

## 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

**Ct. D. 2069, page 1191.**

**Pass-thru of items to shareholders.** The Supreme Court has concluded that excluded discharge of indebtedness is an "item of income" and is therefore subject to pass-through to shareholders under section 1366 of the Code. **Gitlitz et al. v. Commissioner of Internal Revenue.**

### EXEMPT ORGANIZATIONS

**Announcement 2001-60, page 1287.**

A list is given of organizations now classified as private foundations.

### ADMINISTRATIVE

**Rev. Proc. 2001-32, page 1197.**

**Magnetic media; electronic filing; 2001 form specifications.** Specifications are set forth for the magnetic or electronic filing of 2001 Forms 1098, 1099, 5498, and W-2G. Rev. Proc. 2000-25 superseded.

**Announcement 2001-54, page 1284.**

The Service announces that an updated edition of Publication 538, *Accounting Periods and Methods* (revised April 2001), is now available.

**Announcement 2001-55, page 1284.**

This document contains corrections to final regulations (T.D. 8881, 2000-23 I.R.B. 1158) relating to withholding of tax on certain U.S. source income paid to foreign persons and related requirements governing the collection, deposit, refunds, and credits of withheld amounts under sections 1461 through 1463 of the Code.

**Announcement 2001-56, page 1286.**

This document contains corrections to final regulations (T.D. 8929, 2001-10 I.R.B. 756) providing guidance on methods of accounting for long-term contracts.

Finding Lists begin on page ii.



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## 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.

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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 1100.—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.

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

## Section 1366.—Pass-Thru of Items to Shareholders

Ct. D. 2069

### SUPREME COURT OF THE UNITED STATES

No. 99–1295

GITLITZ ET AL. v. COMMISSIONER OF INTERNAL REVENUE

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

January 9, 2001

#### Syllabus

Shareholders of a corporation taxed under Subchapter S of the Internal Revenue Code may elect a “pass-through” taxation system, under which the corporation’s profits pass through directly to its shareholders on a *pro rata* basis and are reported on the shareholders’ individual tax returns. 26 U.S.C. section 1366(a)(1)(A). To prevent double taxation of distributed income, shareholders may increase their corporate bases by certain items of income. Section 1367(a)(1)(A). Corporate losses and deductions are passed through in a similar manner, section 1366(a)(1)(A), and the shareholders’ bases in the S corporation’s stock and debt are decreased accordingly, sections 1367(a)(2)(B), 1367(b)(2)(A). However, to the extent that such losses and deductions exceed a shareholder’s basis in the S corporation’s stock and debt, the excess is “suspended” until that basis becomes large enough to permit the deduction. Sections 1366(d)(1)–(2). In 1991, an insolvent S corporation in which petitioners David Gitlitz and Philip Winn were shareholders excluded its entire discharge of indebtedness amount from gross income. On their tax returns, petitioners used their *pro rata* share of the discharge amount to increase their bases in the corporation’s stock on the theory that it was an “item of income” subject to pass-through. They used their increased bases to deduct corporate losses and deductions, including suspended ones from previous years. With the upward basis adjustments, they were each able to deduct the full amount of their *pro rata* share of the corpo-

ration’s losses. The Commissioner determined that they could not use the corporation’s discharge of indebtedness to increase their bases in the stock, and denied their loss deductions. The Tax Court ultimately agreed. In affirming, the Tenth Circuit assumed that excluded discharge of indebtedness is an item of income subject to pass-through, but held that the discharge amount first had to be used to reduce certain tax attributes of the S corporation under section 108(b), and that only the leftover amount could be used to increase basis. Because the tax attribute to be reduced here (the corporation’s net operating loss) equaled the discharged debt amount, that entire amount was absorbed by the reduction at the corporate level, and nothing remained to be passed through to the shareholders.

#### Held:

1. The statute’s plain language establishes that excluded discharged debt is an “item of income,” which passes through to shareholders and increases their bases in an S corporation’s stock. Section 61(a)(12) states that discharge of indebtedness is included in gross income. And section 108(a) provides only that the discharge ceases to be included in gross income when the S corporation is insolvent, not that it ceases to be an *item of income*, as the Commissioner contends. Not all items of income are included in gross income, see section 1366(a)(1), so an item’s mere exclusion from gross income does not imply that the amount ceases to be an item of income. Moreover, sections 101 through 136 employ the same construction to exclude various items from gross income, but not even the Commissioner encourages a reading that would exempt all such items from pass-through. Instead, the Commissioner asserts that discharge of indebtedness is unique because it requires no economic outlay on the taxpayer’s part, but can identify no statutory language that makes this distinction relevant. On the contrary, the statute makes clear that section 108(a)’s exclusion does not alter the character of discharge of indebtedness as an item of income. Specifically, Sec. 108(e) presumes that such discharge is always “income,” and that the only question for Sec. 108 purposes is whether it is includible in gross income. The Commissioner’s contentions that, notwithstanding the statute’s

plain language, excluded discharge of indebtedness is not income and, specifically, that it is not “tax-exempt income” under Sec. 1366(a)(1)(A), do not alter the conclusion reached here. Pp. 5-9.

2. Pass-through is performed before the reduction of an S corporation’s tax attributes under section 108(b). The sequencing question presented here is important. If attribute reduction is performed *before* the discharge of indebtedness is passed through to the shareholders, the shareholders’ losses that exceed basis are treated as the corporation’s net operating loss, and are then reduced by the amount of the discharged debt; in this case, no suspended losses would remain that would permit petitioners to take deductions. However, if it is performed *after* the discharged debt income is passed through, then the shareholders would be able to deduct their losses (up to the amount of the increase in basis caused by the discharged debt). Any suspended losses remaining then will be treated as the S corporation’s net operating loss, and reduced by the discharged debt amount. Section 108(b)(4)(A) expressly addresses the sequencing question, directing that the attribute reductions “shall be made *after* the determination of the *tax imposed* . . . for the taxable year of the discharge.” (Emphases added.) In order to determine the “tax imposed,” a shareholder must adjust his basis in S corporation stock and pass through all items of income and loss. Consequently the attribute reduction must be made *after* the basis adjustment and pass-through. Petitioners must pass through the discharged debt, increase corporate bases, and then deduct their losses, all before any attribute reduction could occur. Because their basis increase is equal to their losses, they have no suspended losses remaining, and thus have no net operating losses to reduce. The primary arguments made in Courts of Appeals against this reading of the sequencing provision are rejected. Pp. 9-13.

182 F. 3d 1143 reversed.

THOMAS, J., delivered the opinion of the Court, in which REHNQUIST, C.J., and STEVENS, O’CONNOR, SCALIA, KENNEDY, SOUTER, and GINSBURG, JJ., joined. BREYER, J., filed a dissenting opinion.

SUPREME COURT OF THE UNITED STATES

No. 99-1295

DAVID A. GITLITZ, ET UX., ET AL.,  
PETITIONERS v. COMMISSIONER OF  
INTERNAL REVENUE

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF  
APPEALS FOR THE TENTH CIRCUIT

[January 9, 2001]

JUSTICE THOMAS delivered the opinion  
of the Court.

The Commissioner of Internal Revenue assessed tax deficiencies against petitioners David and Louise Gitlitz and Philip and Eleanor Winn because they used nontaxed discharge of indebtedness to increase their bases in S corporation stock and to deduct suspended losses. In this case, we must answer two questions. First, we must decide whether the Internal Revenue Code (Code) permits taxpayers to increase bases in their S corporation stock by the amount of an S corporation's discharge of indebtedness excluded from gross income. And second, if the Code permits such an increase, we must decide whether the increase occurs before or after taxpayers are required to reduce the S corporation's tax attributes.

I

David Gitlitz and Philip Winn<sup>1</sup> were shareholders of P. D. W. & A., Inc., a corporation that had elected to be taxed under subchapter S of the Code, 26 U.S.C. Sec. 1361-1379 (1994 ed. and Supp. III). Subchapter S allows shareholders of qualified corporations to elect a "pass-through" taxation system under which income is subjected to only one level of taxation. See *Bufferd v. Commissioner*, 506 U. S. 523, 525 (1993). The corporation's profits pass through directly to its shareholders on a *pro rata* basis, and are reported on the shareholders' individual tax returns. See section

<sup>1</sup> Each man filed a joint tax return with his wife.

<sup>2</sup> Section 1366(a)(1) provides:

"In determining the tax under this chapter of a shareholder for the shareholder's taxable year in which the taxable year of the S corporation ends . . . , there shall be taken into account the shareholder's *pro rata* share of the corporation's —

"(A) items of income (including tax-exempt income), loss, deduction, or credit the separate treatment of which could affect the liability for tax of any shareholder . . ."

1366(a)(1)(A).<sup>2</sup> To prevent double taxation of income upon distribution from the corporation to the shareholders, section 1367(a)(1)(A) permits shareholders to increase their corporate bases by items of income identified in section 1366(a) (1994 ed. and Supp. III). Corporate losses and deductions are passed through in a similar manner, see section 1366(a)(1)(A), and the shareholders' bases in the S corporation's stock and debt are decreased accordingly, see sections 1367(a)(2)(B), 1367(b)(2)(A). However, a shareholder cannot take corporate losses and deductions into account on his personal tax return to the extent that such items exceed his basis in the stock and debt of the S corporation. See section 1366(d)(1) (Supp. III). If those items exceed the basis, the excess is "suspended" until the shareholder's basis becomes large enough to permit the deduction. See sections 1366(d)(1)(2) (1994 ed. and Supp. III).

In 1991, P. D. W. & A. realized \$2,021,296 of discharged indebtedness. At the time, the corporation was insolvent in the amount of \$2,181,748. Because it was insolvent even after the discharge of indebtedness was added to its balance sheet, P. D. W. & A. excluded the entire discharge of indebtedness amount from gross income under 26 U.S.C. section 108(a) and 108(d)(7)(A). On their tax returns, Gitlitz and Winn increased their bases in P. D. W. & A. stock by their *pro rata* share (50 percent each) of the amount of the corporation's discharge of indebtedness. Petitioners' theory was that the discharge of indebtedness was an "item of income" subject to pass-through under section 1366(a)(1)(A). They used their increased bases to deduct on their personal tax returns corporate losses and deductions, including losses and deductions from previous years that had been suspended under section 1366(d). Gitlitz and Winn each had losses (including suspended losses and operating losses) that totaled \$1,010,648. With the upward basis adjustments of \$1,010,648 each, Gitlitz and Winn were each able to deduct the full amount of their *pro rata* share of P. D. W. & A.'s losses.

The Commissioner determined that petitioners could not use P. D. W. & A.'s discharge of indebtedness to increase their bases in the stock, and denied petitioners' loss deductions. Petitioners petitioned the Tax Court to review the deficiency deter-

minations. The Tax Court, in its initial opinion, granted relief to petitioners and held that the discharge of indebtedness was an "item of income," and therefore could support a basis increase. See *Winn v. Commissioner*, 73 TCM 3167 (1997), Par. 97,286 RIA Memo withdrawn and reissued, 75 TCM 1840 (1998), Par. 98,071 RIA Memo TC. In light of the Tax Court's decision in *Nelson v. Commissioner*, 110 T.C. 114 (1998), aff'd, 182 F.3d 1152 (CA10 1999),<sup>3</sup> however, the Tax Court granted the Commissioner's motion for reconsideration and held that shareholders may not use an S corporation's untaxed discharge of indebtedness to increase their bases in corporate stock. See *Winn v. Commissioner*, 75 TCM 1840 (1998), Par. 98,071 RIA Memo TC.

The Court of Appeals affirmed. See 182 F.3d 1143 (CA10 1999). It assumed that excluded discharge of indebtedness is an item of income subject to pass-through to shareholders pursuant to section 1366(a)(1)(A), *id.* at 1148, 1151, n. 7, but held that the discharge of indebtedness amount first had to be used to reduce certain tax attributes of the S corporation under section 108(b), and that only the leftover amount could be used to increase basis.<sup>4</sup> The Court of Appeals explained that, because the tax attribute to be reduced (in this case the corporation's net operating loss) was equal to the amount of discharged debt, the entire amount of discharged debt was absorbed by the reduction at the corporate level, and nothing remained of the discharge of indebtedness to be passed through to the shareholders under section 1366(a)(1)(A). *Id.* at 1151. Because Courts of Appeals have disagreed on how to treat discharge of indebtedness of an insolvent S corporation, compare *Gaudio v. Commissioner*, 216 F.3d 524, 535 (CA6 2000) (holding that tax attribut-

<sup>3</sup> In *Nelson*, the Tax Court held that excluded discharge of indebtedness does not pass through to an S corporation's shareholders because section 108 is an exception to normal S corporation pass-through rules. Specifically, the court held that, because section 108(d)(7)(A) requires that "subsections (a) [and (b) of section 108] shall be applied at the corporate level" in the case of an S corporation, it precludes any pass-through of the discharge of indebtedness to the *shareholder* level. See *Nelson*, 110 T.C. at 121-124.

<sup>4</sup> Section 108(b)(1) reads: "The amount excluded from gross income under [section 108(a)(1)] shall be applied to reduce the tax attributes of the taxpayer. . . ."

es are reduced before excluded discharged debt income is passed through to shareholders), cert. pending, No. 00-459, *Witzel v. Commissioner*, 200 F. 3d 496, 498 (CA7 2000) (same), cert. pending, No. 99-1693, and 182 F. 3d at 1150 (case below), with *United States v. Farley*, 202 F. 3d 198, 206 (CA3 2000) (holding that excluded discharged debt income is passed through to shareholders before tax attributes are reduced), cert. pending, No. 99-1675; see also *Pugh v. Commissioner*, 213 F. 3d 1324, 1330 (CA11 2000) (holding that excluded discharged debt income is subject to pass-through and can increase basis), cert. pending, No. 00-242, we granted certiorari. 529 U.S. 1097 (2000).

## II

Before we can reach the issue addressed by the Court of Appeals — whether the increase in the taxpayers' corporate bases occurs before or after the taxpayers are required to reduce the S corporation's tax attributes — we must address the argument raised by the Commissioner.<sup>5</sup> The Commissioner argues that the discharge of indebtedness of an insolvent S corporation is not an "item of income," and thus never passes through to shareholders. Under a plain reading of the statute, we reject this argument and conclude that excluded discharged debt is indeed an "item of income" which passes through to the shareholders and increases their bases in the stock of the S corporation.

Section 61(a)(12) states that discharge of indebtedness generally is included in gross income. Section 108(a)(1) provides an express exception to this general rule:

"Gross income does not include any

<sup>5</sup> The Commissioner has altered his arguments throughout the course of this litigation. According to the Tax Court, during the first iteration of this case, the Commissioner made several arguments but then settled on a "final" one — that the discharge of indebtedness of the insolvent S corporation was not an "item of income," see 73 TCM 3167 (1997), Par. 97,286 RIA Memo TC. In the Court of Appeals, the Commissioner argued instead that, because any pass-through of excluded discharge of indebtedness to petitioners took place after any reduction of tax attributes and by then the income would have been fully absorbed by the tax attributes, no discharged debt remained to flow through to petitioners. The Commissioner relegated to a footnote his argument that discharge of indebtedness is not an "item of income." See Brief for Appellee in Nos. 98-9009 and 98-9010 (CA10), p. 33, n. 14.

amount which (but for this subsection) would be includible in gross income by reason of the discharge . . . of indebtedness of the taxpayer if —

\* \* \* \* \*

"(B) the discharge occurs when the taxpayer is insolvent."

The Commissioner contends that this exclusion from gross income alters the character of the discharge of indebtedness so that it is no longer an "item of income." However, the text and structure of the statute do not support the Commissioner's theory. Section 108(a) simply does not say that discharge of indebtedness ceases to be an *item of income* when the S corporation is insolvent. Instead, it provides only that discharge of indebtedness ceases to be *included in gross income*. Not all items of income are included in gross income, see section 1366(a)(1) (providing that "items of income," including "tax-exempt" income, are passed through to shareholders), so mere exclusion of an amount from gross income does not imply that the amount ceases to be an item of income. Moreover, sections 101 through 136 employ the same construction to exclude various items from gross income: "Gross income does not include . . ." The consequence of reading this language in the manner suggested by the Commissioner would be to exempt all items in these sections from pass-through under section 1366. However, not even the Commissioner encourages us to reach this sweeping conclusion. Instead, the Commissioner asserts that discharge of indebtedness is unique among the types of items excluded from gross income because no economic outlay is required of the taxpayer receiving discharge of indebtedness. But the Commissioner is unable to identify language in the statute that makes this distinction relevant, and we certainly find none.

On the contrary, the statute makes clear that section 108(a)'s exclusion does not alter the character of discharge of indebtedness as an item of income. Specifically, section 108(e)(1) reads:

"Except as otherwise provided in this section, there shall be no insolvency exception from the general rule that gross income includes income from the discharge of indebtedness."

This provision presumes that discharge of indebtedness is always "income," and that the only question for purposes of section 108 is whether it is includible in gross income. If discharge of indebtedness of insolvent entities were not actually "income," there would be no need to provide an exception to its inclusion in gross income; quite simply, if discharge of indebtedness of an insolvent entity were not "income," it would necessarily not be included in gross income.

Notwithstanding the plain language of the statute, the Commissioner argues, generally, that excluded discharge of indebtedness is not income and, specifically, that it is not "tax-exempt income" under section 1366(a)(1)(A).<sup>6</sup> First, the Commissioner argues that section 108 merely codified the "judicial insolvency exception," and that, under this exception, discharge of indebtedness of an insolvent taxpayer was not considered income. The insolvency exception was a rule that the discharge of indebtedness of an insolvent taxpayer was not taxable income. See, e.g., *Dallas Transfer & Terminal Warehouse Co. v. Commissioner*, 70 F. 2d 95 (CA5 1934); *Astoria Marine Construction Co. v. Commissioner*, 12 T.C. 798 (1949). But the exception has since been limited by section 108(e). Section 108(e) precludes us from relying on any understanding of the judicial insolvency

<sup>6</sup> The Commissioner also contends, as does the dissent, that because section 108(d)(7)(A) mandates that the discharged debt amount be determined and applied to reduce tax attributes "at the corporate level," rather than at the shareholder level, the discharged debt, even if it is some type of income, simply cannot pass through to shareholders. In other words, the Commissioner contends that section 108(d)(7)(A) excepts excluded discharged debt from the general pass-through provisions for S corporations. However, section 108(d)(7)(A) merely directs that the exclusion from gross income and the tax attribute reduction be made at the corporate level. Section 108(d)(7)(A) does not state or imply that the debt discharge provisions shall apply *only* "at the corporate level." The very purpose of Subchapter S is to tax at the shareholder level, not the corporate level. Income is determined at the S corporation level, see section 1363(b) not in order to tax the corporation, see section 1363(a) (exempting an S corporation from income tax), but solely to pass through to the S corporation's shareholders the corporation's income. Thus, the controlling provision states that, in determining a shareholder's liability, "there shall be taken into account the shareholder's *pro rata* share of the corporation's . . . items of income (including tax-exempt income). . . ." Section 1366(a)(1). Nothing in section 108(d)(7)(A) suspends the operation of these ordinary pass-through rules.

exception that was not codified in section 108. And, as explained above, the language and logic of section 108 clearly establish that, although discharge of indebtedness of an insolvent taxpayer is not included in gross income, it is nevertheless income.

