in §1.513-4) in the form of money or property (but not services).

* * * * *

Par. 3. In §1.509(a)-3, a sentence is added to the end of paragraph (f)(1) to read as follows:

§1.509(a)-3 Broadly, publicly supported organizations.

* * * * *

(f) *Gifts and contributions distinguished from gross receipts—(1) In general.* * * *

For purposes of section 509(a)(2), the term *contributions* includes qualified sponsorship payments (as defined in §1.513-4) in the form of money or property (but not services).

* * * * *

Par. 4. In §1.512(a)-1, paragraph (e) is amended by:

1. Revising the heading and introductory text for paragraph (e);
2. Redesignating the current *Example* to read *Example 1*;
3. Adding *Example 2*.

The revisions and additions read as follows:

§1.512(a)-1 Definition.

* * * * *

(e) *Examples.* This section is illustrated by the following examples:

Example 1. * * *

Example 2. (i) P, a manufacturer of photographic equipment, underwrites a photography exhibition organized by M, an art museum described in section 501(c)(3). In return for a payment of \$100,000, M agrees that the exhibition catalog sold by M in connection with the exhibit will advertise P's product. The exhibition catalog will also include educational material, such as copies of photographs included in the exhibition, interviews with photographers, and an essay by the curator of M's department of photography. For purposes of this example, assume that

none of the \$100,000 is a qualified sponsorship payment within the meaning of section 513(i) and §1.513-4, that M's advertising activity is regularly carried on, and that the entire amount of the payment is unrelated business taxable income to M. Expenses directly connected with generating the unrelated business taxable income (i.e., direct advertising costs) total \$25,000. Expenses directly connected with the preparation and publication of the exhibition catalog (other than direct advertising costs) total \$110,000. M receives \$60,000 of gross revenue from sales of the exhibition catalog. Expenses directly connected with the conduct of the exhibition total \$500,000.

(ii) The computation of unrelated business taxable income is as follows:

(A) Unrelated trade or business (sale of advertising):

Income	\$100,000	
Directly-connected expenses	(25,000)	
Subtotal	75,000	\$75,000

(B) Exempt function (publication of exhibition catalog):

Income (from catalog sales)	60,000	
Directly-connected expenses	(110,000)	
Net exempt function income (loss)	(50,000)	(50,000)
Unrelated business taxable income	25,000	

(iii) Expenses related to publication of the exhibition catalog exceed revenues by \$50,000. Because the unrelated business activity (the sale of advertising) exploits an exempt activity (the publication of the exhibition catalog), and because the publication of editorial material is an activity normally conducted by taxable entities that sell advertising, the net loss from the exempt publication activity is allowed as a deduction from unrelated business income under paragraph (d)(2) of this section. In contrast, the presentation of an exhibition is not an activity normally conducted by taxable entities engaged in advertising and publication activity for purposes of paragraph (d)(2) of this section. Consequently, the \$500,000 cost of presenting the exhibition is not directly connected with the conduct of the unrelated advertising activity and does not have a proximate and primary relationship to that activity. Accordingly, M has unrelated business taxable income of \$25,000.

Par. 4. Section 1.513-4 is added to read as follows:

§1.513-4 Certain sponsorship not unrelated trade or business.

(a) *In general.* Under section 513(i), the receipt of qualified sponsorship payments by an exempt organization which is subject to the tax imposed by section 511 does not constitute receipt of income from an unrelated trade or business.

(b) *Exception.* The provisions of this section do not apply with respect to payments made in connection with qualified

convention and trade show activities. For rules governing qualified convention and trade show activity, see §1.513-3. The provisions of this section also do not apply to income derived from the sale of advertising or acknowledgments in exempt organization periodicals. For this purpose, the term *periodical* means regularly scheduled and printed material published by or on behalf of the exempt organization that is not related to and primarily distributed in connection with a specific event conducted by the exempt organization. For rules governing the sale of advertising in exempt organization periodicals, see §1.512(a)-1(f).

(c) *Qualified sponsorship payment—*
(1) *Definition.* The term *qualified sponsorship payment* means any payment of money, transfer of property, or performance of services by any person engaged in a trade or business with respect to which there is no arrangement or expectation that the person will receive any substantial return benefit. In determining whether a payment is a qualified sponsorship payment, it is irrelevant whether the sponsored activity is related or unrelated to the recipient organization's exempt purpose. It is also irrelevant whether the sponsored activity is temporary or permanent.

(2) *Substantial return benefit—*(i) *In general.* For purposes of this section, a *substantial return benefit* means any benefit other than goods, services or other benefits of insubstantial value that are disregarded under paragraph (c)(2)(ii) of this section, or a use or acknowledgment described in paragraph (c)(2)(iii) of this section. A substantial return benefit includes advertising as defined in paragraph (c)(2)(iv) of this section, providing facilities, services or other privileges to the payor or persons designated by the payor (except as provided in paragraph (c)(2)(ii) of this section), and granting the payor or persons designated by the payor an exclusive or nonexclusive right to use an intangible asset (e.g., trademark, patent, logo, or designation) of the exempt organization.

(ii) *Certain goods or services disregarded.* (A) For purposes of paragraph (c)(2)(i) of this section, goods, services or other benefits are disregarded if—

(I) The goods, services or other benefits provided to the payor or persons des-

igned by the payor have an aggregate fair market value of not more than 2% of the amount of the payment, or \$74 (adjusted for tax years beginning after calendar year 2000 by an amount determined under section 1(f)(3), by substituting "calendar year 1999" for "calendar year 1992" in section 1(f)(3)(B)), whichever is less (or such other amount(s) as may be specified in a revenue procedure or other form of guidance issued by the Commissioner); or

(2) The only benefits provided to the payor or persons designated by the payor are token items (e.g., bookmarks, calendars, key chains, mugs, posters, tee shirts) bearing the exempt organization's name or logo that have an aggregate cost within the limit established for low cost articles under section 513(h)(2) (or such other limit as may be specified in a revenue procedure or other form of guidance issued by the Commissioner); however, token items (as described above) provided to employees of the payor, or to partners of a partnership that is the payor, are disregarded if the combined total cost of the token items provided to each employee or partner does not exceed the limit stated in this paragraph (c)(2)(ii)(A)(2).