The Commissioner also relies on a Treasury Regulation to support his theory that no income is realized from the discharge of the debt of an insolvent:

“Proceedings under Bankruptcy Act.

“(1) Income is not realized by a taxpayer by virtue of the discharge, under section 14 of the Bankruptcy Act (11 U.S.C. 32), of his indebtedness as the result of an adjudication in bankruptcy, or by virtue of an agreement among his creditors not consummated under any provision of the Bankruptcy Act, if immediately thereafter the taxpayer’s liabilities exceed the value of his assets.” 26 CFR section 1.61–12(b) (2000).

Even if this regulation could be read (countertextually) to apply outside the bankruptcy context, it merely states that “[i]ncome is not *realized*.” The regulation says nothing about whether discharge of indebtedness is income subject to pass-through under section 1366.

Second, the Commissioner argues that excluded discharge of indebtedness is not “tax-exempt” income under section 1366(a)(1)(A), but rather “tax-deferred” income. According to the Commissioner, because the taxpayer is required to reduce tax attributes that could have provided future tax benefits, the taxpayer will pay taxes on future income that otherwise would have been absorbed by the forfeited tax attributes. Implicit in the Commissioner’s labeling of such income as “tax-deferred,” however, is the erroneous assumption that section 1366(a)(1)(A) does not include “tax-deferred” income. Section 1366 applies to “items of income.” This section expressly includes “tax-exempt” income, but this inclusion does not mean that the statute must therefore exclude “tax-deferred” income. The section is worded broadly enough to include any item of income, even tax-deferred income, that “could affect the liability for tax of any shareholder.” Section 1366(a)(1)(A). Thus, none of the Commissioner’s contentions alters our conclusion that dis-

charge of indebtedness of an insolvent S corporation is an item of income for purposes of section 1366(a)(1)(A).

### III

Having concluded that excluded discharge of indebtedness is an “item of income” and is therefore subject to pass-through to shareholders under section 1366, we must resolve the sequencing question addressed by the Court of Appeals — whether pass-through is performed before or after the reduction of the S corporation’s tax attributes under section 108(b). Section 108(b)(1) provides that “[t]he amount excluded from gross income under [Section 108(a)] shall be applied to reduce the tax attributes of the taxpayer as provided [in this section].” Section 108(b)(2) then lists the various tax attributes to be reduced in the order of reduction. The first tax attribute to be reduced, and the one at issue in this case, is the net operating loss. See section 108(b)(2)(A). Section 108(d)(7)(B) specifies that, for purposes of attribute reduction, the shareholders’ suspended losses for the taxable year of discharge are to be treated as the S corporation’s net operating loss. If tax attribute reduction is performed *before* the discharge of indebtedness is passed through to the shareholders (as the Court of Appeals held), the shareholders’ losses that exceed basis are treated as the corporation’s net operating loss and are then reduced by the amount of the discharged debt. In this case, no suspended losses would remain that would permit petitioners to take deductions.<sup>7</sup> If, however, attribute reduction is performed *after* the discharged debt income is passed

<sup>7</sup> Under this scenario, the shareholders’ losses would be reduced by the discharge of indebtedness. However, it is unclear precisely what would happen to the discharge of indebtedness. The Court of Appeals below stated that the discharged debt would be “absorbed” by the reduction to the extent of the net operating loss and that therefore only the excess excluded discharged debt would remain to pass through to the shareholders. 182 F. 3d at 1149. In contrast, another Court of Appeals suggested, albeit in dictum, that the full amount of the discharge might still pass through to the shareholder and be used to increase basis; the discharged debt amount would reduce the net operating loss but would not be absorbed by it. *Witzel v. Commissioner*, 200 F. 3d 496, 498 (CA7 2000). We need not resolve this issue, because we conclude that the discharge of indebtedness passes through before any attribute reduction takes place.

through (as petitioners argue), then the shareholders would be able to deduct their losses (up to the amount of the increase in basis caused by the discharged debt). Any suspended losses remaining then will be treated as the S corporation’s net operating loss and will be reduced by the amount of the discharged debt. Therefore the sequence of the steps of pass-through and attribute reduction determines whether petitioners here were deficient when they increased their bases by the discharged debt amount and deducted their losses.

The sequencing question is expressly addressed in the statute. Section 108(b)(4)(A) directs that the attribute reductions “shall be made *after* the determination of the *tax imposed* by this chapter for the taxable year of the discharge.” (Emphases added.) See also section 1017(a) (applying the same sequencing when section 108 attribute reduction affects basis of corporate property). In order to determine the “tax imposed,” an S corporation shareholder must adjust his basis in his corporate stock and pass through all items of income and loss. See sections 1366, 1367 (1994 ed. and Supp III). Consequently, the attribute reduction must be made *after* the basis adjustment and pass-through. In the case of petitioners, they must pass through the discharged debt, increase corporate bases, and then deduct their losses, all before any attribute reduction could occur. Because their basis increase is equal to their losses, petitioners have no suspended losses remaining. They therefore, have no net operating losses to reduce.

Although the Commissioner has now abandoned the reasoning of the Court of Appeals below,<sup>8</sup> we address the primary

<sup>8</sup> The Commissioner has abandoned his argument related to the sequencing issue before this Court. This abandonment is particularly odd given that the sequencing issue predominated in the Commissioner’s argument to the Court of Appeals. Notwithstanding the Commissioner’s attempt at oral argument to distance himself from the reasoning of the Court of Appeals on this issue—the Commissioner represented to us that the Court of Appeals developed its reading of the statute *sua sponte*, Tr. of Oral Arg. 22-24, 27—it is apparent from the Commissioner’s brief in the Court of Appeals that the Commissioner *supplied* the very sequencing theory that the Court of Appeals adopted. Compare, e.g., Brief for Appellee in Nos. 98-9009 and 98-9010 (CA10), p. 28 (“First, the discharge of indebtedness income that is excluded under Section 108(a) at

arguments made in the Courts of Appeals against petitioners' reading of the sequencing provision. First, one court has expressed the concern that, if the discharge of indebtedness is passed through to the shareholder *before* the tax attributes are reduced, then there can never be any discharge of indebtedness remaining "at [the] corporate level," section 108(d)(7)(A), by which to reduce tax attributes.<sup>9</sup> *Gaudio*, 216 F. 3d at 533. This concern presumes that tax attributes can be reduced only if the discharge of indebtedness itself remains at the corporate level. The statute, however, does not impose this restriction. Section 108(b)(1) requires only that the tax attributes be reduced by "[t]he amount excluded from gross income," (emphasis added), and that amount is not altered by the mere pass-through of the income to the shareholder.

Second, courts have discussed the policy concern that, if shareholders were permitted to pass through the discharge of indebtedness before reducing any tax attributes, the shareholders would wrongly experience a "double windfall": They

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the corporate level is temporarily set aside and has no tax consequences .... Second, PDW & A computes its tax attributes, *i.e.*, taxpayers' suspended losses. Third, the excluded discharge of indebtedness income is applied against and eliminates the suspended losses. Because the excluded income is applied against — and offset by — the suspended losses, no item of income flows through to taxpayers under Section 1366(a), and no upward basis adjustment is made under Section 1367(a)" (citations omitted), with, *e.g.*, 182 F. 3d at 1151 ("PDW & A first must compute its discharge of indebtedness income and set this figure aside temporarily. The corporation then must calculate its net operating loss tax attribute. . . . Finally, the corporation must apply the excluded discharged debt to reduce its tax attributes. In this case, the net operating loss tax attribute fully absorbs the corporation's excluded discharge of indebtedness income. Thus, there are no items of income to pass through to Gitlitz and Winn").

<sup>9</sup> Similar to this argument is the contention that, in cases such as this one in which the shareholders' suspended losses are fully deducted before attribute reduction could take place, no net operating loss remains and no attribute reduction can occur, thus rendering section 108(b) inoperative. However, there will be other cases in which section 108(b) will be inoperative. In particular, if a taxpayer has no tax attributes at all, there will be no reduction. Certainly the statute does not condition the exclusion under section 108(a) on the ability of the taxpayer to reduce attributes under section 108(b). Likewise, in the case of shareholders similarly situated to petitioners in this case, there is also the possibility that other attributes, see sections 108(b)(2)(B)-(G), could be reduced.

would be exempted from paying taxes on the full amount of the discharge of indebtedness, *and* they would be able to increase basis and deduct their previously suspended losses. See, *e.g.*, 182 F. 3d at 1147–1148. Because the Code's plain text permits the taxpayers here to receive these benefits, we need not address this policy concern.<sup>10</sup>

\* \* \* \*

The judgment of the Court of Appeals, accordingly, is reversed.

*It is so ordered.*

## SUPREME COURT OF THE UNITED STATES

No. 99-1295

DAVID A. GITLITZ, ET UX., ET AL.,  
PETITIONERS v. COMMISSIONER OF  
INTERNAL REVENUE

ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF  
APPEALS FOR THE TENTH CIRCUIT

[January 9, 2001]

JUSTICE BREYER, dissenting.

I agree with the majority's reasoning with the exception of footnotes 6 and 10. The basic statutory provision before us is 26 U.S.C. section 108 — the provision that excludes from the "gross income" of any "insolvent" taxpayer, income that cancellation of a debt (COD) would otherwise generate. As the majority acknowledges, however, *ante* at 7, n. 6,

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<sup>10</sup> The benefit at issue in this case arises in part because section 108(d)(7)(A) permits the exclusion of discharge of indebtedness income from gross income for an insolvent S corporation even when the S corporation shareholder is personally solvent. We are aware of no other instance in which section 108 directly benefits a solvent entity. However, the result is required by statute. Between 1982 and 1984, section 108 provided that the exclusion from gross income and the reduction in tax attributes occurred at the shareholder level. See Subchapter S Revision Act of 1982, Pub. L. No. 97-354, section 3(e), 96 Stat. 1689. This provision, which paralleled the current taxation of partnerships at the partner level, see 26 U.S.C. section 108(d)(6), prevented solvent shareholders from benefiting as a result of their S corporation's insolvency. In 1984, however, Congress amended the Code to provide that section 108 be applied "at the corporate level." Tax Reform Act of 1984, Pub. L. No. 98-369, section 721(b), 98 Stat. 966. It is as a direct result of this amendment that the solvent petitioners in this case are able to benefit from section 108's exclusion.

section 108 contains a subsection that sets forth a special exception. The exception, entitled "Special rules for S corporation," says:

"(A) Certain provisions to be applied at corporate level.

"In the case of an S corporation, subsections (a), (b), (c), and (g) shall be applied at the corporate level." 26 U.S.C. section 108(d)(7)(A).

If one reads this language literally as exclusive, both the COD exclusion (Section 108(a)) and the tax attribute reduction (Section 108(b)) would apply only "at the corporate level." Hence the COD income would not flow through to S corporation shareholders. Consequently, the insolvent S corporation's COD income would not increase the shareholder's basis, and would not help the shareholder take otherwise unavailable deductions for suspended losses.

The Commissioner argues that we should read the language in this way as preventing the flow-through of the corporation's COD income. Brief for United States 27. He points to the language of a House Committee, which apparently thought, when Congress passed an amendment to section 108, that the Commissioner's reading is correct. H. R. Rep. No. 103-111, pp. 624-625 (1993) ("[T]he exclusion and basis reduction are both made at the S corporation level (section 108(d)(7)). The shareholders' basis in their stock is not adjusted by the amount of debt discharge income that is excluded at the corporate level"). At least one commentator believes the same. See *Loebl*, Does the Excluded COD Income of an Insolvent S Corporation Increase the Basis of the Shareholders' Stock?, 52 U. Fla. L. Rev. 957, 981-988 (2000). But see Lockhart & Duffy, Tax Court Rules in *Nelson* that S Corporation Excluded COD Income Does Not Increase Shareholder Stock Basis, 25 Wm. Mitchell L. Rev. 287 (1999).

The Commissioner finds support for his literal, exclusive reading of section 108(d)(7)(A)'s language in the fact that his reading would close a significant tax loophole. That loophole — preserved by the majority — would grant a *solvent* shareholder of an insolvent S corporation a tax benefit in the form of permission to

take an otherwise unavailable deduction, thereby sheltering other, unrelated income from tax. See *Witzel v. Commissioner*, 200 F. 3d 496, 497 (CA7 2000) (Posner, C. J.) (“It is hard to understand the rationale for using a tax exemption to avoid taxation not only on the income covered by the exemption but also on unrelated income that is not tax exempt”). Moreover, the benefit often would increase in value as the amount of COD income increases, a result inconsistent with congressional intent to impose a “price” (attribute reduction), see Lipton, *Different Courts Adopt Different Approaches to the Impact of COD Income on S Corporations*, 92 J. Tax. 207 (2000), on excluded COD. Further, this deduction-related tax benefit would have very different tax consequences for identically situated taxpayers, depending only upon whether a single debt can be split into segments, each of which is canceled in a different year. For example, under the majority’s interpretation, a \$1 million debt canceled in one year would permit Taxpayer A to deduct \$1 million of suspended losses in that year, thereby permitting A to shelter \$1 million of unrelated income in that year. But because section 108 reduces tax attributes after the first year, five annual cancellations of \$200,000 will not create a \$1 million shelter. Timing is all-important.

The majority acknowledges some of these policy concerns and confesses ignorance of any “other instance in which section 108 directly benefits a solvent entity,” but claims that its reading is mandated by the plain text of section 108(d)(7)(A), and therefore that the Court may disregard the policy consequences. *Ante* at 13 and n. 10. It is difficult, however, to see why we should interpret that language as treating different solvent shareholders differently, given that the words “at the corporate

level” were added “[i]n order to treat all shareholders in the same manner.” H. R. Rep. No. 98-432, pt. 2, p. 1640 (1984). And it is more difficult to see why, given the fact that the “plain language” admits either interpretation, we should ignore the policy consequences. See *Commissioner v. Gillette Motor Transport, Inc.*, 364 U. S. 130, 134–135 (1960) (abandoning literal meaning of 26 U. S. C. section 1221 (1958 ed.) for a reading more consistent with congressional intent). Accord, *Commissioner v. P. G. Lake, Inc.*, 356 U. S. 260, 264–267 (1958); *Corn Products Refining Co. v. Commissioner*, 350 U. S. 46, 51–52 (1955); *Hort v. Commissioner*, 313 U. S. 28, 30–31 (1941).

The arguments from plain text on both sides here produce ambiguity, not certainty. And other things being equal, we should read ambiguous statutes as closing, not maintaining, tax loopholes. Such is an appropriate understanding of Congress’ likely intent. Here, other things are equal, for, as far as I am aware, the Commissioner’s literal interpretation of section 108(d)(7)(A) as exclusive would neither cause any tax-related harm nor create any statutory anomaly. Petitioners argue that it would create a linguistic inconsistency, for they point to a Treasury Regulation that says that the Commissioner will apply hobby loss limitations under section 183 “at the corporate level in determining” allowable deductions, while, presumably, nonetheless permitting the deduction so limited to flow through to the shareholder. Treas. Reg. section 1.183-1(f), 26 CFR section 1.183-1(f) (2000). But we are concerned here with the “application” of an exclusion, not with “determining” the amount of a deduction. Regardless, the regulation’s use of the words “at the corporate level,” like the three other appearances of the formulation “applied” or “deter-

mined” “at the corporate level” in the Code, occur in contexts that are so very different from this one that nothing we say here need affect their interpretation. See 26 U. S. C. section 49(a)(1)(E)(ii)(I) (determining whether financing is recourse financing); 26 U. S. C. section 264(f)(5)(B) (1994 ed., Supp. IV) (determining how to allocate interest expense to portions of insurance policies); 26 U. S. C. section 302(e)(1)(A) (determining whether a stock distribution shall be treated as a partial liquidation). If there are other arguments militating in favor of the majority’s interpretation, I have not found them.

The majority, in footnote 6, says that the words “at the corporate level” in section 108(d)(7)(A) apply to the exclusion of COD income from corporate income and to “tax attribute reduction” but do not “susp[en]d the operation of . . . ordinary pass-through rules” because section 108(d)(7)(A) “does not state or imply that the debt discharge provisions shall apply *only* ‘at the corporate level.’” It is the majority, however, that should explain why it reads the provision as nonexclusive (where, as here, its interpretation of the Code results in the “practical equivalent of [a] double deduction,” *Charles Ilfeld Co. v. Hernandez*, 292 U. S. 62, 68 (1934)). See *United States v. Skelly Oil Co.*, 394 U. S. 678, 684 (1969) (requiring “clear declaration of intent by Congress” in such circumstances). I do not contend that section 108(d)(7)(A) *must* be read as having exclusive effect, only that, given the alternative, this interpretation provides the best reading of section 108 as a whole. And I can find no “clear declaration of intent by Congress” to support the majority’s contrary conclusion regarding section 108(d)(7)(A)’s effect. It is that conclusion from which, for the reasons stated, I respectfully dissent.

## Part III. Administrative, Procedural, and Miscellaneous

Rev. Proc. 2001-32

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

- General Instructions for Forms 1099, 1098, 5498, and W-2G
- Specific Instructions for Individual Information Returns
- Form 4419 - Application for Filing Information Returns Magnetically/Electronically
- Form 4804 - Transmittal of Information Returns Reported Magnetically
- Form 8508 - Request for Waiver From Filing Information Returns on Magnetic Media (Forms W-2, W-2G, 1042-S, 1098, 1099, 5498, and 8027)
- Form 8809 - Request for Extension of Time To File Information Returns (Forms W-2, W-2G, 1042-S, 1098, 1099, 5498, and 8027)
- Notice 210 - Preparation Instructions for Media Labels

The Internal Revenue Service, Martinsburg Computing Center encourages filers to make copies of the blank forms in the back of this publication for future use. These forms can also be obtained by calling 1-800-829-3676 or via the Internet at [www.irs.gov](http://www.irs.gov).