(B) If the fair market value of the benefits (or the cost, in the case of token items) exceeds the amount or limit specified in paragraph (c)(2)(ii)(A) of this section, then (except as provided in paragraph (c)(2)(iii) of this section) the entire fair market value (as opposed to cost) of such benefits, not merely the excess amount, is a substantial return benefit.

(iii) *Use or acknowledgment.* For purposes of this section, a substantial return benefit does not include the use or acknowledgment of the name or logo (or product lines) of the payor's trade or business in connection with the activities of the exempt organization. Use or acknowledgment does not include advertising as described in paragraph (c)(2)(iv) of this section, but may include the following: logos and slogans that do not contain qualitative or comparative descriptions of the payor's products, services, facilities or company; a list of the payor's locations, telephone numbers, or Internet address; value-neutral descriptions, including displays or visual depictions, of the payor's product-line or services; and the payor's brand or trade names and product or ser-

vice listings. Logos or slogans that are an established part of a payor's identity are not considered to contain qualitative or comparative descriptions. Mere display or distribution, whether for free or remuneration, of a payor's product by the payor or the exempt organization to the general public at the sponsored activity is not considered an inducement to purchase, sell or use the payor's product for purposes of this section and, thus, will not affect the determination of whether a payment is a qualified sponsorship payment.

(iv) *Advertising.* For purposes of this section, the term *advertising* means any message or other programming material which is broadcast or otherwise transmitted, published, displayed or distributed, and which promotes or markets any trade or business, or any service, facility or product. Advertising includes messages containing qualitative or comparative language, price information or other indications of savings or value, an endorsement, or an inducement to purchase, sell, or use any company, service, facility or product. A single message that contains both advertising and an acknowledgment is advertising. This section does not apply to activities conducted by a payor on its own. For example, if a payor purchases broadcast time from a television station to advertise its product during commercial breaks in a sponsored program, the exempt organization's activities are not thereby converted to advertising.

(v) *Exclusivity arrangements*—(A) *Exclusive sponsor.* An arrangement that acknowledges the payor as the exclusive sponsor of an exempt organization's activity, or the exclusive sponsor representing a particular trade, business or industry, generally does not, by itself, result in a substantial return benefit. For example, if in exchange for a payment, an organization announces that its event is sponsored exclusively by the payor (and does not provide any advertising or other substantial return benefit to the payor), the payor has not received a substantial return benefit.

(B) *Exclusive provider.* An arrangement that limits the sale, distribution, availability, or use of competing products, services, or facilities in connection with an exempt organization's activity generally results in a substantial return benefit. For example, if in exchange for a pay-

ment, the exempt organization agrees to allow only the payor's products to be sold in connection with an activity, the payor has received a substantial return benefit.

(d) *Allocation of payment*—(1) *In general.* If there is an arrangement or expectation that the payor will receive a substantial return benefit with respect to any payment, then only the portion, if any, of the payment that exceeds the fair market value of the substantial return benefit (determined on the date the sponsorship arrangement is entered into) is a qualified sponsorship payment. However, if the exempt organization does not establish that the payment exceeds the fair market value of any substantial return benefit, then no portion of the payment constitutes a qualified sponsorship payment. The unrelated business income tax (UBIT) treatment of any payment (or portion thereof) that is not a qualified sponsorship payment is determined by application of sections 512, 513 and 514. For example, payments related to an exempt organization's providing facilities, services, or other privileges to the payor or persons designated by the payor, advertising, exclusive provider arrangements described in paragraph (c)(2)(v)(B) of this section, a license to use intangible assets of the exempt organization, or other substantial return benefits, are evaluated separately in determining whether the exempt organization realizes unrelated business taxable income. The fair market value of any substantial return benefit provided as part of a sponsorship arrangement is the price at which the benefit would be provided between a willing recipient and a willing provider of the benefit, neither being under any compulsion to enter into the arrangement, and both having reasonable knowledge of relevant facts, and without regard to any other aspect of the sponsorship arrangement.

(2) *Anti-abuse provision.* To the extent necessary to prevent avoidance of the rule stated in paragraph (d)(1) of this section, where the exempt organization fails to make a reasonable and good faith valuation of any substantial return benefit, the Commissioner (or the Commissioner's delegate) may determine the portion of a payment allocable to such substantial return benefit and may treat two or more related payments as a single payment.

(e) *Special rules*—(1) *Written agree-*

ments. The existence of a written sponsorship agreement does not, in itself, cause a payment to fail to be a qualified sponsorship payment. The terms of the agreement, not its existence or degree of detail, are relevant to the determination of whether a payment is a qualified sponsorship payment. Similarly, the terms of the agreement and not the title or responsibilities of the individuals negotiating the agreement determine whether a payment (or any portion thereof) made pursuant to the agreement is a qualified sponsorship payment.

(2) *Contingent payments.* The term qualified sponsorship payment does not include any payment the amount of which is contingent, by contract or otherwise, upon the level of attendance at one or more events, broadcast ratings, or other factors indicating the degree of public exposure to the sponsored activity. The fact that a payment is contingent upon sponsored events or activities actually being conducted does not, by itself, cause the payment to fail to be a qualified sponsorship payment.

(3) *Determining public support.* Qualified sponsorship payments in the form of money or property (but not services) are treated as contributions received by the exempt organization for purposes of determining public support to the organization under section 170(b)(1)(A)(vi) or section 509(a)(2). See §§1.509(a)-3(f)(1) and 1.170A-9(e)(6)(i). The fact that a payment is a qualified sponsorship payment that is treated as a contribution to the payee organization does not determine whether the payment is deductible by the payor under section 162 or section 170.