Use this Revenue Procedure to prepare Tax Year 2001 and prior year information returns for submission to Internal Revenue Service (IRS) using any of the following:

- Magnetic Tape
- Tape Cartridge
- 8mm, 4mm, and Quarter Inch Cartridges (QIC)
- 3 1/2-Inch Diskette
- Electronic Filing

#### Caution to filers:

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

### IMPORTANT NOTES:

**IRS/MCC is no longer returning problem media in need of replacement. See Part A, Sec. 2, .03, c, for details.**

**Beginning in calendar year 2003 for Tax Year 2002, 9 track magnetic tape will no longer be an acceptable type of media for submitting Information Returns to IRS/MCC. See Part A, Sec. 2, .02, a. (4) and Part B.**

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## Part A. General

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

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

### Sec. 1. Purpose

**.01** The purpose of this Revenue Procedure is to provide the specifications for filing Forms 1098, 1099, 5498, and W-2G with IRS magnetically or electronically, using 1/2 -inch 9 track tape, IBM 3480, 3490, 3490E, 3590, 3590E, or AS400 compatible tape cartridges (including 4mm, 8mm & QIC), or 3 1/2-inch diskettes or electronically through the IRS FIRE System. ***Beginning in calendar year 2003 for tax year 2002, IRS/MCC will no longer process 1/2 -inch 9 track magnetic tape.*** This Revenue Procedure must be used for the preparation of Tax Year 2001 information returns and information returns for tax years prior to 2001 that are required to be filed. This Revenue Procedure must be used to prepare current and prior year information returns ***filed beginning January 1, 2002, and received by IRS/MCC or postmarked by December 15, 2002.*** Specifications for filing the following forms are contained in this Revenue Procedure.

- (a) Form 1098, Mortgage Interest Statement
- (b) Form 1098-E, Student Loan Interest Statement
- (c) Form 1098-T, Tuition Payments Statement
- (d) Form 1099-A, Acquisition or Abandonment of Secured Property
- (e) Form 1099-B, Proceeds From Broker and Barter Exchange Transactions
- (f) Form 1099-C, Cancellation of Debt
- (g) Form 1099-DIV, Dividends and Distributions
- (h) Form 1099-G, Certain Government and Qualified State Tuition Program Payments
- (i) Form 1099-INT, Interest Income
- (j) Form 1099-LTC, Long-Term Care and Accelerated Death Benefits
- (k) Form 1099-MISC, Miscellaneous Income
- (l) Form 1099-MSA, Distributions From an MSA or Medicare+Choice MSA
- (m) Form 1099-OID, Original Issue Discount
- (n) Form 1099-PATR, Taxable Distributions Received From Cooperatives
- (o) Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- (p) Form 1099-S, Proceeds From Real Estate Transactions
- (q) Form 5498, IRA Contribution Information
- (r) Form 5498-MSA, MSA or Medicare+Choice MSA Information
- (s) Form W-2G, Certain Gambling Winnings

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

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

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

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

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

- (a) 2001 "General Instructions for Forms 1099, 1098, 5498, and W-2G" and individual form instructions.
- (b) Publication 1179, Rules and Specifications for Private Printing of Substitute Forms 1096, 1098, 1099, 5498, and W-2G
- (c) Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Magnetically or Electronically
- (d) Publication 1187, Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Magnetically or Electronically
- (e) Publication 1245, Specifications for Filing Form W-4, Employee's Withholding Allowance Certificate, Magnetically or Electronically.

**.07** This Revenue Procedure supersedes Rev. Proc. 2000-25 published as Publication 1220 (Rev. 7-2000), Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically.

.08 Refer to Part A, Sec. 17, for definitions of terms used in this publication.

## Sec. 2. Nature of Changes—Current Year (Tax Year 2001)

.01 In this publication, all pertinent changes for Tax Year 2001 are emphasized by the use of *italics*. Portions of text that require special attention have been **bolded**. Filers are always encouraged to read the publication in its entirety.

### .02 Programming Changes

#### a. General

- (1) The state of Connecticut has been added to the Combined Federal State Filing Program. See Part A, Sec. 16, Table 1 for a list of all participating states and their filing codes.
- (2) The state of Tennessee has withdrawn from the Combined Federal State Filing Program.
- (3) IRS/MCC is accepting 3590 and 3590E tape cartridges for the filing of information returns.
- (4) Beginning in calendar year 2003 for Tax Year 2002, 9 track magnetic tape will no longer be an acceptable type of media for submitting Information Returns to IRS/MCC.

#### b. Programming Changes - Transmitter “T” Record

- (1) For all forms, Payment Year, Field Positions 2-5, must be incremented to update the four-digit report year (*2000 to 2001*), unless reporting prior year data.
- (2) A Vendor Indicator was added in Field Position 376 to indicate whether software was purchased from an outside source or produced in-house.
- (3) A Vendor Name field was added to Field Positions 377-416.
- (4) A Vendor Mailing Address field was added to Field Positions 417-456.
- (5) A Vendor City field was added to Field Positions 457-496.
- (6) A Vendor State field was added to positions 497-498.
- (7) A Vendor ZIP Code field was added to Field Positions 499-507.
- (8) A Vendor Contact Name field was added to Field Positions 508-547.
- (9) A Vendor Contact Phone Number and Extension field was added to Field Positions 548-562
- (10) A Vendor Contact Email Address was added to Field Positions 563-582.

#### c. Programming Changes - Payer “A” Record

- (1) For all forms, Payment Year, Field Positions 2-5, must be incremented to update the four-digit report year (*2000 to 2001*), unless reporting prior year data.
- (2) Form 1098-T – Tuition Payments Statement, Field Positions 28-39: Amount Code 1 has been renamed Qualified tuition and related expenses.
- (3) Form 1098-T – Tuition Payments Statement, Field Positions 28-39: Amount Code 2 has been renamed Reimbursements or refunds.
- (4) Form 1098-T – Tuition Payments Statement, Field Positions 28-39: Amount Code 3 was added for Scholarships and grants.
- (5) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code 4 was changed to Qualified 5-year gain.
- (6) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code 5 was changed to Unrecaptured section 1250 gain.
- (7) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code 6 was changed to Section 1202 gain.
- (8) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code 7 was changed to Nontaxable distributions.
- (9) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code 8 was changed to Federal income tax withheld.
- (10) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code 9 was changed to Investment expenses.
- (11) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code A was changed to Foreign tax paid.
- (12) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code B was changed to Cash liquidation distribution.
- (13) Form 1099-DIV – Dividends and Distributions, Field Positions 28-39: Amount Code C was added for Noncash liquidation distribution.
- (14) Form 5498 – IRA Contribution Information, Field Positions 28-39: Amount Code 4 was changed to Recharacterized contributions.
- (15) Form 5498 – IRA Contribution Information, Field Positions 28-39: Amount Code 5 was changed to Fair market value of account.
- (16) Form 5498 – IRA Contribution Information, Field Positions 28-39: Amount Code 6 was changed to Life insurance cost included in Amount Code 1.

- (17) Form 5498 – IRA Contribution Information, Field Positions 28-39: Amount Code 8 was changed to SEP contributions.
- (18) Form 5498 – IRA Contribution Information, Field Positions 28-39: Amount Code 9 was changed to SIMPLE contributions.
- (19) Form 5498 – IRA Contribution Information, Field Positions 28-39: Amount Code A was changed to Roth IRA contributions.
- (20) Form 5498 – IRA Contribution Information, Field Positions 28-39: Amount Code B added for Education IRA contributions.

**d. Programming Changes — Payee “B” Record**

- (1) For all forms, Payment Year, Field Positions 2-5, must be incremented to update the four-digit report year (2000 to 2001), unless reporting prior year data.
- (2) Form 1098-E – Student Loan Interest – Field Position 547 was added to indicate if Amount Code 1 includes loan origination fees and/or capitalized interest.
- (3) Form 1099-LTC – Long-Term Care and Accelerated Death Benefits – Field Position 697 was added to indicate whether benefits were from a qualified long-term care insurance contract.
- (4) Form 1099-R – Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. – Field Positions 545-546 – The following codes have been added:
  - (a) Code N – Recharacterized IRA contribution made for 2001.
  - (b) Code T – Roth IRA distribution, exception applies.
 The following codes have been **changed**:
  - (a) Code J – Early distribution from a Roth IRA, no known exception.
  - (b) Code R – Recharacterized IRA contribution made for 2000.

**.03 Editorial Changes**

- a. Form 4804, Transmittal of Information Returns Reported Magnetically, has undergone a major revision. Due to the revision, Form 4802, the continuation form, is no longer needed and is now obsolete.
- b. The Form 4804 is not required for **Electronic** filing. Electronic filers will be prompted to create a PIN when they first logon to transmit their information returns. See Part C, Sec. 7, for additional details. Form 4804 is still required for magnetic media filers (tape, tape cartridge and diskette). **FILERS OF MAGNETIC MEDIA MUST SEND THE FORM 4804 WITH THEIR MEDIA.**
- c. IRS/MCC no longer returns media in need of replacement. All references to returning media for replacement were deleted. Revised language informs filers that IRS/MCC will send correspondence requesting replacement files. The correspondence includes Form 9267, Media Tracking Slip, a listing of sample errors and a letter detailing the problem(s) encountered during processing.
- d. The MCC Information Reporting Program (IRP) Call Site now has email service. Filers can email technical tax law questions relative to information returns and magnetic media/electronic filing and receive written responses. (Do not submit confidential information, such as employer identification numbers, in your correspondence.) This service is accessed through *mccirp@irs.gov*. For more information, contact the MCC/IRP Call Site at 304-263-8700.
- e. Additional common problems were added to Part C, Sec. 12, .03 and .04. The items detail some of the more frequently asked technical questions concerning dialing into the FIRE System. Filers are urged to refer to this area, if they experience difficulties before calling IRS/MCC.
- f. Forms 1099-MSA and 5498-MSA were affected by Public Law 106-554, enacted on December 21, 2000, which changed the name of medical savings accounts to Archer MSAs. The 2001 forms and instructions do not reflect this change. These products were released for print prior to enactment of the new law.
- g. For special rules for reporting payments made through foreign intermediaries and foreign flow-through entities on Form 1099, see 2001 “General Instructions for Forms 1099, 1098, 5498, and W-2G” page GEN-12.

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

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

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

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

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

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

304-263-8700 - Call Site or email at [mccirp@irs.gov](mailto:mccirp@irs.gov)  
304-267-3367 - TDD  
(Telecommunication Device for the Deaf)  
304-264-5602 - Fax Machine  
Electronic Filing – FIRE system  
304-262-2400

\*\*\*\*\*(These are not toll-free telephone numbers.)\*\*\*\*\*

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

[www.irs.gov](http://www.irs.gov) - INTERNET access to forms (See Note.)

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

.04 The 2001 “General Instructions for Forms 1099, 1098, 5498, and W-2G” and the individual forms instructions have been included in the Publication 1220 for your convenience. The Form 1096 is used only to transmit Copy A of **paper** Forms 1099, 1098, 5498, and W-2G. If filing paper returns, follow the mailing instructions on Form 1096 and submit the paper returns to the appropriate IRS Service Center.

.05 Requests for paper Forms 1096, 1098, 1099, 5498, and W-2G, and publications related to magnetic media/electronic filing should be made by calling the IRS toll-free number **1-800-TAX-FORM (1-800-829-3676)** or via the Internet at [www.irs.gov](http://www.irs.gov).

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

.07 Payers **should not** contact IRS/MCC if they have received a penalty notice and need additional information or are requesting an abatement of the penalty. A penalty notice contains an IRS representative’s name and/or phone number for contact purposes; or, the payer may be instructed to respond in writing to the address provided. IRS/MCC does **not** issue penalty notices and does **not** have the authority to abate penalties. For penalty information, refer to the Penalty section of the 2001 “General Instructions for Forms 1099, 1098, 5498, and W-2G.”

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

.09 The Information Reporting Program Call Site answers both magnetic media and tax law questions relating to the filing of information returns (Forms 1096, 1098, 1099, 5498, 8027, W-2G, and W-4). The Call Site also answers magnetic media questions related to Forms 1042-S, and tax law and paper filing related questions about Forms W-2 and W-3, as well as handling inquiries dealing with backup withholding and reasonable cause requirements due to missing and incorrect taxpayer identification numbers. The Call Site is located at IRS/MCC and operates in conjunction with the Information Reporting Program. The Call Site provides service to the payer community (financial institutions, employers, and other transmitters of information returns). Recipients of information returns (payees) should continue to contact 1-800-829-1040 or other numbers specified in the tax return instructions with any questions on how to report information on their tax returns. The Call Site accepts calls from all areas of the country. The number to call is **304-263-8700** or Telecommunications Device for the Deaf (TDD) **304-267-3367**. These are toll calls. *The Call Site can also be reached via email at [mccirp@irs.gov](mailto:mccirp@irs.gov).* Hours of operation for the Call Site are Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern time. The Call Site is in operation throughout the year to handle the questions of payers, transmitters, and employers. Due to the high demand for assistance at the end of January and February, it is advisable to call as soon as possible to avoid these peak filing seasons.

#### Sec. 4. Filing Requirements

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

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

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

**.03** Payers who are required to submit their information returns on magnetic media may choose to submit their documents by electronic filing. Payers who submit their information returns electronically by *April 1, 2002*, are considered to have satisfied the magnetic media filing requirements.

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

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

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

\*For Tax Year 2001, Forms 1098-E and 1098-T may be reported on paper regardless of the 250 threshold.

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

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

**.01** If a payer is required to file on magnetic media but fails to do so (or fails to file electronically in lieu of magnetic media filing) and does not have an approved waiver on record, the payer will be subject to a penalty of \$50 per return in excess of 250. (For penalty information, refer to the Penalty section of the 2001 *“General Instructions for Forms 1099, 1098, 5498, and W-2G.”*)

**.02** If payers are required to file original or corrected returns on magnetic media, but such filing would create a hardship, they may request a waiver from these filing requirements by submitting Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media, to IRS/MCC. A Form 8508 is included in Publication 1220 for the filer’s use.

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

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

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

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

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

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

**.09** Filers are encouraged to submit Form 8508 to IRS/MCC at least 45 days before the due date of the returns.

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

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

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

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

## **Sec. 6. Vendor List**

**.01** IRS/MCC prepares a list of vendors who support magnetic media or electronic filing. The Vendor List (Pub. 1582) contains the names of service bureaus that will produce files on the prescribed types of magnetic media or via electronic filing. It also con-

tains the names of vendors who provide software packages for payers who wish to produce magnetic media or electronic files on their own computer systems. This list is compiled as a courtesy and in no way implies IRS/MCC approval or endorsement.

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

**.03** The Vendor List, Publication 1582, may be updated in print every other year. The most recently printed copy will be available by contacting IRS/MCC at 304-263-8700 or by letter (see Part A, Sec. 3). The Vendor List is also available on the Internet at [www.irs.gov](http://www.irs.gov).

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

- (a) Company name
- (b) Address (include city, state, and ZIP code)
- (c) Telephone number (include area code)
- (d) Contact person
- (e) Type(s) of service provided (e.g., service bureau and/or software)
- (f) Type(s) of media offered (e.g., magnetic tape, tape cartridge, 3 1/2-inch diskette, or electronic filing)
- (g) Type(s) of return(s)

### Sec. 7. Form 4419, Application for Filing Information Returns Magnetically/Electronically

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

#### EXCEPTIONS

**An additional Form 4419 is required for filing each of the following types of returns:  
Forms 1042-S, 8027, and W-4.**

FORM	TITLE	EXPLANATION
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	Reports payments subject to withholding under Chapter 3 of the Code, including interest, dividends, royalties, pensions and annuities.
8027	Employer's Annual Information Return of Tip Income and Allocated Tips	Reports receipts from operations where tipping is customary. Used by the employers to report employees' tips or allocated tips.
W-4 (See Note)	Employee's Withholding Allowance Certificate	Reports forms received during the quarter from employees still employed at the end of the quarter who claim the following: (a) More than 10 withholding allowances or (b) Exempt status and wages normally would be more than \$200 a week.

☛ **Note: Employers are not required to send other Forms W-4 unless notified to do so by the IRS.**

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

**.03** Upon approval, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned and included in an approval letter. The TCC **must** be coded in the Transmitter "T" Record. If a transmitter uses more than one TCC to file, each TCC must be reported on separate media or in separate transmissions if filing electronically.

**.04** Annually, a Publication 1220 containing the current Revenue Procedure, forms, and instructions will be sent to the attention of the contact person indicated on Form 4419.

**.05** If **any** of the information (name, TIN or address) on the Form 4419 changes, please notify IRS/MCC in writing so the IRS/MCC database can be updated. However, a change in the method by which information returns are being submitted is not information which needs to be updated (e.g., tape to disk). The transmitter should include the TCC in all correspondence.

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

**.07** IRS/MCC encourages transmitters who file for multiple payers to submit one application and to use the assigned TCC for all payers.

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

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

(a) The payer has discontinued filing magnetically or electronically for two consecutive years; the payer's TCC may have been reassigned by IRS/MCC. Payers who are aware the TCC assigned will no longer be used are requested to notify IRS/MCC so these numbers may be reassigned; or

(b) The payer's magnetic media files were transmitted in the past by a service bureau using the service bureau's TCC, but now the payer has computer equipment compatible with that of IRS/MCC and wishes to prepare his or her own files. The payer must request a TCC by filing Form 4419.

**.10** One Form 4419 may be submitted regardless of how many types of media or methods are used to file the return. While not encouraged, multiple TCCs can be issued to payers with multiple TINs. Only one TCC will be issued per TIN unless the filer has checked the application for the following forms in addition to the Forms 1098, 1099, 5498 or W-2G: Forms 1042-S, 8027, and/or W-4. A separate TCC will be assigned for each of these forms.

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

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

## Sec. 8. Test Files

**.01** IRS/MCC does not require test files, **except** for filers wishing to participate in the Combined Federal/State Filing Program. See Part A, Sec. 16, for further information concerning the Combined Federal/State Filing Program.

**.02** IRS/MCC encourages first-time magnetic media or electronic filers to submit a test. The test file must consist of a sample of each type of record:

(a) Transmitter "T" Record (all fields marked required must include transmitter information)

(b) Payer "A" Record (must not be fictitious data)

(c) Multiple Payee "B" Records (**at least 11 "B" Records per each "A" Record**)

(d) End of Payer "C" Record

(e) State Totals "K" Record, if participating in the Combined Federal/State Filing Program

(f) End of Transmission "F" Record

(See Part B for record formats.)

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

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

**.05** Electronic tests may be submitted November 1, 2001, through *February 15, 2002*. See Part C, Sec. 5.03 for information on electronic test results.