(f) *Examples.* The provisions of this section are illustrated by the following examples. The tax treatment of any payment (or portion of a payment) that does not constitute a qualified sponsorship payment is governed by general UBIT principles. In these examples, the recipients of the payments at issue are section 501(c) organizations. The only benefits received by the payors are those specifically indicated in the example. The examples are as follows:

Example 1. M, a local charity, organizes a marathon and walkathon at which it serves to participants drinks and other refreshments provided free of charge by a national corporation. The corporation also gives M prizes to be awarded to winners of the event. M recognizes the assistance of the corpora-

tion by listing the corporation's name in promotional fliers, in newspaper advertisements of the event and on T-shirts worn by participants. M changes the name of its event to include the name of the corporation. M's activities constitute acknowledgment of the sponsorship. The drinks, refreshments and prizes provided by the corporation are a qualified sponsorship payment, which is not income from an unrelated trade or business.

Example 2. N, an art museum, organizes an exhibition and receives a large payment from a corporation to help fund the exhibition. N recognizes the corporation's support by using the corporate name and established logo in materials publicizing the exhibition, including banners, posters, brochures and public service announcements. N also hosts a dinner for the corporation's executives. The fair market value of the dinner exceeds the amount specified in paragraph (c)(2)(ii) of this section. N's use of the corporate name and logo in connection with the exhibition constitutes acknowledgment of the sponsorship. However, the dinner for corporate executives is a substantial return benefit. Only that portion of the payment, if any, that N can demonstrate exceeds the fair market value of the dinner is a qualified sponsorship payment.

Example 3. O coordinates sports tournaments for local charities. An auto manufacturer agrees to underwrite the expenses of the tournaments. O recognizes the auto manufacturer by including the manufacturer's name and established logo in the title of each tournament as well as on signs, scoreboards and other printed material. The auto manufacturer receives complimentary admission passes and pro-am playing spots for each tournament that have a fair market value in excess of the amount specified in paragraph (c)(2)(ii) of this section. Additionally, O displays the latest models of the manufacturer's premier luxury cars at each tournament. O's use of the manufacturer's name and logo and display of cars in the tournament area constitute acknowledgment of the sponsorship. However, the admission passes and pro-am playing spots are a substantial return benefit. Only that portion of the payment, if any, that O can demonstrate exceeds the fair market value of the admission passes and pro-am playing spots is a qualified sponsorship payment.

Example 4. P conducts an annual college football bowl game. P sells to commercial broadcasters the right to broadcast the bowl game on television and radio. A major corporation agrees to be the exclusive sponsor of the bowl game. The detailed contract between P and the corporation provides that the name of the bowl game will include the name of the corporation. The contract further provides that the corporation's name and established logo will appear on players' helmets and uniforms, on the scoreboard and stadium signs, on the playing field, on cups used to serve drinks at the game, and on all related printed material distributed in connection with the game. The agreement is contingent upon the game being broadcast on television and radio, but the amount of the payment is not contingent upon the number of people attending the game or the television ratings. The contract provides that television cameras will focus on the corporation's name and logo on the field at certain intervals during the game. P's use of the corporation's name and logo in connection with the bowl game constitutes acknowledgment of the sponsorship. The exclusive sponsorship arrange-

ment is not a substantial return benefit. The entire payment is a qualified sponsorship payment, which is not income from an unrelated trade or business.

Example 5. Q organizes an amateur sports team. A major pizza chain gives uniforms to players on Q's team, and also pays some of the team's operational expenses. The uniforms bear the name and established logo of the pizza chain. During the final tournament series, Q distributes free of charge souvenir flags bearing Q's name to employees of the pizza chain who come out to support the team. The flags cost \$2 each. The flags are not a substantial return benefit because they are token items that qualify as low cost articles under paragraph (c)(2)(ii) of this section. Q's use of the name and logo of the pizza chain in connection with the tournament constitutes acknowledgment of the sponsorship. The funding and supplied uniforms are a qualified sponsorship payment, which is not income from an unrelated trade or business.

Example 6. R is a liberal arts college. A soft drink manufacturer makes a substantial payment to the college's English department, and in exchange, R names a writing competition after the soft drink manufacturer. In addition, R agrees to limit all soft drink sales on campus to the manufacturer's brand of soft drink. R's use of the manufacturer's name in the writing competition constitutes acknowledgment of the sponsorship. However, limiting all soft drink sales on campus to the manufacturer's brand of soft drink, i.e., the exclusive provider arrangement, is a substantial return benefit. Only that portion of the payment, if any, that R can demonstrate exceeds the fair market value of the exclusive provider arrangement is a qualified sponsorship payment.

Example 7. S is a noncommercial broadcast station that airs a program funded by a local music store. In exchange for the funding, S broadcasts the following message: "This program has been brought to you by the Music Shop, located at 123 Main Street. For your music needs, give them a call today at 555-1234. This station is proud to have the Music Shop as a sponsor." Because this single broadcast message contains both advertising and an acknowledgment, the entire message is advertising and constitutes a substantial return benefit. Unless S establishes that the amount of the payment exceeds the fair market value of the advertising, none of the payment is a qualified sponsorship payment.

Example 8. T, a symphony orchestra, performs a series of concerts. A program guide that contains notes on guest conductors and other information concerning the evening's program is distributed by T at each concert. The Music Shop makes a payment to T in support of the concert series. As a supporter of the event, the Music Shop is recognized in the program guide and on a poster in the lobby of the concert hall. The Music Shop receives complimentary tickets to the concert series. The fair market value of the complimentary tickets exceeds the amount specified in paragraph (c)(2)(ii) of this section. The lobby poster states that "The T concert is sponsored by the Music Shop, located at 123 Main Street, telephone number 555-1234." The program guide contains the same information and also states, "Visit today for the finest selection of music CDs and cassette tapes." T's use of the Music Shop's name, address and telephone number in the lobby poster constitutes acknowledgment of the sponsorship. However, the promotion in the program guide

and complimentary tickets are a substantial return benefit. Only that portion of the payment, if any, that T can demonstrate exceeds the fair market value of the promotion in the program guide and complimentary tickets is a qualified sponsorship payment.