**.06** Tests submitted on magnetic media should be sent to IRS/MCC between November 1 and *December 17*. Tests must be received at MCC by *December 17* in order to be processed. Magnetic media filers may begin submitting test tapes and diskettes after October 1; however, the data will not be processed until on or after November 1. For tests filed on magnetic tape, tape cartridge, 8mm, 4mm, and quarter inch cartridge, and 3 1/2-inch diskette, the transmitter must include the signed Form 4804 in the same package with the corresponding magnetic media. Mark the “TEST” box in Block 1 on the form. Also, mark “TEST” on the external media label.

**.07** IRS/MCC will send a letter of acknowledgment to indicate the magnetic media test results. Unacceptable magnetic media files, along with documentation identifying the errors, will be returned. Resubmission of magnetic media test files must be received by IRS/MCC no later than *December 17*.

**.08** Successfully processed media will not be returned to filers.

## **Sec. 9. Filing of Information Returns Magnetically and Retention Requirements**

**.01** Form 4804, Transmittal of Information Returns Reported Magnetically, or a computer-generated substitute, must accompany **all** magnetic media shipments.

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

**.03** A transmitter may report for any combination of payers and/or documents in a submission. Each file must begin with a “T” Record and end with an “F” Record for the end of a transmission. For example, if reporting Forms 1099–INT for Bank A, Forms 1099–DIV for Bank B, and Forms 1098 for Bank C, three separate tapes or diskettes need not be created. All three banks and all types of documents can be coded within a single file on one tape or diskette as long as each bank or type of return has a separate “A” Record. Multiple tapes or diskettes can be sent in one package. For each separate type of media, the first record on the file must be the Transmitter “T” Record. A Form 4804, Transmittal of Information Returns Reported Magnetically, must be submitted for every Transmitter “T” Record. Filers must include Form 4804, or computer-generated substitute with their shipment.

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

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

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

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

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

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

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

**.11** On the outside of the shipping container, affix or attach a label which reads “**IRB Box \_\_\_ of \_\_\_**” reflecting the number of containers in the shipment. (Filers can create a label with this information or cut out one of the labels on the special label page provided in this publication.) If there is only one container, mark the outside as Box 1 of 1. For multiple containers, include the sequence (for example, Box 1 of 3, 2 of 3, 3 of 3).

**.12** When submitting files include the following:

- (a) A signed Form 4804;
- (b) External media label (created by filer) affixed to magnetic media;
- (c) IRB Box \_\_\_\_\_ of \_\_\_\_\_ outside label.

☛ **Note: See Part C for Electronic Filing Specifications. Form 4804 is no longer needed for electronic filing.**

**.13** Do not use special shipping containers for mailing media to IRS/MCC. Shipping containers will not be returned.

**.14** If returns from different locations (using the same name and TIN) are submitted on the same file, IRS encourages the filer to consolidate each type of information return under one “A” Record. For example, all “B” Records for the same type of return should be together under one “A” Record and followed by the End of Payer “C” Record.

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

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

**Sec. 10. Due Dates**

**.01** The due dates for filing paper returns with IRS also apply to magnetic media. Filing of information returns is on a calendar year basis, except for Forms 5498 and 5498-MSA, which are used to report amounts contributed during or after the calendar year (but not later than April 15). The following due dates will apply to Tax Year 2001:

**Due Dates**

<p><b>Electronic Filing (See Note)</b> Forms 1098, 1099, and W-2G Recipient Copy - January 31, 2002 IRS Copy - - - - - April 1, 2002* *Normal due date of March 31, 2002 falls on a Sunday.</p>	<p><b>Magnetic Filing</b> Forms 1098, 1099, and W-2G Recipient Copy - January 31, 2002 IRS Copy - - - - - February 28, 2002</p>
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☞**Note:** Electronically filed Forms 1099, 1098, or W-2G are due to the IRS by April 1, 2002. The due date for magnetically filed Forms 1099, 1098, and W-2G remains unchanged (February 28, 2002).

Legislation amending Internal Revenue Code section 6071(b), eliminates the necessity for electronic filers of Forms 1098, 1099, and W-2G to request an extension of the filing date from February 28 to March 31, effective for returns required to be filed after December 31, 1999.

<p><b>Electronic/Magnetic Filing</b> Forms 5498 and 5498-MSA Participant Copy - May 31, 2002* IRS Copy - - - - - May 31, 2002 * Participants' copy of Form 5498 for education IRA and all other Forms 5498 to furnish fair market value information - January 31, 2002</p>
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**.02** If any due date falls on a Saturday, Sunday, or legal holiday, the return or statement is considered timely if filed or furnished on the next day that is not a Saturday, Sunday, or legal holiday.

**.03** Information returns filed magnetically for Forms 1098, 1099, and W-2G must be submitted to IRS/MCC postmarked on or before *February 28, 2002*.

**.04** Electronically filed information returns for Forms 1098, 1099 and W-2G must be submitted to IRS/MCC no later than *April 1, 2002*, and will be considered timely filed if submitted by that date. Electronically filed information returns submitted after *April 1, 2002*, will be considered late unless an extension has been applied for and approved.

**.05** Magnetic media returns postmarked by the United States Postal Service (USPS) on or before February 28, 2002, and delivered by United States mail to the IRS/MCC after the due date, are treated as timely under the "timely mailing as timely filing" rule. A similar rule applies to items delivered by private delivery services (PDSs) designated by the IRS. A PDS must be designated by the IRS before it will qualify for the timely mailing rule. (See **Note**.) Notice 99-41, 1999-2 C.B. 325, provides the list of designated PDSs. Designation is effective until the IRS issues a revised list. Notice 97-26 1997-1 C.B. 413, provides rules for determining the date that is treated as the postmark date. For items delivered by a non-designated PDS, the actual date of receipt by IRS/MCC will be used as the filing date. For items delivered by a designated PDS, but through a type of service not designated in Notice 99-41, the actual date of receipt by IRS/MCC will be used as the filing date. The timely mailing rule also applies to furnishing statements to recipients and participants.

☞**Note:** Due to security regulations at MCC, the Internal Revenue police officers will not accept media from PDSs or couriers from 3:00 p.m. to 11:00 p.m., seven days a week, and 11:00 p.m. to 7:00 a.m., Saturday and Sunday.

**.06** Statements to recipients must be furnished on or before *January 31, 2002*, for TY 2001. Form 5498 statements to the participants must be furnished on or before *January 31, 2002*, for TY 2001 for the fair market value of the account and for contributions to an education IRA and by *May 31, 2002*, for TY 2001 for contributions made to all other types of IRAs for the prior calendar year.

**.07** Forms 5498 and 5498-MSA filed magnetically or electronically must be filed with IRS/MCC on or before *May 31, 2002*, for TY 2001.

.08 Use this Revenue Procedure to prepare information returns filed magnetically or electronically beginning *January 1, 2002*, and received by IRS/MCC no later than *December 15, 2002*.

## Sec. 11. Extensions of Time

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

.02 Form 8809, Request for Extension of Time To File Information Returns, should be submitted to IRS/MCC at the address listed in .06 of this section. This form may be used to request an extension of time to file information returns submitted on paper, magnetically or electronically to the IRS

.03 Requesting an extension of time for multiple payers (50 or less) may be done by submitting Form 8809 and attaching a list of the payer names and associated TINs (EIN or SSN). **The listing must be attached to ensure an extension is recorded for all payers.** Form 8809 may be computer-generated or photocopied. Be sure that all the pertinent information is included. For Forms 1098, 1099 and W-2G that will be filed electronically, Form 8809 must be submitted on or before *April 1, 2002*.

.04 Requests for an extension of time to file for more than 50 payers are required to be submitted magnetically or electronically. Requests for an extension of time for 10 to 50 payers are encouraged to be filed magnetically or electronically. (See Part D, Sec. 3, for the record format.) The request may be filed on tape, tape cartridge, 3 1/2-inch diskette, or electronically.

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

.06 All requests for an extension of time filed on Form 8809 or filed magnetically on tape, tape cartridge, 8mm, 4mm, Quarter Inch Cartridges (QIC) or 3 1/2 inch diskette should be sent using the following address:

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

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

.08 **As soon as it is apparent** that a 30-day extension of time to file is needed, Form 8809 should be submitted. It will take a minimum of 30 days for IRS/MCC to respond to an extension request. Under certain circumstances, a request for an extension of time could be denied. When a denial letter is received, any additional or necessary information may be resubmitted within 20 days.

.09 Form 8809 must be postmarked no later than the due date of the return for which an extension is requested. If requesting an extension of time to file several types of forms, use one Form 8809; however, the Form 8809 must be postmarked no later than the earliest due date. For example, if requesting an extension of time to file both Forms 1099-INT and 5498, submit Form 8809 postmarked on or before February 28, 2002. (See **Note.**) Complete more than one Form 8809 to avoid this problem.

**Note:** For Tax Year 2001, if you will be filing Forms 1098, 1099, or W-2G electronically, the Form 8809 is not required unless an extension is needed beyond April 1, 2002.

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

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

.12 Request an extension for only one tax year.

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

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

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

.16 Request an **extension of time to furnish the statements to recipients** of Forms 1098, 1099, 5498, W-2G, W-2 series, and 1042-S by submitting a letter to IRS/MCC at the address listed in .06 of this section. The letter should contain the following information:

- (a) Payer name
- (b) TIN
- (c) Address
- (d) Type of return

- (e) Specify that the extension request is to provide statements to recipients
- (f) Reason for delay
- (g) Signature of payer or duly authorized person.

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

## Sec. 12. Processing of Information Returns Magnetically

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

**.02** *If media is received with data formatted incorrectly, IRS/MCC will request a replacement file in writing. When IRS/MCC requests a replacement file, it is because we encountered errors (not limited to format) and were unable to process the media. Filers will receive a Media Tracking Slip (Form 9267), listing, and letter detailing the reason(s) their media could not be processed. It is imperative that filers maintain backup copies and/or recreate capabilities for their information return files. Open all correspondence from IRS/MCC immediately.*

**.03** Files must be corrected and returned with the Media Tracking Slip (Form 9267) to IRS/MCC within 45 days from the date of the letter. Refer to Part C, Section 6, for procedures for files submitted electronically. A penalty for failure to file correct information returns by the due date will be assessed if the files are not corrected and returned within the 45 days **or if filers are notified by IRS/MCC of the need for a replacement file more than two times**. A penalty for intentional disregard of filing requirements will be assessed if a replacement file is not received. (For penalty information, refer to the Penalty section of the 2001 "General Instructions for Forms 1099, 1098, 5498, and W-2G.")

**.04** Sample records identifying errors encountered will be provided with the returned information. It is the responsibility of the transmitter to check the entire file for similar errors.

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

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

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

- A **replacement** is an information return file sent by the filer at the request of IRS/MCC because of errors encountered while processing the filer's original submission. After the necessary changes have been made, the file must be returned for processing along with the Media Tracking Slip (Form 9267) which was included in the correspondence from IRS/MCC. (See **Note 1**).

☛ **Note 1:** Filers should never send anything to IRS/MCC marked "Replacement" unless IRS/MCC has requested a replacement file in writing or via the FIRE System.

☛ **Note 2:** IRS/MCC no longer returns problem media in need of replacement. Filers will receive a tracking slip, listing and letter detailing the reason(s) their media could not be processed. Filers will be expected to send a replacement file within the prescribed time frame. This makes it **imperative** that filers maintain backup copies and/or recreate capabilities for their information return files.

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

**.07** IRS/MCC will work with filers as much as possible to assist with processing problems. If the filer is contacted by IRS/MCC, a prompt response is important. IRS/MCC may have information that the filer needs to correct his or her file.

**.08** IRS/MCC contacts payers who have submitted payee data with missing TINs in an attempt to prevent errors that could result in penalties. Payers who submit data with missing TINs and have taken the required steps to obtain this information are encouraged to send a letter of explanation. If you are filing magnetically, this letter may be included with your media and Form 4804. This will prevent unnecessary contact from IRS/MCC. This letter, however, will not prevent backup withholding notices (CP2100 or CP2100A Notices) or penalties for missing or incorrect TINs.

## Sec. 13. Corrected Returns

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

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

**.02** Corrections should be filed **as soon as possible**. Corrections filed after August 1 may be subject to the maximum penalty of \$50 per return. Corrections filed by August 1 may be subject to a lesser penalty. (For information on penalties, refer to the Penalty section of the 2001 “*General Instructions for Forms 1099, 1098, 5498, and W-2G*.”) However, if payers discover errors after August 1, they are still required to file corrections so they will not be subject to a penalty for intentional disregard of the filing requirements. Failure to correct information returns may result in penalties for failure to provide correct information. **All fields must be completed with the correct information, not just the data fields needing correction.** Submit corrections only for the returns filed in error, not the entire file. Furnish corrected statements to recipients as soon as possible.

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

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

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

- (a) Name and address of payer
- (b) Type of error (please explain clearly)
- (c) Tax year
- (d) Payer TIN
- (e) TCC
- (f) Type of Return
- (g) Number of Payees

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

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

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

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

**.09** *Form 4804 must be submitted with corrected files submitted magnetically. All references to the Form 4804 in the guidelines instructions apply only to files submitted magnetically. The Form 4804 is no longer required for electronic filing through the FIRE System.*

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

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

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

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## Guidelines for Filing Corrected Returns Magnetically/Electronically

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Error Made on the Original Return

How To File the Corrected Return

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*Note: References to Form 4804 apply to magnetically filed media only. Form 4804 is no longer required for files submitted electronically through the FIRE System.*

**Two (2) separate transactions are required to make the following corrections properly. Follow the directions for both Transactions 1 and 2. (See Note 1.)**

1. Original return was filed with one or more of the following errors:

- (a) No payee TIN (SSN, ITIN, ATIN or EIN)
- (b) Incorrect payee TIN
- (c) Incorrect payee name
- (d) Wrong type of return indicator

### Transaction 1: Identify incorrect returns

- A. Prepare a new Form 4804 that includes information related to this new file.
- B. Mark "Correction" in Block 1 of Form 4804.
- C. Prepare a new file. The first record on the file will be the Transmitter "T" Record.
- D. Make a separate "A" Record for each type of return and each payer being reported. The information in the "A" Record will be **exactly** the same as it was in the original submission with one exception; the Correction File Indicator (Field Position 50) must be set to "1".
- E. The Payee "B" Records must contain **exactly the same** information as submitted previously, except, insert a Corrected Return Indicator Code of "G" in Field Position 6 of the "B" Records, and for all payment amounts, enter "0" (zeros).
- F. Corrected returns submitted to IRS/MCC using "G" coded "B" Records may be on the same file as those returns submitted with a "C" code; **however, separate "A" Records are required.**
- G. Prepare a separate "C" Record for each type of return and each payer being reported.
- H. Continue with Transaction 2 to complete the correction.

### Transaction 2: Report the correct information

- A. Make a separate "A" Record for each type of return and each payer being reported. The Correction File Indicator (Field Position 50), must be set to "1" (one).
- B. The Payee "B" Records must show the correct information as well as a Corrected Return Indicator Code of "C" in Field Position 6.
- C. Corrected returns submitted to IRS/MCC using "C" coded "B" Records may be on the same file as those returns submitted with "G" codes; **however, separate "A" Records are required.**
- D. Prepare a separate "C" Record for each type of return and each payer being reported.
- E. The last record on the file will be the End of Transmission "F" Record.
- F. Indicate "Correction" on the external media label.

*Note 1: See the 2001 "General Instructions for Forms 1099, 1098, 5498, and W-2G." for additional information on regulations affecting corrections and related penalties.*

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**Guidelines for Filing Corrected Returns Magnetically/Electronically (continued)**

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Error Made on the Original Return

How To File the Corrected Return

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

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

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

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**Sec. 14. Taxpayer Identification Number (TIN)**

**.01** Section 6109 of the Internal Revenue Code requires a person to furnish his/her TIN to the person obligated to file the information return.

**.02** The payees' TIN and name combinations are used to associate information returns reported to IRS/MCC with corresponding information on payees' tax returns. It is imperative that **correct** Taxpayer Identification Numbers (TINs) for payees be provided to IRS/MCC. **Do not enter hyphens or alpha characters.** Entering all zeros, ones, twos, etc., will have the effect of an incorrect TIN.

**.03** The payer and payee names, with associated TINs, should be consistent with the names and TINs used on other tax returns. Also, the name and TIN provided must belong to the owner of the account. If the account is recorded in more than one name, furnish the name and TIN of one of the owners of the account. The TIN provided **must** be associated with the name of the payee provided in the first name line of the "B" Record. For individuals, the payee TIN is generally the payee's Social Security Number (SSN). For other entities, the payee TIN is the payee's Employer Identification Number (EIN). The payee TIN may also refer to an Individual Taxpayer Identification Number (ITIN) or Adoption Taxpayer Identification Number (ATIN). For sole proprietors, the payee TIN may be either an SSN or EIN but **the sole proprietor's name** (not the business name) **must be used on the first name line and the SSN is preferred.**

**.04** Failure to provide the correct name and corresponding TIN could result in a proposed penalty notice 972CG and/or backup withholding notice CP 2100 (sometimes referred to as a "B" Notice).

**.05** The following charts will help payers determine the TIN to be furnished to IRS/MCC for those persons (payees) for whom they are reporting information.

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**Chart 1. Guidelines for Social Security Numbers**

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For this type of account-	In the Taxpayer Identification Number Field of the Payee "B" Record, enter the SSN of-	In the First Payee Name Line of the Payee "B" Record, enter the name of-
<b>1. Individual</b>	The individual	The individual
<b>2. Joint account (Two or more individuals, including husband and wife)</b>	The actual owner of the account or, if combined funds, the first individual on the account	The individual whose SSN is entered
<b>3. Custodian account of a minor (Uniform Gift, or Transfers, to Minors Act)</b>	The minor	The minor
<b>4. The usual revocable savings trust account (grantor is also trustee)</b>	The grantor-trustee	The grantor-trustee
<b>5. A so-called trust account that is not a legal or valid trust under state law</b>	The actual owner	The actual owner
<b>6. Sole proprietorship</b>	The business owner (An SSN or EIN)	The owner, not the business name (The filer may enter the business name on the second name line.)

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**Chart 2. Guidelines for Employer Identification Numbers**

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For this type of account-	In the Taxpayer Identification Number Field of the Payee "B" Record, enter the EIN of-	In the First Payee Name Line of the Payee "B" Record, enter the name of-
<b>1. A valid trust, estate, or pension trust</b>	The legal entity	The legal trust, estate, or pension trust
<b>2. Corporate</b>	The corporation	The corporation
<b>3. Association, club, religious, charitable, educational, or other tax-exempt organization</b>	The organization	The organization
<b>4. Partnership account held in the name of the business</b>	The partnership	The partnership
<b>5. A broker or registered nominee/middleman</b>	The broker or nominee/middleman	The broker or nominee/middleman
<b>6. Account with Department of Agriculture</b>	The public entity	The public entity

**Chart 2. Guidelines for Employer Identification Numbers (Continued)**

For this type of account-	In the Taxpayer Identification Number Field of the Payee "B" Record, enter the EIN of-	In the First Payee Name Line of the Payee "B" Record, enter the name of-
in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments		
<b>7. Sole proprietorship</b>	The business owner (An EIN or SSN)	The owner, not the business name (The filer may enter the business name on the second name line.)

**Sec. 15. Effect on Paper Returns and Statements to Recipients**

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

**.02** Payers are responsible for providing statements to the payees as outlined in the 2001 "General Instructions for Forms 1099, 1098, 5498, and W-2G." Refer to those instructions for filing information returns on paper with the IRS and furnishing statements to recipients.

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

**Sec. 16. Combined Federal/State Filing Program**

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

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

The following information returns **may not** be filed under this program:

Form 1098 -----	Mortgage Interest Statement
Form 1098-E-----	Student Loan Interest Statement
Form 1098-T-----	Tuition Payments Statement
Form 1099-A -----	Acquisition or Abandonment of Secured Property
Form 1099-B -----	Proceeds From Broker and Barter Exchange Transactions
Form 1099-C -----	Cancellation of Debt
Form 1099-LTC -----	Long-Term Care and Accelerated Death Benefits
Form 1099-MSA-----	Distributions From an MSA or Medicare+Choice MSA
Form 1099-S-----	Proceeds From Real Estate Transactions
Form 5498-MSA-----	MSA or Medicare+Choice MSA Information
Form W-2G -----	Certain Gambling Winnings

**.02** To request approval to participate, a magnetic media test file coded for this program **must** be submitted to IRS/MCC between November 1, 2001, and December 17, 2001. Electronic test files coded for this program must be submitted between November 1, 2001, and *February 15, 2002*.

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

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

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

**.06** If the test file is not acceptable, IRS/MCC will return the media with a letter indicating the problems. *Electronic filers must dial back within two days to the FIRE System to check the acceptability of their test file. The new test file must be returned to IRS/MCC no later than December 17 for magnetic media, or February 15 for an electronically filed test.*

**.07** A separate Form 6847 is **required** for each payer. A transmitter may not combine payers on one Form 6847 even if acting as Attorney-in-Fact for several payers. Form 6847 may be computer-generated as long as it includes all information that is on the original form or it may be photocopied. If the Form 6847 is signed by an Attorney-in-Fact, the written consent from the payer must clearly indicate that the Attorney-in-Fact is empowered to authorize release of the information.

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

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

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

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

**.12** To simplify filing, some of the participating states have provided their information return reporting requirements (see Table 2). Each state's filing requirements are subject to change by the state. It is the payer's responsibility to contact the participating states to verify the criteria provided in this table.

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

- (a) All records must be coded exactly as required by this Revenue Procedure.
- (b) The "C" Record **must be** followed by a State Totals "K" Record for each state being reported.
- (c) Payment amount totals and the valid participating state code must be included in the State Totals "K" Record.
- (d) The last "K" Record **must be** followed by an "A" Record or an End of Transmission "F" Record (if this is the last record of the entire file).

**Table 1. Participating States and Their Codes**

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

**Table 2. Dollar Criteria for State Reporting**

STATE	1099-DIV	1099-G	1099-INT	1099-MISC	1099-OID	1099-PATR	1099-R	5498
Alabama	\$1500	\$ NR	\$1500	\$1500	\$1500	\$1500	\$1500	NR
Arkansas	100	2500	100	2500	2500	2500	2500	<sup>a</sup>
Connecticut	NR	NR	NR	<sup>a</sup>	NR	NR	<sup>a</sup>	NR
District of Columbia <sup>b</sup>	10	10	10	600	10	10	600	NR
Hawaii	10	<sup>a</sup>	10	600	10	10	600	NR
Idaho	NR	NR	NR	600	NR	NR	<sup>a</sup>	<sup>a</sup>
Iowa	10	10	10	600	10	10	10	<sup>a</sup>
Minnesota	10	10	10	600	10	10	600	<sup>a</sup>
Mississippi	600	600	600	600	600	600	600	NR

**Table 2. Dollar Criteria for State Reporting (Continued)**

STATE	1099-DIV	1099-G	1099-INT	1099-MISC	1099-OID	1099-PATR	1099-R	5498
Missouri	NR	NR	NR	1200 <sup>c</sup>	NR	NR	NR	NR
Montana	10	10	10	600	10	10	600	<sup>a</sup>
New Jersey	1000	1000	1000	1000	1000	1000	1000	NR
Wisconsin	NR	NR	NR	600	NR	NR	600	NR

The preceding list is for information purposes only. The state filing requirements are subject to change by the states. For complete information on state filing requirements, contact the appropriate state tax agencies.

Filing requirements for states in TABLE 1 not shown in TABLE 2 may be the same as the federal requirement.

NR = No filing requirement.

Footnotes:

a All amounts are to be reported.

b Amounts are for aggregates of several types of income from the same payer.

c Missouri would prefer those returns filed with respect to non-Missouri residents to be sent directly to its state agency.

## Sec. 17. Definition of Terms

<b>Element</b>	<b>Description</b>
Asynchronous Protocols	This type of data transmission is most often used by microcomputers, PCs and some minicomputers.  Asynchronous transmissions transfer data at arbitrary time intervals using the start-stop method. Each character transmitted has its own start bit and stop bit.
ATIN	A temporary taxpayer identification number assigned to a child who has been placed by an authorized placement agency in the household of a prospective adoptive parent prior to adoption. When the adoption becomes final, the adoptive parent must apply for a social security number for the child.
b	Denotes a blank position. Enter blank(s) when this symbol is used (do not enter the letter "b"). This appears in numerous areas throughout the record descriptions.
Correction	A correction is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS/MCC, but contained erroneous information.
CUSIP Number	A number developed by the Committee on Uniform Security Identification Procedures to serve as a common denominator in communications among users for security transactions and security information.
Employer Identification Number (EIN)	A nine-digit number assigned by IRS for Federal tax reporting purposes.
Electronic Filing	Submission of information returns using switched telecommunications network circuits. These transmissions use modems, dial-up phone lines, and asynchronous protocols. See Parts A and C of this publication for specific information on electronic filing.
File	For purposes of this Revenue Procedure, a file consists of one Transmitter "T" Record at the beginning of the file, followed by a Payer "A" Record, Payee "B" Records, and an End of Payer "C" Record after each set of "B" Records. The last record on the file will be the End of Transmission "F" Record. Nothing should be reported after the End of Transmission "F" Record. A file format diagram is located at the end of Part E, Miscellaneous Information just before the mail labels.
Filer	Person (may be payer and/or transmitter) submitting information returns to IRS.
Filing Year	The actual year in which the information returns are being submitted to IRS.
Golden Parachute Payment	A payment made by a corporation to a certain officer, shareholder, or highly compensated individual when a change in the ownership or control of the corporation

Element	Description
Incorrect Taxpayer Identification Number (Incorrect TIN)	occurs or when a change in the ownership of a substantial part of the corporate assets occurs.  A TIN may be incorrect for several reasons: (a) The payee provided a wrong number or name (e.g., the payee is listed as the only owner of an account but provided someone else's TIN). (b) A processing error (e.g., the number or name was typed incorrectly). (c) The payee's status changed (e.g., a payee name change was not reported to the IRS or SSA).
Individual Taxpayer Identification Number (ITIN)	A nine-digit number issued by IRS to individuals who are required to have a U.S. taxpayer identification number but are not eligible to obtain a social security number (SSN).
Information Return	The vehicle for submitting required information about another person to IRS. Information returns are filed by financial institutions and by others who make certain types of payments as part of their trade or business. The information required to be reported on an information return includes interest, dividends, pensions, nonemployee compensation for personal services, stock transactions, sales of real estate, mortgage interest, and other types of information. For this Revenue Procedure, an information return is a Form 1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-DIV, 1099-G, 1099-INT, 1099-LTC, 1099-MISC, 1099-MSA, 1099-OID, 1099-PATR, 1099-R, 1099-S, 5498, 5498-MSA or W-2G.
ISDN - Integrated Services Digital Network	ISDN's basic service is Basic Rate Interface (BRI) which is made up of two 64Kbps B channels and one 16Kbps D Channel. If both channels are combined into one, called bonding, the total data rate becomes 128Kbps and is 4 1/2 times the bandwidth of a 28.8 modem.
Magnetic Media	For this Revenue Procedure, the term "magnetic media" refers to 1/2 inch magnetic tape, IBM 3480, 3490, 3490E, 3590, 3590E, AS400 compatible tape cartridge (including 8mm, 4mm, and QIC), or 3 1/2-inch diskette.
<b>Note: Beginning in calendar year 2003 for Tax Year 2002, 9 track magnetic tape will no longer be an acceptable type of media for submitting Information Returns to IRS/MCC.</b>	
Media Tracking Slip (Form 9267)	Form 9267 accompanies correspondence sent by IRS/MCC requesting a replacement file due to incorrect format or errors encountered when trying to process the media. <b>This must be returned with the replacement file.</b>
Missing Taxpayer Identification Number	The payee TIN on an information return is missing if: (a) there is no entry in the TIN field, (Missing TIN) (b) it includes one or more alpha characters (a character or symbol other than an Arabic number) as one of the nine digits, OR (c) the payee TIN has less than nine digits.
PS 58 Costs	The current cost of life insurance under a qualified plan taxable under section 72(m) and Regulations section 1.72-16(b). (See Part B, Sec.10(15) Payee "B" Record, Distribution Code, Category of Distribution, Code 9.)
Payee	Person or organization receiving payments from the payer, or for whom an information return must be filed. The payee also includes a student (Form 1098-T), borrower (Forms 1098, 1098-E, and 1099-A), a debtor (Form 1099-C), a policyholder or insured (Form 1099-LTC), any IRA plan participant (Form 5498) or MSA or Medicare+Choice MSA participant (Form 5498-MSA), and a gambling winner (Form W-2G). For Form 1099-S, the payee is the seller or other transferor.
Payer	Includes the person making payments, a recipient of mortgage or student loan interest payments, an educational institution, a broker, a person reporting a real estate transaction, a barter exchange, a creditor, a trustee or issuer of any IRA or MSA plan, and a lender who acquires an interest in secured property or who has reason to know that the property has been abandoned. The payer will be held responsible for the completeness, accuracy, and timely submission of magnetic/electronic files.

<b>Element</b>	<b>Description</b>
<i>PIN - Personal Identification Number</i>	<i>This number is assigned by the user when the logon name and password is established. Each time the file is sent, the user will be prompted to enter the PIN. The PIN will allow IRS/MCC to release the file for processing and replaces the Form 4804.</i>
Replacement	<i>A replacement is an information return file sent by the filer <b>at the request of IRS/MCC</b> because of errors encountered while processing the filer's original submission.</i>
<p>☛ <b>Note 1: Filers should never submit media to IRS/MCC marked "Replacement" unless IRS/MCC has requested a replacement file in writing or via the FIRE System. When sending a magnetic media "Replacement" file, be sure to include the Media Tracking Slip (Form 9267). Media that has been incorrectly marked as Replacement may result in duplicate filing.</b></p> <p>☛ <b>Note 2: IRS/MCC is no longer returning problem media in need of replacement.</b></p>	
Service Bureau	Person or organization with whom the payer has a contract to prepare and/or submit information return files to IRS/MCC. A parent company submitting data for a subsidiary is not considered a service bureau.
Social Security Number (SSN)	A nine-digit number assigned by SSA to an individual for wage and tax reporting purposes.
Special Character	Any character that is <b>not</b> a numeric, an alpha, or a blank.
SSA	Social Security Administration.
Taxpayer Identification Number (TIN)	Refers to either an Employer Identification Number (EIN), Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN), or Adoption Taxpayer Identification Number (ATIN).
Tax Year	Generally, the year in which payments were made by a payer to a payee.
Transfer Agent	The transfer agent, or paying agent, is the entity who has been contracted or authorized by the payer to perform the services of paying and reporting backup withholding (Form 945).
Transmitter	Refers to the person or organization submitting file(s) magnetically/electronically. The transmitter may be the payer or agent of the payer.
Transmitter Control Code (TCC)	A five character alpha/numeric number assigned by IRS/MCC to the transmitter prior to actually filing magnetically or electronically. This number is inserted in the Transmitter "T" Record of the file and <b>must</b> be present before the file can be processed. An application Form 4419 must be filed with IRS/MCC to receive this number.
Vendor	Vendors include service bureaus that produce information return files on the prescribed types of magnetic media or via electronic filing for payers. Vendors also include companies who provide software for payers who wish to produce their own media or electronic files.

## Sec. 18. State Abbreviations

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

State	Code	State	Code	State	Code
Alabama	AL	Kentucky	KY	Ohio	OH
Alaska	AK	Louisiana	LA	Oklahoma	OK
American Samoa	AS	Maine	ME	Oregon	OR
Arizona	AZ	Marshall Islands	MH	Pennsylvania	PA
Arkansas	AR	Maryland	MD	Puerto Rico	PR
California	CA	Massachusetts	MA	Rhode Island	RI

State	Code	State	Code	State	Code
Colorado	CO	Michigan	MI	South Carolina	SC
Connecticut	CT	Minnesota	MN	South Dakota	SD
Delaware	DE	Mississippi	MS	Tennessee	TN
District of Columbia	DC	Missouri	MO	Texas	TX
Federated States of Micronesia	FM	Montana	MT	Utah	UT
Florida	FL	Nebraska	NE	Vermont	VT
Georgia	GA	Nevada	NV	Virginia	VA
Guam	GU	New Hampshire	NH	(U.S.) Virgin Islands	VI
Hawaii	HI	New Jersey	NJ	Washington	WA
Idaho	ID	New Mexico	NM	West Virginia	WV
Illinois	IL	New York	NY	Wisconsin	WI
Indiana	IN	North Carolina	NC	Wyoming	WY
Iowa	IA	North Dakota	ND		
Kansas	KS	Northern Mariana Islands	MP		

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

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

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

**EXAMPLE:**

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

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

**Sec. 19. Major Problems Encountered**

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

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

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

**1. Incorrect Format**

- **No Transmitter “T” Record - These files began with a Payer “A” Record. All files **MUST** begin with a Transmitter “T” Record.**
- **Invalid record length - Records not 750 Positions in length.**
- **Multiple Files on diskettes - Filers sending multiple files on diskettes. Please refer to Part B, Section 5. A file consists of one Transmitter “T” Record followed by a Payer “A” Record, Payee “B” Records, End of Payer “C” Record, State Totals “K” Record (if applicable for CF/SF Program), and the End of Transmission “F” Record. A file can contain multiple Payer “A” Records, but, only one Transmitter “T” Record. A file format diagram is located at the end of Part E, Miscellaneous Information just before the mail labels.**

IRS/MCC continues to receive prior year data in prior year format instead of current year format. Never send prior year data in prior year format. Be sure to use **the current Revenue Procedure (Publication 1220)** for formatting data for prior years.

## 2. No Form 4804, Transmittal of Information Returns Reported Magnetically

Each shipment of media sent to IRS/MCC must include a Form 4804. More than one type of media may be sent in the same shipment, (i.e., a tape, a diskette, or a tape cartridge) but must have a separate Form 4804 to accompany **each type of media**. In the following example, three separate Forms 4804 would be required in the total shipment. However, multiples of one type of media (i.e., 6 diskettes) may be covered by one Form 4804.

### EXAMPLE:

A & B Company sends in one shipment of the following magnetic media:

2 Diskettes = 1 Form 4804 covers both diskettes

3 Tape Cartridges = 1 Form 4804 covers all three cartridges

Total Number of Forms 4804 for the above shipment = **2 Forms 4804**

☛ **Note: Form 4804 is no longer needed for electronic filing.**

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

The "C" Record is a summary record for a type of return for a given payer as reported in the "B" Records. IRS balances the total number of payees and payment amounts and compares them with totals in the "C" Records. Filers should verify the accuracy of the records because imbalances may necessitate a request for replacement files.

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

If codes 2, 4, and 7 appear in the Amount Codes Field of the "A" Record, then the "B" Record must show payment amounts in only Payment Amount Fields 2, 4, and 7, right-justified and unused positions **must be zero (0)** filled.

EXAMPLE: "A" RECORD	<u>247</u> <del>00000000</del> —	(b denotes a blank)
	(Pos. 28-39)	
"B" RECORD	<u>000000867599</u> —	(Payment Amount 2)
	(Pos. 67-78)	
	<u>000000709097</u> —	(Payment Amount 4)
	(Pos. 91-102)	
	<u>000000044985</u> —	(Payment Amount 7)
	(Pos. 127-138)	

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## 5. Blanks or Invalid Characters Appear in Payment Amount Fields in the "B" Record

Money amounts must be right-justified and zero (0) filled. **Do not use blanks.**

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## 6. Incorrect TIN in Payer "A" Record

The Payer's TIN reported in positions 12-20 of the "A" Record must be nine numeric characters (no alphas or special characters) in order for IRS/MCC to process the media. The TIN provided in the "A" Record must correspond with the name provided in the first payer name line.

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

The tax year in the transmitter, payer and payee records should reflect the year of the information being reported. Filers need to check their files to ensure this information is correct.

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## 8. Incorrect Reporting of Form W-2 Information to IRS

Form W-2 information is submitted to SSA, and **not** to IRS/MCC. SSA has its own magnetic media reporting program and specifications for wage information, and the media containing Forms W-2 is submitted to SSA. **Any media received at IRS/MCC that contains Form W-2 information will be forwarded to SSA. The filer will be notified of this action by letter.** To inquire about filing Form W-2 information magnetically, call 1-800-SSA-6270.

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## 9. Excessive Withholding Credits

Generally, for most information returns, other than Forms 1099-MISC, 1099-R, and W-2G, Federal withholding amounts should **not** exceed 31 percent (backup withholding rate) of the income reported. Validate the total reported in the withholding field against the total income reported.

## 10. Incorrect Format for TINs in the Payee “B” Record

A check of “B” records should be made to ensure the Taxpayer Identification Numbers (TINs) are formatted correctly. There should be nine numerics, **no alphas, hyphens, commas, or blanks**. Incorrect formatting of TINs may result in a penalty.