Example 9. U, a national charity dedicated to promoting health, organizes a campaign to inform the public about potential cures to fight a serious disease. As part of the campaign, U sends representatives to community health fairs around the country to answer questions about the disease and inform the public about recent developments in the search for a cure. A pharmaceutical company makes a payment to U to fund U's booth at a health fair. U places a sign in the booth displaying the pharmaceutical company's name and slogan, "Better Research, Better Health," which is an established part of the company's identity. In addition, U grants the pharmaceutical company a license to use U's logo in marketing its products to health care providers around the country. U's display of the pharmaceutical company's name and slogan constitutes acknowledgment of the sponsorship. However, the license granted to the pharmaceutical company to use U's logo is a substantial return benefit. Only that portion of the payment, if any, that U can demonstrate exceeds the fair market value of the license granted to the pharmaceutical company is a qualified sponsorship payment.

Example 10. V, a trade association, publishes a monthly scientific magazine

for its members containing information about current issues and developments in the field. A textbook publisher makes a large payment to V to have its name displayed on the inside cover of the magazine each month. Because the monthly magazine is aperiodical within the meaning of paragraph (b) of this section, the section 513(i) safe harbor does not apply. See §1.512(a)-1(f).

Robert E. Wenzel,
Deputy Commissioner
of Internal Revenue.

(Filed by the Office of the Federal Register on February 29, 2000, 8:45 a.m., and published in the issue of the Federal Register for March 1, 2000, 65 FR. 11012)

Disclosure Requirements for Corporate Tax Shelters

Announcement 2000-12

The Treasury Department and Internal Revenue Service issued three sets of temporary and proposed regulations requiring promoters to register confidential corporate tax shelters and to maintain lists of investors and requiring corporate taxpayers to disclose large transactions that have characteristics common to tax shelters. In addition, the Service has created an Office of Tax Shelter Analysis to serve as the focal point for efforts to gather and ana-

lyze information relating to tax shelter activity and to coordinate appropriate responses. Together, these actions will enable the Service to more quickly and effectively address transactions used to claim tax benefits that are not properly allowable under the Internal Revenue Code.

See Internal Revenue Bulletin 2000-11, March 13, 2000, for the following temporary and proposed regulations: T.D. 8875, page 761; T.D. 8876, page 753; T.D. 8877, page 747; REG-103736-00, page 768; REG-110311-98, page 767; REG-103735-00, page 770.

General Scope and Effect of New Disclosure Requirements

In general, the three regulations are designed to provide the Service with better information about tax shelters and other tax-motivated transactions through a combination of registration and information disclosure by promoters and tax return disclosure by corporate taxpayers. The regulations are intended to require disclosure of transactions that should be subject to careful scrutiny by the Service. The regulations are designed not to require disclosure of customary business transactions or transactions with tax benefits that the Service has no reasonable basis to challenge. The regulations do not alter substantive tax rules, and thus disclosure under the regulations does not affect the legal determination whether tax benefits claimed by taxpayers are allowable.

Registration of Tax Shelters by Promoters

The first set of regulations is issued under § 6111(d) of the Code as enacted by the Taxpayer Relief Act of 1997. These regulations require tax shelter promoters to register with the Service transactions (1) that have been structured for a significant purpose of tax avoidance or evasion, (2) that are offered to corporate participants under conditions of confidentiality, and (3) for which the tax shelter promoters may receive fees in excess of \$100,000.

The promoter registration requirements apply to confidential corporate tax shelters offered for sale after today. In general, registration of a confidential corporate tax shelter is required not later than the day that the first offering for sale of interests in such shelter occurs. However, as a transition matter, no registration is required to be filed

until 180 days after today.

List Maintenance Requirements for Promoters

The second set of regulations, issued pursuant to § 6112 of the Code, requires promoters of corporate tax shelters to maintain lists of investors and copies of all offering materials and to make this information available for inspection by the Service upon request. These requirements apply to transactions that have been structured for a significant purpose of tax avoidance or evasion (as defined under § 6111(d)), whether or not offered under conditions of confidentiality and whether or not the promoter fees may exceed \$100,000.

These new list maintenance requirements apply to interests in corporate tax shelters acquired by investors after today. However, as a transition matter, the Service will not ask to inspect lists or offering materials until 180 days after today.

Reporting Requirements for Corporate Taxpayers

The third set of regulations is issued pursuant to § 6011 of the Code and requires corporate taxpayers to disclose their participation in “reportable transactions” by attaching a short information statement to their income tax returns. In general, a separate statement will be required for each reportable transaction for each taxable year in which a corporation’s federal income tax liability is affected by its participation in such a transaction. For the first taxable year in which a statement is attached to a taxpayer’s return, a copy of the statement must be filed with the Service in Washington, D.C. All of the information required to complete the statement should be readily available to taxpayers at the time their returns are filed.

Disclosure is generally required only for transactions that are expected to reduce a taxpayer’s income tax liability by more than \$5 million in a single taxable year or more than \$10 million in multiple years and that have characteristics common to corporate tax shelters. However, these thresholds are lowered to \$1 million and \$2 million for certain transactions identified through published guidance as “listed transactions” (discussed below). Reporting generally is not required for

customary business transactions or transactions with tax benefits that the Service has no reasonable basis to challenge.

In general, disclosure is required only for reportable transactions entered into after today. However, disclosure is required for a listed transaction entered into on or before today if the tax benefits of the transaction are first claimed on a return filed after today.

Notice 2000-15: Listed Transactions

Promoter registration and taxpayer disclosure generally are required for certain listed transactions. The specific transactions currently designated as listed transactions are identified in Notice 2000-15, which has been issued concurrently with the temporary and proposed regulations. The Treasury and the Service have determined that each of those listed transactions involves a significant tax avoidance purpose and that the intended tax benefits are subject to disallowance under existing law. The list set forth in Notice 2000-15 may be supplemented from time to time, when other such tax avoidance transactions are identified.

Office of Tax Shelter Analysis

The newly established Office of Tax Shelter Analysis is part of the Large and Mid-Size Business Division and is located in Washington, D.C. The office is expected to serve as a clearinghouse for all information relating to tax shelter activity that comes to the attention of the Service, including information relating to tax shelters affecting taxpayers other than those served by the Large and Mid-Size Business Division.

The Office of Tax Shelter Analysis will, among other things, review all disclosures by promoters and taxpayers under the new disclosure regulations for the purposes of identifying potentially improper tax shelter transactions, identifying taxpayers that have participated in such transactions, and better assessing the overall extent of tax shelter activity by corporate taxpayers. Where it is determined to be warranted, the Office of Tax Shelter Analysis will also coordinate the Service’s follow-up efforts relating to such disclosed transactions.

The Office of Tax Shelter Analysis, acting with the Office of Chief Counsel and Treasury’s Office of Tax Policy, will eval-

uate the tax treatment of new forms of tax-structured transactions at the earliest possible time. This review process is necessary not only to identify improper tax shelters, but also to protect taxpayers that engage in legitimate business transactions. The Service wants to ensure that transactions are not labeled as improper tax shelters merely because they are novel or complex.

In addition to analyzing transactions that are reported to the Service under the new disclosure rules, the Office of Tax Shelter Analysis will provide a centralized point for the review of tax shelter transactions that come to the attention of the Service in other ways, including transactions examined by field personnel and those that are disclosed to the Service by taxpayers, practitioners, and other members of the public. Persons who wish to submit information relating to particular forms of tax shelters to the Service by mail should send such information to: Internal Revenue Service LM:PF, Office of Tax Shelter Analysis, 1111 Constitution Ave., N.W., Washington, D.C. 20224. A telephone number and e-mail address for the Office of Tax Shelter Analysis will be announced in the near future.

Public Comments

In the notices of proposed rulemaking, the Treasury and the Service have invited interested persons to submit comments on the terms of the temporary and proposed regulations. Comments are also invited on the other matters discussed in this announcement.

Deletions From Cumulative List of Organizations Contributions to Which Are Deductible Under Section 170 of the Code

Announcement 2000-15

The names of organizations that no longer qualify as organizations described in section 170(c)(2) of the Internal Revenue Code of 1986 are listed below.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not

precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on March 20, 2000, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1).

For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual who was responsible, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

Earth Alliance San Diego
San Diego, CA

EarthCare, Inc.
San Diego, CA

ECO Republic
San Diego, CA

Global Friends
San Diego, CA

Hospital Shared Services, Inc.
Warrendale, PA

North American Veterans Society
Albany, OH

Relief for Service in Combat Zone and for Presidentially Declared Disaster

Announcement 2000-16

This announcement is a reprint of proposed regulations REG-101492-98 (2000-3 I.R.B. 326) with typographical errors corrected.

AGENCY: Internal Revenue Service

(IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations relating to the postponement of certain tax-related deadlines due either to service in a combat zone or a Presidentially declared disaster. The proposed regulations reflect changes to the law made by the Taxpayer Relief Act of 1997. The proposed regulations affect taxpayers serving in a combat zone and taxpayers affected by a Presidentially declared disaster.

DATES: Written or electronically generated comments and requests for a public hearing must be received by March 30, 2000.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG-101492-98), room 5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-101492-98), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site at http://www.irs.gov/tax__regs/regslst.html.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Beverly A. Baughman, (202) 622-4940; concerning the hearing and submissions of written comments, Guy Traynor (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document contains proposed amendments to the Regulations on Procedure and Administration (26 CFR part 301) under section 7508 of the Internal Revenue Code (Code), relating to postponement of certain acts by reason of service in a combat zone, and section 7508A, relating to postponement of certain tax-related deadlines by reason of a Presidentially declared disaster. Section 7508A was added to the Code by section 911 of the Taxpayer Relief Act of 1997, Pub. L. 105-34 (111 Stat. 788 (1997)), effective

for any period for performing an act that had not expired before August 5, 1997.

In general, section 7508 provides that the time individuals serve in a “combat zone” plus 180 days will be disregarded in determining whether acts listed in section 7508(a)(1), such as filing returns, paying taxes, filing certain petitions with the Tax Court, filing a claim for credit or refund, bringing suit, and assessing tax, are performed within the time prescribed. Under section 7508(a)(1)(K), the Secretary has the authority to provide by regulation other acts to which section 7508 will apply.

Section 7508A provides that, in the case of a taxpayer determined by the Secretary to be affected by a Presidentially declared disaster, the Secretary may postpone certain tax-related deadlines for up to 90 days. The deadlines that may be postponed are determined by cross-reference to section 7508(a)(1). Pursuant to section 7508A(b), the provision does not apply for purposes of determining interest on any overpayment or underpayment (if the underpayment arose prior to the disaster). See also H.R. Rep. No. 148, 105th Cong., 1st Sess. 397 (1997).

Explanation of Provisions

Under section 7508, the proposed regulations provide that, in addition to the acts described in section 7508(a)(1), the IRS may postpone other acts specified in revenue rulings, revenue procedures, notices, or other guidance published in the Internal Revenue Bulletin.

Under section 7508A, the proposed regulations provide that, for any tax, penalty, additional amount, or addition to the tax of an affected taxpayer in a Presidentially declared disaster area, the IRS may disregard up to 90 days in determining whether certain tax-related deadlines described in section 7508(a)(1) were satisfied and the amount of any credit or refund. The proposed regulations apply to taxpayer deadlines, such as the time for filing returns and paying taxes relating to most income taxes (including domestic service employment taxes), estate taxes, and gift taxes; filing certain court documents, including petitions filed in United States Tax Court for redetermination of a deficiency; and filing claims for refund. In addition, under the authority in section 7508(a)(1)(K), the proposed regulations provide that for purposes of section

7508A, the IRS may disregard up to 90 days in determining whether the deadlines for filing returns and paying taxes relating to certain excise taxes and employment taxes have been met. Although the proposed regulations do not apply to deadlines for depositing federal taxes pursuant to section 6302 and the underlying regulations, it is anticipated that the failure to deposit penalty under section 6656 will be waived in appropriate circumstances, and thus section 7508A relief will not be necessary.