IRS/MCC contacts filers who have submitted payee data with missing TINs in an attempt to prevent errors that could result in penalties. Payers/transmitters who submit data with missing TINs, and have taken the required steps to obtain this information are encouraged to attach a letter of explanation to the required Form 4804. This will prevent unnecessary contact from IRS/MCC. This letter, however, will not prevent backup withholding notices (CP2100 and CP2100A Notices) or proposed penalties (Notices 972CG) for missing or incorrect TINs. For penalty information, refer to the Penalty section of the 2001 “*General Instructions for Forms 1099, 1098, 5498, and W-2G*.”

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## 11. Distribution Codes for Form 1099-R Reported Incorrectly

Distribution codes for Form 1099-R are being reported incorrectly or are not being reported. See valid distribution codes for Form 1099-R in the Payee “B” Record Layout, Field Positions 545-546.

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## 12. Incorrect Record Totals Listed on Form 4804

The Combined Total Payee Records listed on the Form 4804 (Block 11) are used in the verification process of information returns. The figure in this block should be the total number of Payee “B” Records contained on the media submitted with the Form 4804. The figures on the Form 4804 are compared against the total number of Payee “B” Records processed on the media. Imbalances may necessitate a request for a replacement file.

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## 13. Invalid Use of IRA/SEP/SIMPLE Indicator (Form 1099-R)

The IRA/SEP/SIMPLE indicator for Form 1099-R should be used for the reporting of a distribution from a traditional IRA/SEP/SIMPLE or a Roth conversion. The total amount distributed from a traditional IRA/SEP/SIMPLE or a Roth conversion should be reported in Payment Amount Field A as well as Payment Amount Field 1.

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## 14. Failure To Identify the Rollover Contributions and/or Fair Market Value of the Account for Form 5498.

Rollover contributions (Amount Code 2 of the “A” Record) and/or fair market value of the account (Amount Code 5 of the “A” Record) for Form 5498 must be identified as an IRA (position 547 of the “B” Record), SEP (position 548 of the “B” Record), SIMPLE (position 549 of the “B” Record), Roth IRA (position 550 of the “B” Record), or Education IRA (position 552 of the “B” Record).

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## 15. Media Received Without Data

Transmitters/filers should verify the presence of Form 1099 information returns on the media before sending the shipment to IRS/MCC.

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## Part B. Magnetic Media Specifications

### Sec. 1. General

.01 The specifications contained in this part of the Revenue Procedure define the required format and contents of the records to be included in the magnetic media/electronic file.

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

.03 Transmitters should be consistent in the use of recording codes and density on files. If the media does not meet these specifications, IRS/MCC will request a replacement file. Filers are encouraged to submit a test prior to submitting the actual file. Contact IRS/MCC for further information at 304-263-8700.

### Sec. 2. Tape Specifications

☞ **Note: Beginning in calendar year 2003 for Tax Year 2002, 9 track magnetic tape will no longer be an acceptable method for submitting Information Returns to IRS/MCC.**

.01 IRS/MCC can process most magnetic tape files if the following specifications are followed:

(a) 9 track EBCDIC (Extended Binary Coded Decimal Interchange Code) with:

(1) Odd parity.

- (2) A density of 1600 or 6250 BPI.
- (3) If transmitters use UNISYS Series 1100, they must submit an interchange tape.
- (b) 9 track ASCII (American Standard Coded Information Interchange) with:
  - (1) Odd parity.
  - (2) A density of 1600 or 6250 BPI.
- .02 All compatible tape files must have the following characteristics: Type of tape - 1/2-inch (12.7 mm) wide, computer-grade magnetic tape on reels of up to 2,400 feet (731.52 m) within the following specifications:
  - (a) Tape thickness: 1.0 or 1.5 mils and
  - (b) Reel diameter: 10 1/2-inch (26.67 cm), 8 1/2-inch (21.59 cm), 7-inch (17.78 cm), or 6-inch.
- .03 The tape records defined in this Revenue Procedure may be blocked subject to the following:
  - (a) A block **must not** exceed 32,250 tape positions.
  - (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9s; however, the last block of the file may be filled with 9s or truncated. **Do not pad a block with blanks.**
  - (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 750.
  - (d) Records may not span blocks.
- .04 Labeled or unlabeled tapes may be submitted.
- .05 For the purposes of this Revenue Procedure the following must be used:
  - Tape Mark:
    - (a) Signifies the physical end of the recording on tape.
    - (b) For even parity, use BCD configuration 001111 (8421).
    - (c) May follow the header label and precede and/or follow the trailer label.
- .06 IRS/MCC can only read one data file on a tape. A data file is a group of records which may or may not begin with a tape-mark, but **must** end with a trailer label. Any data beyond the trailer label cannot be read by IRS programs.

### Sec. 3. Tape Cartridge Specifications

- .01 In most instances, IRS/MCC can process tape cartridges that meet the following specifications:
  - (a) Must be IBM 3480, 3490, 3490E, 3590, 3590E or AS400 compatible.
  - (b) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
    - (1) Tape cartridges will be 1/2-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.
    - (2) Magnetic tape will be chromium dioxide particle based 1/2-inch tape.
    - (3) Cartridges must be 18-track, 36-track, 128-track or 256-track parallel (See **Note**).
    - (4) Cartridges will contain 37,871 CPI, 75,742 CPI, or 3590 CPI (characters per inch).
    - (5) Mode will be full function.
    - (6) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
    - (7) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used.
- .02 The tape cartridge records defined in this Revenue Procedure may be blocked subject to the following:
  - (a) A block **must not** exceed 32,250 tape positions.
  - (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9s; however, the last block of the file may be filled with 9s or truncated. **Do not pad a block with blanks.**
  - (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 750.
  - (d) Records may not span blocks.
- .03 Tape cartridges may be labeled or unlabeled.
- .04 For the purposes of this Revenue Procedure, the following must be used:
  - Tape Mark:
    - (a) Signifies the physical end of the recording on tape.
    - (b) For even parity, use BCD configuration 001111 (8421).
    - (c) May follow the header label and precede and/or follow the trailer label.

☛**Note:** Filers should indicate on the external media label and transmittal Form 4804 whether the cartridge is 18-track, 36-track, 128-track or 256-track.

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

- .01** In most instances, IRS/MCC can process 8mm tape cartridges that meet the following specifications:
- (a) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
    - (1) Created from an AS400 operating system only.
    - (2) 8mm (.315-inch) tape cartridges will be 2 1/2-inch by 3 3/4-inch.
    - (3) The 8mm tape cartridges must meet the following specifications:

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

- (4) Mode will be full function.
  - (5) Compressed data is not acceptable.
  - (6) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used. However, IRS/MCC encourages the use of EBCDIC. This information must appear on the external media label affixed to the cartridge.
  - (7) A file may consist of more than one cartridge; however, no more than 250,000 documents may be transmitted per file or per cartridge. The filename, for example, IRSTAX, will contain a three digit extension. The extension will indicate the sequence of the cartridge within the file (e.g., 1 of 3, 2 of 3, and 3 of 3 will appear in the header label as IRSTAX.001, IRSTAX.002, and IRSTAX.003 on each cartridge of the file). The Transmitter "T" Record must only appear on the first cartridge. The End of Transmission "F" Record should be placed only on the last cartridge for files containing multiple cartridges.
- .02** The 8mm (.315-inch) tape cartridge records defined in this Revenue Procedure may be blocked subject to the following:
- (a) A block **must not** exceed 32,250 tape positions.
  - (b) If the use of blocked records would result in a short block, the last block of the file may be filled with 9s or truncated.
  - (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 750.
  - (d) Various COPY commands have been successful; however, the **SAVE OBJECT COMMAND** is not acceptable.
  - (e) Extraneous data following the "F" Record will result in IRS/MCC requesting a replacement file.
  - (f) Records may not span blocks.
  - (g) No more than 250,000 documents per cartridge and per file.

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

**.03** For faster processing, IRS/MCC encourages transmitters to use header labeled cartridges. IRSTAX may be used as a suggested filename.

**.04** For the purposes of this Revenue Procedure, the following must be used:

Tape Mark:

- (a) Signifies the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111 (8421).
- (c) May follow the header label and precede and/or follow the trailer label.

**.05** If extraneous data follows the End of Transmission "F" Record, IRS/MCC will request a replacement file. Therefore, IRS/MCC encourages transmitters to use blank tape cartridges, rather than cartridges previously used, in the preparation of data when submitting information returns.

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

**.07** 4mm (.157-inch) cassettes are now acceptable with the following specifications:

- (a) 4mm cassettes will be 2 1/4-inch by 3-inch.
- (b) The tracks are 1 (one).
- (c) The density is 19 (61000 BPI).
- (d) The typical capacity is DDS (DAT data storage) at 1.3 Gb (60 meter) or 2 Gb (90 meter), or DDS-2 at 4Gb (120 meter).
- (e) The general specifications for 8mm cartridges also apply to the 4mm cassettes.

☛ **Note: 4mm cassettes with a capacity of DDS-3 (125 meter) are not acceptable.**

**.08** Various Quarter-Inch Cartridges (QIC) (1/4-inch) are also acceptable.

- (a) QIC cartridges will be 4" by 6".
- (b) QIC cartridges must meet the following specifications:

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

(c) The general specifications that apply to 8mm cartridges also apply to QIC cartridges.

### Sec. 5. 3 1/2-Inch Diskette Specifications

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

- (a) 3 1/2-inches in diameter.
- (b) Data **must** be recorded in standard ASCII code.
- (c) Records must be a fixed length of 750 bytes per record.
- (d) Delimiter character commas (,) must not be used.
- (e) Positions 749 and 750 of each record have been reserved for use as carriage return/line feed (cr/lf) characters, if applicable.
- (f) Filename of IRSTAX must be used. Do not enter any other data in this field. If a file will consist of more than one diskette, the filename IRSTAX will contain a three-digit extension. This extension will indicate the sequence of the diskettes within the file. For example, if the file consists of three diskettes, the first diskette will be named IRSTAX.001, the second will be IRSTAX.002, and the third will be IRSTAX.003. The first diskette, IRSTAX.001 will begin with a "T" Record and the third diskette, IRSTAX.003 will have an "F" Record at the end of the file.
- (g) A diskette will not contain multiple files as defined in Part A, Section 17. A file may have only **ONE** Transmitter "T" Record.
- (h) Failure to comply with instructions will result in IRS/MCC requesting a replacement file.
- (i) Diskettes must meet one of the following specifications:

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

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

.03 IRS/MCC will **only** accept 3 1/2-inch diskettes created using MS-DOS.

.04 **3 1/2-inch diskettes created on a System 36 or AS400 are not acceptable.**

.05 Transmitters should check media for viruses before submitting it to IRS/MCC.

### Sec. 6. Transmitter "T" Record - General Field Descriptions

.01 The Transmitter "T" Record identifies the entity transmitting the magnetic media/electronic file and contains information which is supplied on the Form 4804, Transmittal of Information Returns Reported Magnetically. The "T" Record has been created to facilitate current magnetic/electronic processing of information returns at IRS/MCC.

.02 The Transmitter "T" Record is the first record on each file and is followed by a Payer "A" Record. See Part A, Sec. 17, Definition of Terms, for the definition of file. A file format diagram is located at the end of Part E, Miscellaneous Information, just before the mail labels. A replacement file will be requested by IRS/MCC if the "T" Record is not present. For transmitters with multiple diskettes, refer to Sec. 5, 3 1/2-Inch Diskette Specifications.

.03 No money or payment amounts are reported in the Transmitter "T" Record.

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

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

.06 The Transmitter "T" Record must be followed by the Payer "A" Record, which must be followed with Payee "B" Records; however, the initial record on each file must be a Transmitter "T" Record.

.07 All alpha characters entered in the "T" Record must be upper-case.

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**Record Name: Transmitter “T” Record**

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Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “T.”
2-5	Payment Year	4	<b>Required.</b> Enter “2001” (unless reporting prior year data; report the year which applies [1998, 1999, etc.] and set the Prior Year Data Indicator in field position 6).
6	Prior Year Data Indicator	1	<b>Required.</b> Enter “P” <b>only</b> if reporting prior year data; otherwise, enter blank. Do not enter a “P” if tax year is 2001.
7-15	Transmitter’s TIN	9	<b>Required.</b> Enter the transmitter’s nine-digit Taxpayer Identification Number. May be an EIN, SSN, or ITIN.
16-20	Transmitter Control Code	5	<b>Required.</b> Enter the five character alpha/numeric Transmitter Control Code (TCC) assigned by IRS/MCC. A TCC must be obtained to file data within this program.
21-22	Replacement Alpha Character	2	<b>Required for replacement files only.</b> Enter the alpha/numeric character which appears immediately following the TCC number on the Media Tracking Slip (Form 9267). The Form 9267 accompanies correspondence sent by IRS/MCC when files can not be processed. This field must be blank unless a replacement file has been requested. If the file is being replaced magnetically, information is required in this field. If the file was originally sent magnetically, but the replacement is being sent electronically, the information is required in this field. Otherwise, leave blank for electronic files. Left-justify information and fill unused positions with blanks. If this is not a replacement file, enter blanks.
23-27	Blank	5	Enter blanks.
28	Test File Indicator	1	<b>Required for test files only.</b> Enter a “T” if this is a test file; otherwise, enter a blank.
29	Foreign Entity Indicator	1	Enter a “1” (one) if the transmitter is a foreign entity. If the transmitter is not a foreign entity, enter a blank.
30-69	Transmitter Name	40	<b>Required.</b> Enter the name of the transmitter in the manner in which it is used in normal business. Left-justify and fill unused positions with blanks.
70-109	Transmitter Name (Continuation)	40	Enter any additional information that may be part of the name. Left justify information and fill unused positions with blanks.
110-149	Company Name	40	<b>Required.</b> Enter the name of the company to be associated with the address where correspondence should be sent.
150-189	Company Name (Continuation)	40	Enter any additional information that may be part of the name of the company where correspondence should be sent.
190-229	Company Mailing Address	40	<b>Required.</b> Enter the mailing address where correspondence should be sent.

☛ **Note: Any correspondence relating to problem media or electronic files will be sent to this address.**

230-269	Company City	40	<b>Required.</b> Enter the city, town, or post office where correspondence should be sent.
270-271	Company State	2	<b>Required.</b> Enter the valid U. S. Postal Service state abbreviation. Refer to the chart of valid state codes in Part A, Sec.18.

**Record Name: Transmitter "T" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
272-280	Company ZIP Code	9	<b>Required.</b> Enter the valid nine-digit ZIP Code assigned by the U. S. Postal Service. If only the first five digits are known, left-justify information and fill unused positions with blanks.
281-295	Blank	15	Enter blanks
296-303	Total Number of Payees	8	Enter the total number of Payee "B" Records reported in the file. Right-justify information and fill unused positions with zeros.
304-343	Contact Name	40	<b>Required.</b> Enter the name of the person to be contacted if IRS/MCC encounters problems with the file or transmission.
344-358	Contact Phone Number & Extension	15	<b>Required.</b> Enter the telephone number of the person to contact regarding magnetic/electronic files. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks. For example, the IRS/MCC Call Site phone number of 304-263-8700 with an extension of 52345 would be 304263870052345.
359-360	Magnetic Tape File Indicator	2	<b>Required for magnetic tape/tape cartridge filers only.</b> Enter the letters "LS" (in uppercase only). Use of this field by filers using other types of media will be acceptable but is not required.
361-375	Electronic File Name For a Replacement File	15	<b>Required.</b> Use for an electronic file which "FILE STATUS" has indicated was rejected. Enter the ORIGINAL or CORRECTION electronic file name assigned by the IRS electronic FIRE system.

**EXAMPLE: If you have sent an original file, the TCC is 44444 and it is your first original file, then the filename would be ORIG.44444.0001**

			If you are sending an original, correction, or test file, enter blanks.						
376	Vendor Indicator	1	<b>Required.</b> Enter the appropriate code from the table below to indicate if your software was provided by a vendor or produced in-house.						
			<table border="0"> <tr> <td><u>Indicator</u></td> <td><u>Usage</u></td> </tr> <tr> <td>V</td> <td>Your software was purchased from a vendor or other outside source.</td> </tr> <tr> <td>I</td> <td>Your software was produced by in-house programmers.</td> </tr> </table>	<u>Indicator</u>	<u>Usage</u>	V	Your software was purchased from a vendor or other outside source.	I	Your software was produced by in-house programmers.
<u>Indicator</u>	<u>Usage</u>								
V	Your software was purchased from a vendor or other outside source.								
I	Your software was produced by in-house programmers.								

**Note: In-house programmer is defined as an employee or a hired contract programmer. If your software is produced in-house the following Vendor information fields are not required.**

377-416	Vendor Name	40	<b>Required.</b> Enter the name of the company from whom you purchased your software.
417-456	Vendor Mailing Address	40	<b>Required.</b> Enter the mailing address.
457-496	Vendor City	40	<b>Required.</b> Enter the city, town, or post office.
497-498	Vendor State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviation. Refer to the chart of valid state codes in Part A, Sec. 18.
499-507	Vendor ZIP Code	9	<b>Required.</b> Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five digits are known, left-justify information and fill unused positions with blanks.

**Record Name: Transmitter "T" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
508-547	Vendor Contact Name	40	<b>Required.</b> Enter the name of the person who can be contacted concerning any software questions.
548-562	Vendor Contact Phone Number & Extension	15	<b>Required.</b> Enter the telephone number of the person to contact concerning software questions. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks.
563-582	Vendor Contact Email Address	20	<b>Required.</b> Enter the email address of the person to contact concerning software questions.
583-748	Blank	186	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Sec. 7. Transmitter "T" Record - Record Layout**

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

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

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

Contact Phone Number & Extension	Magnetic Tape File Indicator	Electronic File Name For a Replacement File	Vendor Indicator	Vendor Name	Vendor Mailing Address	Vendor City
344-358	359-360	361-375	376	377-416	417-456	457-496

Vendor State	Vendor ZIP Code	Vendor Contact Name	Vendor Contact Phone Number & Extension	Vendor Contact Email Address	Blank	Blank or CR/LF
497-498	499-507	508-547	548-562	563-582	583-748	749-750

**Sec. 8. Payer “A” Record - General Field Descriptions**

.01 The Payer “A” Record identifies the person making payments, a recipient of mortgage or student loan interest payments, an educational institution, a broker, a person reporting a real estate transaction, a barter exchange, a creditor, a trustee or issuer of any IRA or MSA plan, and a lender who acquires an interest in secured property or who has reason to know that the property has been abandoned. The payer will be held responsible for the completeness, accuracy, and timely submission of magnetic/electronic files. The Payer “A” Record also provides parameters for the succeeding Payee “B” Records. IRS computer programs rely on the absolute relationship between the parameters and data fields in the “A” Record and the data fields in the “B” Records to which they apply.

.02 The number of “A” Records depends on the number of payers and the different types of returns being reported. The payment amounts for one payer and for one type of return should be consolidated under one “A” Record if submitted on the same file.

.03 Do not submit separate “A” Records for each payment amount being reported. For example, if a payer is filing Form 1099-DIV to report Amount Codes 1, 2, and 3, all three amount codes should be reported under one “A” Record, not three separate “A” Records. For “B” Records that do not contain payment amounts for all three amount codes, enter zeros for those which have no payment to be reported.

.04 When reporting Form 1098, Mortgage Interest Statement, and Form 1098-E, Student Loan Interest Statement, the “A” Record will reflect the name and TIN of the recipient of the interest payment, (recipient/lender). The “B” Record will reflect the individual paying the interest (the borrower/payer of record) and the amount paid. *When reporting Form 1099-LTC, Long-Term Care and Accelerated Death Benefits, the Payee Name Line of the “B” Record will reflect the policyholder. The name of the insured will be reported in Field Positions 557-596 of the Payee “B” Record.* For Form 1099-S, Proceeds From Real Estate Transactions, the “A” Record will reflect the person responsible for reporting the transaction (the filer of the Form 1099-S) and the “B” Record will reflect the seller/transferor. When reporting Form 1098-T, Tuition Payments Statement, the “A” Record will reflect the name and TIN of the educational institution receiving tuition payments. The “B” Record will reflect the name and TIN of the student on whose behalf the tuition is being paid. Until regulations are adopted, no penalties will be imposed under IRC sections 6721 or 6722 for failure to file or furnish correct Forms 1098-E or 1098-T, if you made a good faith effort to file and furnish them.

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

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

.07 The initial record on a file must be a “T” Record followed by an “A” Record. IRS/MCC will accept an “A” Record after a “C” Record to report an additional payer or a different type of return. An “A” Record may be blocked with “B” Records. A file format diagram is located at the end of Part E, Miscellaneous Information, just before the mail labels.

.08 Do not begin any record at the end of a block or diskette and continue the same record into the next block or diskette.

.09 All alpha characters entered in the “A” Record must be upper-case.

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

**Record Name: Payer “A” Record**

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “A.”
2-5	Payment Year	4	<b>Required.</b> Enter “2001” (unless reporting prior year data; report the year which applies [1999, 2000, etc.]).
6-11	Blank	6	Enter blanks.
12-20	Payer’s Taxpayer Identification Number (TIN)	9	<b>Required.</b> Must be the valid nine-digit Taxpayer Identification Number assigned to the payer. <b>Do not enter blanks, hyphens, or alpha characters.</b> All zeros, ones, twos, etc., will have the effect of an incorrect TIN.

☛ **Note: For foreign entities that are not required to have a TIN, this field must be blank. However, the Foreign Entity Indicator, position 52 of the “A” Record, must be set to “1” (one).**

21-24	Payer Name Control	4	The Payer Name Control can be obtained only from the mail label on the Package 1099 that is mailed to most payers each December.
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**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks																																								
			Package 1099 contains Form 7018-C, Order Blank for Forms, and the mail label on the package contains a four (4) character name control. If a Package 1099 has not been received or the Payer Name Control is unknown, this field must be blank filled. For a business, use the first four significant characters of the business name. Disregard the word "the" when it is the first word of the name, unless there are only two words in the name. A dash (-) and an ampersand (&) are the only acceptable special characters. Names of less than four (4) characters should be left-justified, filling the unused positions with blanks.																																								
25	Last Filing Indicator	1	Enter a "1" (one) if this is the <b>last year</b> the payer will file; otherwise, enter blank. Use this indicator if the payer will not be filing information returns under this payer name and TIN in the future either magnetically, electronically, or on paper.																																								
26	Combined Federal/State Filer	1	<b>Required for the Combined Federal/State Filing Program.</b> Enter "1" (one) if participating in the Combined Federal/State Filing Program; otherwise, enter blank. Refer to Part A, Sec. 16, for further information.																																								
27	Type of Return	1	<p><b>Required.</b> Enter the appropriate code from the table below:</p> <table border="1"> <thead> <tr> <th><u>Type of Return</u></th> <th><u>Code</u></th> </tr> </thead> <tbody> <tr><td>1098</td><td>3</td></tr> <tr><td>1098-E</td><td>2</td></tr> <tr><td>1098-T</td><td>8</td></tr> <tr><td>1099-A</td><td>4</td></tr> <tr><td>1099-B</td><td>B</td></tr> <tr><td>1099-C</td><td>5</td></tr> <tr><td>1099-DIV</td><td>1</td></tr> <tr><td>1099-G</td><td>F</td></tr> <tr><td>1099-INT</td><td>6</td></tr> <tr><td>1099-LTC</td><td>T</td></tr> <tr><td>1099-MISC</td><td>A</td></tr> <tr><td>1099-MSA</td><td>M</td></tr> <tr><td>1099-OID</td><td>D</td></tr> <tr><td>1099-PATR</td><td>7</td></tr> <tr><td>1099-R</td><td>9</td></tr> <tr><td>1099-S</td><td>S</td></tr> <tr><td>5498</td><td>L</td></tr> <tr><td>5498-MSA</td><td>K</td></tr> <tr><td>W-2G</td><td>W</td></tr> </tbody> </table>	<u>Type of Return</u>	<u>Code</u>	1098	3	1098-E	2	1098-T	8	1099-A	4	1099-B	B	1099-C	5	1099-DIV	1	1099-G	F	1099-INT	6	1099-LTC	T	1099-MISC	A	1099-MSA	M	1099-OID	D	1099-PATR	7	1099-R	9	1099-S	S	5498	L	5498-MSA	K	W-2G	W
<u>Type of Return</u>	<u>Code</u>																																										
1098	3																																										
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1098-T	8																																										
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1099-B	B																																										
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1099-MISC	A																																										
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1099-OID	D																																										
1099-PATR	7																																										
1099-R	9																																										
1099-S	S																																										
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5498-MSA	K																																										
W-2G	W																																										
28-39	Amount Codes (See <b>Note</b> )	12	<b>Required.</b> Enter the appropriate amount codes for the type of return being reported. Generally, for each amount code entered in this field, a corresponding payment amount <b>must</b> appear in the Payee "B" Record. In most cases, the box numbers on paper information returns correspond with the amount codes used to file magnetically/electronically. However, if discrepancies occur, this Revenue Procedure governs.																																								

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
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**Example of Amount Codes:**

If position 27 of the Payer "A" Record is "A" (for 1099-MISC) and positions 28-39 are "1247ACb", this indicates the payer is reporting any or all six payment amounts (1247AC) in all of the following "B" Records. **(In this example, "b" denotes blanks in the designated positions. Do not enter the letter "b".)**

- The first payment amount field (1)** will represent rents;
- the second payment amount field (2)** will represent royalties;
- the third payment amount field (3)** will be all "0" (zeros);
- the fourth payment amount field (4)** will represent Federal income tax withheld;
- the fifth and sixth payment amount fields (5 and 6)** will be all "0" (zeros);
- the seventh payment amount field (7)** will represent non-employee compensation;
- the eighth and ninth payment amount fields (8 and 9)** will be all "0" (zeros);
- the tenth payment amount field (A)** will represent crop insurance proceeds;
- the eleventh payment amount field (B)** will be all "0" (zeros); and
- the twelfth payment amount field (C)** will represent gross proceeds paid to an attorney in connection with legal services.

Enter the amount codes in **ascending sequence** (i.e., 1247ACb), left-justify information, and fill unused positions with blanks. For further clarification of the amount codes, contact IRS/MCC.

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

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

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

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

Amount Codes **Form 1098-E** -  
Student Loan Interest

For Reporting Interest on Student Loans on  
Form 1098-E

<u>Amount Code</u>	<u>Amount Type</u>
1	Student loan interest received by lender

Amount Codes **Form 1098-T** -  
Tuition Payments  
Statement

For Reporting Tuition Payments on Form 1098-T:

See the 2001 "Instructions for  
Forms 1098-E and 1098-T"  
for further Information

<u>Amount Code</u>	<u>Amount Type</u>
1	Qualified tuition and related expenses
2	Reimbursements or refunds
3	Scholarships or grants

Amount Codes **Form 1099-A** -  
Acquisition or Abandonment  
of Secured Property

For Reporting the Acquisition or Abandonment  
of Secured Property on Form 1099-A:

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
			<b>Amount</b>
			<b>Code</b>
			<b>Amount Type</b>
	See the 2001 "Instructions for Forms 1099-A and 1099-C" for further information on coordination with Form 1099-C.		2 Balance of principal outstanding
			4 Fair market value of property
	Amount Codes <b>Form 1099-B-</b> Proceeds From Broker and Barter Exchange Transactions		For Reporting Payments on Form 1099-B:
			<b>Amount</b>
			<b>Code</b>
			<b>Amount Type</b>
			2 Stocks, bonds, etc. (For forward contracts, see <b>Note 1</b> .)
			3 Bartering (Do not report negative amounts.)
			4 Federal income tax withheld (backup withholding) (Do not report negative amounts.)
			6 Profit (or loss) realized in 2001
			7 Unrealized profit (or loss) on open contracts-12/31/2000 (See <b>Note 2</b> .)
			8 Unrealized profit (or loss) on open contracts-12/31/2001 (See <b>Note 2</b> .)
			9 Aggregate profit (or loss) (See <b>Note 2</b> .)

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

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

Amount Codes <b>Form 1099-C -</b> Cancellation of Debt			For Reporting Cancellation of Debt on Form 1099-C:
			<b>Amount</b>
			<b>Code</b>
			<b>Amount Type</b>
			2 Amount of debt canceled
			3 Interest, if included in Amount Code 2
			7 Fair market value of property (See <b>Note</b> )

☛ **Note:** Use Amount Code 7 only if a combined Form 1099-A and 1099-C is being filed.

Amount Codes <b>Form 1099-DIV -</b> Dividends and Distributions			For Reporting Payments on Form 1099-DIV:
			<b>Amount</b>
			<b>Code</b>
			<b>Amount Type</b>
See the 2001 "Instructions for Form 1099-DIV" for further information.			1 Ordinary dividends
			2 Total capital gains distributions
			3 28% rate gain
			4 <i>Qualified 5-year gain</i>
			5 <i>Unrecaptured section 1250 gain</i>
			6 <i>Section 1202 gain</i>
			7 <i>Nontaxable distributions</i>
			8 <i>Federal income tax withheld (backup withholding)</i>
			9 <i>Investment expenses</i>

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
			<p><b>Amount Code</b></p> <p><i>A Foreign tax paid</i></p> <p><i>B Cash liquidation distribution</i></p> <p><i>C Noncash liquidation distribution</i></p>
Amount Codes	<b>Form 1099-G</b> - Certain Government and Qualified State Tuition Program Payments		<p>For Reporting Payments on Form 1099-G:</p> <p><b>Amount Code</b></p> <p><i>1 Unemployment compensation</i></p> <p><i>2 State or local income tax refunds, credits, or offsets</i></p> <p><i>4 Federal income tax withheld (backup withholding or voluntary withholding on unemployment compensation or Commo- dity Credit Corporation Loans, or certain crop disaster payments)</i></p> <p><i>5 Qualified state tuition program earnings</i></p> <p><i>6 Taxable grants</i></p> <p><i>7 Agriculture payments</i></p>
Amount Codes	<b>Form 1099-INT</b> - Interest Income		<p>For Reporting Payments on Form 1099-INT:</p> <p><b>Amount Code</b></p> <p><i>1 Interest income not included in Amount Code 3</i></p> <p><i>2 Early withdrawal penalty</i></p> <p><i>3 Interest on U.S. Savings Bonds and Treasury obligations</i></p> <p><i>4 Federal income tax withheld (backup withholding)</i></p> <p><i>5 Investment expenses</i></p> <p><i>6 Foreign tax paid</i></p>
Amount Codes	<b>Form 1099-LTC</b> - Long-Term Care and Accelerated Death Benefits		<p>For Reporting Payments on Form 1099-LTC:</p> <p><b>Amount Code</b></p> <p><i>1 Gross long-term care benefits paid</i></p> <p><i>2 Accelerated death benefits paid</i></p>
Amount Codes	<b>Form 1099-MISC</b> - Miscellaneous Income (See <b>Note 1</b> )		<p>For Reporting Payments on Form 1099-MISC:</p> <p><b>Amount Code</b></p> <p><i>1 Rents</i></p> <p><i>2 Royalties (See <b>Note 2</b>)</i></p> <p><i>3 Other income</i></p> <p><i>4 Federal income tax withheld (backup withholding or withholding on Indian gaming profits)</i></p> <p><i>5 Fishing boat proceeds</i></p>

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
			<b>Amount</b>
			<b>Code</b>
			<b>Amount Type</b>
		6	Medical and health care payments
		7	Nonemployee compensation
		8	Substitute payments in lieu of dividends or interest
		A	Crop insurance proceeds
		B	Excess golden parachute payments
		C	Gross proceeds paid to an attorney in connection with legal services

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

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

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

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

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

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

For Reporting Payments on Form 1099-OID:

See the 2001 "Instructions for  
Forms 1099-INT and 1099-OID"  
for further reporting information.

<b>Amount</b>	<b>Code</b>	<b>Amount Type</b>
	1	Original issue discount for 2001
	2	Other periodic interest
	3	Early withdrawal penalty
	4	Federal income tax withheld (backup withholding)
	6	Original issue discount on U.S. Treasury obligations
	7	Investment expenses

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

For Reporting Payments on Form 1099-PATR:

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

**Pass-Through Credits**

	6	For filer's use for pass-through credits
	7	Investment credit
	8	Work opportunity credit

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
			<b>Pass-Through Credits</b>
		9	Patron's alternative minimum tax (AMT) adjustment
Amount Codes	<b>Form 1099-R</b> - Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		For Reporting Payments on Form 1099-R:
		<b>Amount Code</b>	<b>Amount Type</b>
		1	Gross distribution
		2	Taxable amount (See <b>Note 1.</b> )
		3	Capital gain (included in Amount Code 2)
		4	Federal income tax withheld
		5	Employee contributions or insurance premiums
		6	Net unrealized appreciation in employer's securities
		8	Other
		9	Total employee contributions
		A	Traditional IRA/SEP/SIMPLE distribution or Roth conversion (See <b>Note 2.</b> )

☛ **Note 1: If the taxable amount cannot be determined, enter a "1" (one) in position 547 of the "B" Record. For a traditional IRA, SEP, or SIMPLE distribution, generally enter in Payment Amount Field A the same amount entered in Payment Amount Field 1.**

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

Amount Codes	<b>Form 1099-S</b> - Proceeds From Real Estate Transactions		For Reporting Payments on Form 1099-S:
		<b>Amount Code</b>	<b>Amount Type</b>
		2	Gross proceeds (See <b>Note.</b> )
		5	Buyer's part of real estate tax

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

Amount Codes	<b>Form 5498</b> - IRA Contribution Information		For Reporting Information on Form 5498:
		<b>Amount Code</b>	<b>Amount Type</b>
		1	IRA contributions (other than amounts in Amount Codes 2, 3, 4, 8, 9, A, and B) (See <b>Notes 1 and 2.</b> )
		2	Rollover contributions
		3	Roth conversion amount
		4	<i>Recharacterized contributions</i>
		5	<i>Fair market value of account</i>
		6	<i>Life insurance cost included in Amount Code 1</i>
		8	<i>SEP contributions</i>
		9	<i>SIMPLE contributions</i>

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
			A Roth IRA contributions
			B Education IRA contributions

☛ **Note 1: If reporting IRA contributions for a participant in a military operation, see 2001 "Instructions for Forms 1099-R and 5498".**

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

Amount Codes **Form 5498-MSA-**  
MSA or Medicare+Choice MSA  
Information

For Reporting Information on 5498-MSA:

<u>Amount Code</u>	<u>Amount Type</u>
1	Employee or self-employed person's MSA contributions made in 2001 and 2002 for 2001
2	Total contributions made in 2001
3	Total MSA contributions made in 2002 for 2001
4	Rollover contributions (See <b>Note</b> .)
5	Fair market value of MSA or M+C MSA account on December 31, 2001

☛ **Note: This is the amount of any rollover made to this MSA in 2001 after a distribution from another MSA. For detailed information on reporting, see the 2001 "Instructions for Forms 1099-MSA and 5498-MSA."**

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

For Reporting Payments on Form W-2G:

<u>Amount Code</u>	<u>Amount Type</u>
1	Gross winnings
2	Federal income tax withheld
7	Winnings from identical wagers

40-47	Blank	8	Enter blanks.
48	Original File Indicator	1	<b>Required for original files only.</b> Enter "1" (one) if the information is original data. Otherwise, enter a blank.
49	Replacement File Indicator	1	<b>Required for replacement files only.</b> Enter "1" (one) if this file is to replace a file that IRS/MCC has informed you in writing can not be processed. Otherwise, enter a blank.

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

50	Correction File Indicator	1	<b>Required for correction files only.</b> Enter "1" (one) if the purpose of this file is to correct information which was previously submitted to IRS/MCC, was processed, but contained erroneous information. Do not submit original information as corrections. Any information return which was inadvertently omitted from a file must be submitted as original. Otherwise, enter a blank.
51	Blank	1	Enter a blank.