The proposed regulations also provide for the postponement of certain government deadlines, such as the time for making assessments, taking collection action, and bringing suit. However, the IRS and Treasury Department anticipate that the authority to postpone government deadlines will only be used in limited circumstances when it is determined that such a postponement is necessary and appropriate.

The proposed regulations provide that an affected taxpayer is (1) any individual whose principal residence is located in a covered disaster area; (2) any business whose principal place of business is located in a covered disaster area; (3) any individual who is a relief worker affiliated with a recognized government or philanthropic organization and who is assisting in a covered disaster area; (4) any individual whose principal residence or any business whose principal place of business is located outside the disaster area, but whose tax records necessary to meet certain tax-related deadlines are maintained in a location, such as a practitioner’s office, in a covered disaster area; (5) any estate or trust whose tax records necessary to meet certain tax-related deadlines are maintained in a location, such as a practitioner’s office, in a covered disaster area; (6) any individual who files a joint return with an affected taxpayer; or (7) any other person who is determined by the IRS to be affected by a Presidentially declared disaster. A covered disaster area means the location of a Presidentially declared disaster to which the IRS determines section 7508A applies.

It is anticipated that the IRS’s authority to grant extensions of time to file tax returns under section 6081 and to pay tax with respect to such returns under section 6161 will provide taxpayers with the nec-

essary relief in the case of many Presidentially declared disasters. However, if the IRS determines that section 7508A applies, it will publish guidance to inform taxpayers of the counties included in the covered disaster area, the taxpayer and government deadlines to which section 7508A applies, and the period to be disregarded (up to 90 days). Guidance will be published as soon as practicable after the declaration of a Presidentially declared disaster.

Section 6404(h) provides that in the case of a Presidentially declared disaster, if there is an extension of time to file income tax returns under section 6081 and an extension of time to pay income tax with respect to such returns under section 6161, interest will be abated during the extension period. The proposed regulations clarify that if, in addition to an extension under sections 6081 and 6161, there is a postponement of tax-related deadlines under section 7508A, interest will be abated under section 6404(h) for the period of time disregarded under section 7508A in addition to the period of time covered by the extensions of time to file and pay. The abatement of interest only applies in the case of underpayments of income tax that arise during the extension period.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any electronic or

written comments (a signed original and 8 copies) that are submitted timely to the IRS. The IRS and Treasury Department specifically request comments on the clarity of the proposed regulations and how they can be made easier to understand. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested by any person who timely submits comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the Federal Register.

Drafting Information

The principal author of these regulations is Beverly A. Baughman, Office of Assistant Chief Counsel (Income Tax & Accounting). However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 301 is proposed to be amended as follows:

PART 301—PROCEDURE AND ADMINISTRATION

Paragraph 1. The authority citation for part 301 is amended by adding entries in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805 * * *.

Section 301.7508-1 also issued under 26 U.S.C. 7508(a)(1)(K).

Section 301.7508A-1 also issued under 26 U.S.C. 7508(a)(1)(K) and 7508A(a). * * *

Par. 2. Section 301.7508-1 is added to read as follows:

Sec. 301.7508-1 Time for performing certain acts postponed by reason of service in a combat zone.

(a) General rule. The period of time that may be disregarded for performing certain acts pursuant to section 7508 applies to acts described in section 7508(a)(1) and to other acts specified in a revenue ruling, revenue procedure, notice, or other guidance published in the Internal Revenue Bulletin (see Sec. 601.601(d)(2) of this chapter).

(b) Effective date. This section applies to any period for performing an act that has not expired before December 30, 1999.

Par. 3. Section 301.7508A-1 is added to read as follows:

Sec. 301.7508A-1 Postponement of certain tax-related deadlines by reason of Presidentially declared disaster.

(a) Scope. This section prescribes rules by which the Internal Revenue Service (IRS) may postpone deadlines for performing certain acts with respect to taxes other than taxes not administered by the IRS such as taxes imposed for firearms (chapter 32, section 4181); harbor maintenance (chapter 36, section 4461); and alcohol and tobacco (subtitle E).

(b) Postponed deadlines. For any tax, penalty, additional amount, or addition to the tax of an affected taxpayer (defined in paragraph (d)(1) of this section), the IRS may disregard a period of up to 90 days in determining, under the internal revenue laws—

(1) Whether any or all of the acts described in paragraph (c) of this section were performed within the time prescribed; and

(2) The amount of any credit or refund.

(c) Acts for which a period may be disregarded—(1) Acts performed by taxpayers. Paragraph (b) of this section applies to the following acts performed by taxpayers—

(i) Filing any return of income, estate, gift, excise (other than taxes imposed for firearms (chapter 32, section 4181); harbor maintenance (chapter 36, section 4461); and alcohol and tobacco (subtitle E)) or employment tax (including income tax withheld at source and income tax imposed by subtitle C or any law superseded thereby);

(ii) Payment of any income, estate, gift, excise (other than taxes imposed for firearms (chapter 32, section 4181); harbor maintenance (chapter 36, section 4461); and alcohol and tobacco (subtitle E)) or employment tax (including income tax withheld at source and income tax imposed by subtitle C or any law superseded thereby) or any installment thereof (including payment under section 6159 relating to installment agreements) or of any other liability to the United States in respect thereof, but not including deposits of taxes pursuant to section 6302 and the regulations thereunder;

(iii) Filing a petition with the Tax Court for redetermination of a deficiency, or for review of a decision rendered by the Tax Court;

(iv) Allowance of a credit or refund of any tax;

(v) Filing a claim for credit or refund of any tax;

(vi) Bringing suit upon a claim for credit or refund of any tax; and

(vii) Any other act specified in a revenue ruling, revenue procedure, notice, or other guidance published in the Internal Revenue Bulletin (see Sec. 601.601(d)(2) of this chapter).

(2) Acts performed by the government. Paragraph (b) of this section applies to the following acts performed by the government—

(i) Assessment of any tax;

(ii) Giving or making any notice or demand for the payment of any tax, or with respect to any liability to the United States in respect of any tax;

(iii) Collection by the Secretary, by levy or otherwise, of the amount of any liability in respect of any tax;

(iv) Bringing suit by the United States, or any officer on its behalf, in respect of any liability in respect of any tax; and

(v) Any other act specified in a revenue ruling, revenue procedure, notice, or other guidance published in the Internal Revenue Bulletin (see Sec. 601.601(d)(2) of this chapter).

(d) Definitions—(1) Affected taxpayer means—

(i) Any individual whose principal residence (for purposes of section 1033(h)(4)) is located in a covered disaster area;

(ii) Any business whose principal place of business is located in a covered disaster area;

(iii) Any individual who is a relief worker affiliated with a recognized government or philanthropic organization and who is assisting in a covered disaster area;

(iv) Any individual whose principal residence (for purposes of section 1033(h)(4)) or any business whose principal place of business is not located in a covered disaster area, but whose records necessary to meet a deadline for an act specified in paragraph (c) of this section are maintained in a location, such as a practitioner's office, in a covered disaster area;

(v) Any estate or trust whose tax records necessary to meet a deadline for an act specified in paragraph (c) of this section are maintained in a location, such

as a practitioner's office, in a covered disaster area;

(vi) The spouse of an affected taxpayer, solely with regard to a joint return of the husband and wife; or

(vii) Any other person determined by the IRS to be affected by a Presidentially declared disaster (within the meaning of section 1033(h)(3)).

(2) Covered disaster area means an area of a Presidentially declared disaster (within the meaning of section 1033(h)(3)) to which the IRS has determined paragraph (b) of this section applies.

(e) Notice of postponement of certain acts. If any tax-related deadline is postponed pursuant to section 7508A and this section, the IRS will publish a revenue ruling, revenue procedure, notice, announcement, news release, or other guidance (see Sec. 601.601(d)(2) of this chapter) describing the acts postponed, the number of days disregarded with respect to each act, the time period to which the postponement applies, and the location of the covered disaster area. Guidance under this paragraph (e) will be published as soon as practicable after the declaration of a Presidentially declared disaster.

(f) Abatement of interest under section 6404(h). In the case of a Presidentially declared disaster, if there is an extension of time to file income tax returns under section 6081 and an extension of time to pay income tax with respect to such return under section 6161, and, in addition, a postponement of tax-related deadlines under section 7508A, interest on an underpayment of income tax that arises during such period will be abated under section 6404(h) for the period of time disregarded under section 7508A in addition to the period of time covered by the extension of time to file and the extension of time to pay.

(g) Examples. The rules of this section are illustrated by the following examples:

Example 1. (i) Corporation M, a calendar year taxpayer, has its principal place of business in County A in State X. Pursuant to a timely filed request for extension of time to file, Corporation M's 1999 Form 1120, "U.S. Corporation Income Tax Return," is due on September 15, 2000. Also due on September 15, 2000, is Corporation M's third quarter estimated tax payment for 2000. Corporation M's 2000 third quarter Form 720, "Quarterly Federal Excise Tax Return," and third quarter Form 941, "Em-

ployer's Quarterly Federal Tax Return," are due on October 31, 2000. In addition, Corporation M has an employment tax deposit due on September 15, 2000.

(ii) On September 1, 2000, a hurricane strikes County A. On September 6, 2000, the President declares that County A is a disaster area within the meaning of section 1033(h)(3). The IRS determines that County A in State X is a covered disaster area and publishes guidance informing taxpayers that for acts described in paragraph (c) of this section that are required to be performed within the period beginning on September 1, 2000, and ending on November 6, 2000, 90 days will be disregarded in determining whether the acts are performed timely.

(iii) Because Corporation M's principal place of business is in County A, Corporation M is an affected taxpayer. Accordingly, Corporation M's 1999 Form 1120 will be filed timely if filed on or before December 14, 2000. Corporation M's 2000 third quarter estimated tax payment will be made timely if paid on or before December 14, 2000. In addition, because excise and employment tax returns are described in paragraph (c) of this section, Corporation M's 2000 third quarter Form 720 and third quarter Form 941 will be filed timely if filed on or before January 29, 2001. However, because deposits of taxes are excluded from the scope of paragraph (c) of this section, Corporation M's employment tax deposit is due on September 15, 2000.

Example 2. The facts are the same as in Example 1, except that during 2000, Corporation M's 1996 Form 1120 is being examined by the IRS. Pursuant to a timely filed request for extension of time to file, Corporation M timely filed its 1996 Form 1120 on September 15, 1997. Without application of this section, the statute of limitations on assessment for 1996 income tax will expire on September 15, 2000. However, pursuant to paragraph (c) of this section, assessment of tax is one of the government acts for which up to 90 days may be disregarded. The IRS determines that an extension of the statute of limitations is necessary and appropriate under these circumstances. Because the September 15, 2000, expiration date of the statute of limitations on assessment falls within the period of the disaster as described in the IRS's published guidance, the 90 day period disregarded under paragraph (b) of this section begins on September 16, 2000, and ends on December 14, 2000. Accordingly, the statute of limitations on assessment for Corporation M's 1996 income tax will expire on December 14, 2000.

Example 3. The facts are the same as in Example 2, except that the examination of the 1996 taxable year was completed earlier in 2000, and on July 28, 2000, the IRS mailed a statutory notice of deficiency to Corporation M. Without application of this section, Corporation M has 90 days (or until October 26, 2000) to file a petition with the Tax Court. However, pursuant to paragraph (c) of this section, filing a petition with the Tax Court is one of the taxpayer acts for which up to 90 days may be disregarded. Because Corporation M is an affected taxpayer, Corporation M's petition to the Tax Court will be filed timely if filed on or before January 24, 2001.

Example 4. (i) H and W, individual calendar year taxpayers, intend to file a joint Form 1040, "U.S. Individual Income Tax Return," for the 2001 taxable year and are required to file a Schedule H, "Household Employment Taxes." The joint return is due on April 15, 2002. H and W fully and timely paid all

taxes for the 2001 taxable year, including domestic service employment taxes, through withholding and estimated tax payments. H and W's principal residence is in County B in State Y.

(ii) On April 2, 2002, a severe ice storm strikes County B. On April 5, 2002, the President declares that County B is a disaster area within the meaning of section 1033(h)(3). The IRS determines that County B in State Y is a covered disaster area and publishes guidance informing taxpayers that for acts described in paragraph (c) of this section that are required to be performed within the period beginning on April 2, 2002, and ending on April 19, 2002, 90 days will be disregarded in determining whether the acts are performed timely.

(iii) Because H and W's principal residence is in County B, H and W are affected taxpayers. Because April 15, 2002, the due date of H and W's 2001 Form 1040 and Schedule H, falls within the period of the disaster as described in the IRS's published guidance, the 90 day period disregarded under paragraph (b) of this section begins on April 16, 2002, and ends on July 14, 2002, a Sunday. Pursuant to section 7503, if the last day for performing an act falls on Saturday, Sunday, or a legal holiday, the performance of the act shall be considered timely if it is performed on the next succeeding day that is not a Saturday, Sunday, or legal holiday. Accordingly, H and W's 2001 Form 1040 will be filed timely if filed on or before July 15, 2002. In addition, the Schedule H will be filed timely if filed on or before July 15, 2002.

Example 5. The facts are the same as in Example 4, except H and W want to file an amended return to request a refund of 1998 taxes. H and W timely filed their 1998 income tax return on April 15, 1999. Without application of this section, H and W's amended 1998 tax return must be filed on or before April 15, 2002. However, pursuant to paragraph (c) of this section, filing a claim for refund of a tax is one of the taxpayer acts for which up to 90 days may be disregarded. Ninety days are disregarded under paragraph (b) of this section beginning on April 16, 2002, and ending on July 14, 2002. Accordingly, H and W's claim for refund for 1998 taxes will be filed timely if filed, as in Example 4, on or before July 15, 2002.

Example 6. (i) L is an unmarried, calendar year taxpayer whose principal residence is located in County R in State T. L does not timely file a 2001 Form 1040, "U.S. Individual Income Tax Return," which is due on April 15, 2002, and does not timely pay tax owed on that return. Absent reasonable cause, L is subject to the failure to file and failure to pay penalties under section 6651 beginning on April 16, 2002.

(ii) On May 10, 2002, a tornado strikes County R. On May 14, 2002, the President declares that County R is a disaster area within the meaning of section 1033(h)(3). The IRS determines that County R in State T is a covered disaster area and publishes guidance informing taxpayers that for acts described in paragraph (c) of this section that are required to be performed within the period beginning on May 10, 2002, and ending on June 27, 2002, 90 days will be disregarded in determining whether the acts are timely.

(iii) On May 31, 2002, L files a 2001 Form 1040, "U.S. Individual Income Tax Return," and pays the tax owed for 2001.

(iv) Because L's principal residence is in County R, L is an affected taxpayer. For purposes of penalties under section 6651, 90 days are disregarded under paragraph (b) of this section beginning on May 10, 2002. Because L files the return on May 31, 2002, the penalties under section 6651 will run from April 16, 2002, until May 10, 2002. However, because the underpayment arose prior to the extension period, L will be liable for underpayment interest for the entire period of April 16, 2002, through May 31, 2002.

Example 7. The facts are the same as in Example 6, except L does not file the 2001 Form 1040 until November 25, 2002. Ninety days are disregarded under paragraph (b) of this section beginning on May 10, 2002, and ending on August 8, 2002. Therefore, the section 6651 penalties will run from April 16, 2002, until May 10, 2002, and from August 9, 2002, until November 25, 2002. However, because the underpayment arose prior to the extension period, L will be liable for underpayment interest for the entire period of April 16, 2002, through November 25, 2002.

Example 8. (i) H and W, individual calendar year taxpayers, intend to file a joint Form 1040, "U.S. Individual Income Tax Return," for the 2001 taxable year. The joint return is due on April 15, 2002. After credits for withholding under section 31 and estimated tax payments, H and W owe tax for the 2001 taxable year. H and W's principal residence is in County C in State Z.

(ii) On March 1, 2002, severe flooding strikes County C. On March 5, 2002, the President declares that County C is a disaster area within the meaning of section 1033(h)(3). The IRS determines that County C in State Z is a covered disaster area and publishes guidance informing taxpayers that for acts described in paragraph (c) of this section that are required to be performed within the period beginning on March 1, 2002, and ending on April 25, 2002, 90 days will be disregarded in determining whether the acts are performed timely. The guidance also grants affected taxpayers an additional 6 month extension of time to file returns under section 6081 and an additional 6 month extension of time to pay under section 6161.

(iii) Because H and W's principal residence is in County C, H and W are affected taxpayers. Pursuant to the published guidance, H and W have until Janu-

ary 13, 2003, to file their return and pay the tax. This date is computed as follows: Under sections 6081 and 6161, H and W will have an additional 6 months, until October 15, 2002, to file and pay the tax. Further, under paragraph (f) of this section, 90 days are disregarded in determining the period of the extension. Therefore, H and W's return and payment of tax will be timely if filed and paid on or before January 13, 2003. In addition, under section 6404(h), underpayment interest under section 6601 is abated for the entire period, from April 16, 2002, until January 13, 2003.

(h) **Effective date.** This section applies to disasters declared after December 30, 1999.

Robert E. Wenzel,
*Deputy Commissioner
of Internal Revenue.*

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C.—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.

E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contribution Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.

PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statements of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 1999–27 through 1999–52 is in Internal Revenue Bulletin 2000–1, dated January 3, 2000.

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¹ A cumulative list of current actions on previously published items in Internal Revenue Bulletins 1999–27 through 1999–52 is in Internal Revenue Bulletin 2000–1, dated January 3, 2000.

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