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks						
52	Foreign Entity Indicator	1	Enter a "1" (one) if the payer is a foreign entity and income is paid by the foreign entity to a U. S. resident. If the payer is not a foreign entity, enter a blank.						
53-92	First Payer Name Line	40	<b>Required.</b> Enter the name of the payer whose TIN appears in positions 12-20 of the "A" Record. Any extraneous information must be deleted. Left-justify information, and fill unused positions with blanks. (Filers should not enter a transfer agent's name in this field. Any transfer agent's name should appear in the Second Payer Name Line Field.)						
93-132	Second Payer Name Line	40	If the Transfer (or Paying) Agent Indicator (position 133) contains a "1" (one), this field must contain the name of the transfer (or paying) agent. If the indicator contains a "0" (zero), this field may contain either a continuation of the First Payer Name Line or blanks. Left-justify information and fill unused positions with blanks.						
133	Transfer Agent Indicator	1	<b>Required.</b> Identifies the entity in the Second Payer Name Line Field. (See Part A, Sec. 17, for a definition of transfer agent.)						
			<table border="0"> <thead> <tr> <th align="left"><u>Code</u></th> <th align="left"><u>Meaning</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The entity in the Second Payer Name Line Field is the transfer (or paying) agent.</td> </tr> <tr> <td>0 (zero)</td> <td>The entity shown is <b>not</b> the transfer (or paying) agent (i.e., the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).</td> </tr> </tbody> </table>	<u>Code</u>	<u>Meaning</u>	1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.	0 (zero)	The entity shown is <b>not</b> the transfer (or paying) agent (i.e., the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).
<u>Code</u>	<u>Meaning</u>								
1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.								
0 (zero)	The entity shown is <b>not</b> the transfer (or paying) agent (i.e., the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).								
134-173	Payer Shipping Address	40	<b>Required.</b> If the Transfer Agent Indicator in position 133 is a "1" (one), enter the shipping address of the transfer (or paying) agent. Otherwise, enter the <b>actual</b> shipping address of the payer. The street address should include number, street, apartment or suite number (or P. O. Box if mail is not delivered to street address). Left-justify information, and fill unused positions with blanks.						
<p><b>For U.S. addresses,</b> the payer city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. <b>Filers must adhere to the correct format for the payer city, state, and ZIP Code.</b></p> <p><b>For foreign addresses,</b> filers may use the payer city, state, and ZIP Code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 52 must contain a "1" (one).</p>									
174-213	Payer City	40	<b>Required.</b> If the Transfer Agent Indicator in position 133 is a "1" (one), enter the city, town, or post office of the transfer agent. Otherwise, enter the city, town, or post office of the payer. Left-justify information, and fill unused positions with blanks. Do not enter state and ZIP Code information in this field.						
214-215	Payer State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations. Refer to the chart of valid state abbreviations in Part A, Sec. 18.						
216-224	Payer ZIP Code	9	<b>Required.</b> Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Entity Indicator, located in Field Position 52 of the "A" Record.						

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
225-239	Payer Phone Number & Extension	15	Enter the payer's phone number and extension.
240-748	Blank	509	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Sec. 9. Payer "A" Record - Record Layout**

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

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

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

Payer City	Payer State	Payer ZIP Code	Payer Phone Number and Extension	Blank	Blank or CR/LF
174-213	214-215	216-224	225-239	240-748	749-750

**Sec. 10. Payee "B" Record - General Field Descriptions and Record Layouts**

**.01** The "B" Record contains the payment information from the information returns. When filing information returns, the format for the "B" Records will remain constant and is a fixed length of 750 positions. The record layout for field positions 1 through 543 is the same for all types of returns. Field positions 544 through 750 vary for each type of return to accommodate special fields for individual forms. In the "A" Record, the amount codes that appear in field positions 28 through 39 will be left-justified and filled with blanks. In the "B" Record, the filer **must** allow for all twelve Payment Amount Fields. For those fields not used, enter "0s" (zeros). For example, a payer reporting on Form 1099-MISC should enter "A" in field position 27 of the "A" Record, Type of Return. If reporting payments for Amount Codes 1, 2, 4, 7, A and C, the payer would report field positions 28 through 39 of the "A" Record as "1247AC**bbbbbb**" (In this example, "b" denotes blanks. Do not enter the letter "b".) In the "B" Record:

**Positions 55 through 66 for Payment Amount 1** will represent rents.

**Positions 67-78 for Payment Amount 2** will represent royalties.

**Positions 79-90 for Payment Amount 3** will be "0's" (zeros).

**Positions 91-102 for Payment Amount 4** will represent Federal income tax withheld.

**Positions 103-126 for Payment Amounts 5 and 6** will be "0's" (zeros).

**Positions 127-138 for Payment Amount 7** will represent nonemployee compensation.

**Positions 139-162 for Payment Amounts 8 and 9** will be "0's" (zeros).

**Positions 163-174 for Payment Amount A** will represent crop insurance proceeds.

**Positions 175-186 for Payment Amount B** will be "0's" (zeros).

**Positions 187-198 for Payment Amount C** will represent gross proceeds paid to an attorney in connection with legal services.

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

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

- (1) The surname of the payee whose TIN is shown in the “B” Record should always appear first. If, however, the records have been developed using the first name first, the filer must leave a blank space between the first and last names.
- (2) In the case of multiple payees, only the surname of the payee whose TIN (SSN, EIN, ITIN, or ATIN) is shown in the “B” Record must be present in the First Payee Name Line. Surnames of any other payees may be entered in the Second Payee Name Line.

**.03** See Part A, Sec. 14, for further information concerning Taxpayer Identification Numbers (TINs).

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

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

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

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

**.08** Those payers participating in the Combined Federal/State Filing Program must adhere to all of the specifications in Part A, Sec. 16, to participate in this program. Filers may not file Forms 1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-LTC, 1099-MSA, 1099-S, 5498-MSA, and W-2G under the Combined Federal/State Filing Program.

**.09** All alpha characters in the “B” Record must be uppercase.

**.10** **Do not** use decimal points (.) to indicate dollars and cents. Ten dollars must appear as 00000001000 in the payment amount field.

**.11** IRS strongly encourages transmitters to review the data for accuracy before submission to prevent issuance of erroneous notices. Transmitters should be especially careful that the names, TINs, account numbers, types of income, and income amounts are correct.

**.12** When reporting Form 1098, Mortgage Interest Statement and Form 1098-E, Student Loan Interest Statement, the “A” Record will reflect the name and TIN of the recipient of the interest or payment (recipient/lender). The “B” Record will reflect the individual paying the interest (borrower/payer of record) and the amount paid. *When reporting Form 1099-LTC, Long-Term Care and Accelerated Death Benefits, the Payee Name Line of the “B” Record will reflect the policyholder. The name of the insured will be reported in Field Positions 557-596 of the Payee “B” Record.* For Form 1099-S, Proceeds From Real Estate Transactions, the “A” Record will reflect the person responsible for reporting the transaction (the filer of the Form 1099-S) and the “B” Record will reflect the seller/transferor. When reporting Form 1098-T, Tuition Payments Statement, the “A” Record will reflect the name and TIN of the educational institution receiving tuition payments. The “B” Record will reflect the name and TIN of the student on whose behalf the tuition is being paid.

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**Record Name: Payee “B” Record**

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Field Position	Field Title	Length	Description and Remarks	
1	Record Type	1	<b>Required.</b> Enter “B”.	
2-5	Payment Year	4	<b>Required.</b> Enter “2001” (unless reporting prior year data; report the year which applies [1999, 2000, etc.]).	
6	Corrected Return Indicator (See <b>Note</b> .)	1	<b>Required for corrections only.</b> Indicates a corrected return.	
			<b>Code</b>	<b>Definition</b>
			G	If this is a one-transaction correction or the first of a two-transaction correction
			C	If this is the second transaction of a two transaction correction
			Blank	If this is not a return being submitted to correct information already processed by IRS.

**Record Name: Payee "B" Record (Continued)**

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

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

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

Individuals:	Name	Name Control
	Jane <b>Brown</b>	BROW
	John A. <b>Lee</b>	LEE*
	James P. <b>En</b> , Sr.	EN*
	John <b>O'Neill</b>	ONEI
	Mary <b>Van Buren</b>	VANB
	Juan <b>De Jesus</b>	DEJE
	Gloria A. <b>El-Roy</b>	EL-R
	Mr. John <b>Smith</b>	SMIT
	Joe <b>McCarthy</b>	MCCA
	Pedro <b>Torres-Lopes</b>	TORR
	Maria <b>Lopez</b> Moreno**	LOPE
	Binh To <b>La</b>	LA*
	Nhat Thi <b>Pham</b>	PHAM
	Mark <b>D'Allesandro</b>	DALL
Corporations:		
	The <b>First</b> National Bank	FIRS
	<b>The Hideaway</b>	THEH
	<b>A &amp; B</b> Cafe	A&BC
	<b>11TH</b> Street Inc.	11TH
Sole Proprietor:		
	Mark <b>Hemlock</b>	
	DBA The Sunshine Club	HEML

**Record Name: Payee "B" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
	Name		Name Control
Partnership:	Robert <b>Aspen</b> and Bess Willow		ASPE
	Harold <b>Fir</b> , Bruce Elm, and Joyce Spruce et al Ptr		FIR*
Estate:	Frank <b>White</b> Estate		WHIT
	Estate of Sheila <b>Blue</b>		BLUE
Trusts and Fiduciaries:	<b>Daisy</b> Corporation Employee Benefit Trust		DAIS
	Trust FBO The <b>Cherryblossom</b> Society		CHER
Exempt Organization:	<b>Laborer's</b> Union, AFL-CIO		LABO
	<b>St. Bernard's</b> Methodist Church Bldg. Fund		STBE

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

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

11	Type of TIN	1	This field is used to identify the Taxpayer Identification Number (TIN) in positions 12-20 as either an Employer Identification Number (EIN), a Social Security Number (SSN), an Individual Taxpayer Identification Number (ITIN) or an Adoption Taxpayer Identification Number (ATIN). Enter the appropriate code from the following table:  <table border="1"> <thead> <tr> <th>Code</th> <th>Type of TIN</th> <th>Type of Account</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>EIN</td> <td>A business, organization, sole proprietor, or other entity</td> </tr> <tr> <td>2</td> <td>SSN</td> <td>An individual, including a sole proprietor</td> </tr> <tr> <td></td> <td></td> <td>or</td> </tr> <tr> <td>2</td> <td>ITIN</td> <td>An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN</td> </tr> <tr> <td></td> <td></td> <td>or</td> </tr> <tr> <td>2</td> <td>ATIN</td> <td>An adopted individual prior to the assignment of a social security number</td> </tr> <tr> <td>Blank</td> <td>N/A</td> <td>If the type of TIN is not determinable, enter a blank.</td> </tr> </tbody> </table>	Code	Type of TIN	Type of Account	1	EIN	A business, organization, sole proprietor, or other entity	2	SSN	An individual, including a sole proprietor			or	2	ITIN	An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN			or	2	ATIN	An adopted individual prior to the assignment of a social security number	Blank	N/A	If the type of TIN is not determinable, enter a blank.
Code	Type of TIN	Type of Account																									
1	EIN	A business, organization, sole proprietor, or other entity																									
2	SSN	An individual, including a sole proprietor																									
		or																									
2	ITIN	An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN																									
		or																									
2	ATIN	An adopted individual prior to the assignment of a social security number																									
Blank	N/A	If the type of TIN is not determinable, enter a blank.																									

12-20	Payee's Taxpayer Identification Number (TIN)	9	<b>Required.</b> Enter the nine digit Taxpayer Identification Number of the payee (SSN, ITIN, ATIN, or EIN). If an identification number has been applied for but not received, enter blanks. Do not enter hyphens or alpha characters. All zeros, ones, twos, etc., will have the effect of an incorrect TIN. If the TIN is not available, enter blanks. <b>Payers who submit data with missing TINs, and have taken the required steps to obtain this information, should contact IRS/MCC by telephone or mail.</b>
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21-40	Payer's Account Number For Payee	20	Enter any number assigned by the payer to the payee (e.g., checking or savings account number). Filers are encouraged to use this field. This number helps to distinguish individual payee records and should be unique for each document. Do not use the payee's TIN
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**Record Name: Payee "B" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
			since this will not make each record unique. This information is particularly useful when corrections are filed. This number will be provided with the backup withholding notification and may be helpful in identifying the branch or subsidiary reporting the transaction. Do not define data in this field in packed decimal format. If fewer than twenty characters are used, filers may either left or right-justify, filling the remaining positions with blanks.
41-44	Payer's Office Code	4	Enter office code of payer; otherwise, enter blanks. For payers with multiple locations, this field may be used to identify the location of the office submitting the information return. This code will also appear on backup withholding notices.
45-54	Blank	10	Enter blanks.
	Payment Amount Fields (Must be numeric) (See <b>Note</b> .)		<b>Required. Filers should allow for all payment amounts. For those not used, enter zeros.</b> See Sec. 10.01 for a detailed example. Each payment field must contain 12 numeric characters. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. Do not enter dollar signs, commas, decimal points, or negative payments, except those items that reflect a loss on Form 1099-B. Positive and negative amounts are indicated by placing a "+" (plus) or "-" (minus) sign in the left-most position of the payment amount field. A negative over punch in the units position may be used, instead of a minus sign, to indicate a negative amount. If a plus sign, minus sign, or negative over punch is not used, the number is assumed to be positive. Negative over punch cannot be used in PC created files. Payment amounts must be right-justified and unused positions must be zero-filled. <b>Federal income tax withheld cannot be reported as a negative amount on any form.</b>

☛ **Note: Filers must enter numeric information in all payment fields when filing magnetically or electronically. However, when reporting information on the statement to the recipient, the payer may be instructed to leave a box blank. Follow the guidelines provided in the paper instructions for the statement to the recipient.**

55-66	Payment Amount 1*	12	The amount reported in this field represents payments for Amount Code 1 in the "A" Record.
67-78	Payment Amount 2*	12	The amount reported in this field represents payments for Amount Code 2 in the "A" Record.
79-90	Payment Amount 3*	12	The amount reported in this field represents payments for Amount Code 3 in the "A" Record.
91-102	Payment Amount 4*	12	The amount reported in this field represents payments for Amount Code 4 in the "A" Record.
103-114	Payment Amount 5*	12	The amount reported in this field represents payments for Amount Code 5 in the "A" Record.
115-126	Payment Amount 6*	12	The amount reported in this field represents payments for Amount Code 6 in the "A" Record.
127-138	Payment Amount 7*	12	The amount reported in this field represents payments for Amount Code 7 in the "A" Record.
139-150	Payment Amount 8*	12	The amount reported in this field represents payments for Amount Code 8 in the "A" Record.

**Record Name: Payee "B" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
151-162	Payment Amount 9*	12	The amount reported in this field represents payments for Amount Code 9 in the "A" Record.
163-174	Payment Amount A*	12	The amount reported in this field represents payments for Amount Code A in the "A" Record.
175-186	Payment Amount B*	12	The amount reported in this field represents payments for Amount Code B in the "A" Record.
187-198	Payment Amount C*	12	The amount reported in this field represents payments for Amount Code C in the "A" Record.

**\*If there are discrepancies between the payment amount fields and the boxes on the paper forms, the instructions in this Revenue Procedure govern.**

199-246	Reserved	48	Enter blanks.
247	Foreign Country Indicator	1	<b>If the address of the payee is in a foreign country, enter a "1" (one) in this field;</b> otherwise, enter blank. When filers use this indicator, they may use a free format for the payee city, state, and ZIP Code. Address information must not appear in the First or Second Payee Name Line.
248-287	First Payee Name Line (See <b>Notes</b> .)	40	<b>Required.</b> Enter the name of the payee (preferably surname first) whose Taxpayer Identification Number (TIN) was provided in positions 12-20 of the "B" Record. Left-justify and fill unused positions with blanks. If more space is required for the name, use the Second Payee Name Line Field. The names of any other payees may be entered in the Second Payee Name Line Field. If reporting information for a sole proprietor, the individual's name must always be present, preferably on the First Payee Name Line. The use of the business name is optional in the Second Payee Name Line Field. End the First Payee Name Line with a full word. Do not split words.

☛ **Note 1: Extraneous words, titles, and special characters (i.e., Mr., Mrs., Dr., period, apostrophe) should be removed from the Payee Name Lines. This information may be dropped during subsequent processing at IRS/MCC. A dash and an ampersand are the only acceptable special characters.**

☛ **Note 2: On Form 5498, for Inherited IRAs, enter the beneficiary's name followed by the word "beneficiary", for example, "Brian Young as beneficiary of Joan Smith". Filers may abbreviate the word "beneficiary" as, for example, "benef". The beneficiary's TIN must be reported in positions 12-20 of the "B" Record. Refer to the 2001 "Instructions for Forms 1099-R and 5498".**

288-327	Second Payee Name Line	40	If there are multiple payees (e.g., partners, joint owners, or spouses), use this field for those names not associated with the TIN provided in positions 12-20 of the "B" Record, or if not enough space was provided in the First Payee Name Line, continue the name in this field. <b>Do not enter address information.</b> It is important that filers provide as much payee information to IRS/MCC as possible to identify the payee associated with the TIN. Left-justify and fill unused positions with blanks. Fill with blanks if no entries are present for this field.
328-367	Blank	40	Enter blanks.
368-407	Payee Mailing Address	40	<b>Required.</b> Enter mailing address of payee. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to street address). Left-justify information and

**Record Name: Payee "B" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
			fill unused positions with blanks. This field <b>must not</b> contain any data other than the payee's mailing address.
<b>For U.S. addresses</b> , the payee city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. <b>Filers must adhere to the correct format for the payee city, state, and ZIP Code.</b>			
<b>For foreign addresses</b> , filers may use the payee city, state, and ZIP Code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Country Indicator in position 247 must contain a "1" (one).			
408-447	Blank	40	Enter blanks.
448-487	Payee City	40	<b>Required.</b> Enter the city, town or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO if applicable. Do not enter state and ZIP Code information in this field.
488-489	Payee State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 18.
490-498	Payee ZIP Code	9	<b>Required.</b> Enter the valid ZIP Code (nine or five digit) assigned by the U.S. Postal Service. If only the first five digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Country Indicator, located in position 247 of the "B" Record.
499-543	Blank	45	Enter blanks.

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

Record Type	Payment Year	Corrected Return Indicator	Name Control	Type of TIN	Payee's TIN	Payer's Account Number
1	2-5	6	7-10	11	12-20	21-40
Payer's Office Code	Blank	Payment Amount 1	Payment Amount 2	Payment Amount 3	Payment Amount 4	Payment Amount 5
41-44	45-54	55-66	67-78	79-90	91-102	103-114
Payment Amount 6	Payment Amount 7	Payment Amount 8	Payment Amount 9	Payment Amount A	Payment Amount B	
115-126	127-138	139-150	151-162	163-174	175-186	
Payment Amount C	Reserved	Foreign Country Indicator	First Payee Name Line	Second Payee Name Line	Blank	
187-198	199-246	247	248-287	288-327	328-367	

Payee Mailing Address	Blank	Payee City	Payee State	Payee ZIP Code	Blank
368-407	408-447	448-487	488-489	490-498	499-543

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

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

- These forms may be filed through the Combined Federal/State Filing Program. IRS/MCC will forward these records to participating states for filers who have been approved for the program. See Part A, Sec. 16, for information about the program, including specific codes for the record layouts.

**(1) Payee “B” Record - Record Layout Positions 544-750 for Forms 1098**

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

**Payee “B” Record - Record Layout Positions 544-750  
Forms 1098**

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

**(2) Payee "B" Record - Record Layout Positions 544-750 for Forms 1098-E**

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

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

Blank	<i>Origination Fees/ Capitalized Interest</i>	Blank	Data Entries Special	Blank	Blank or CR/LF
544-546	547	548-662	663-722	723-748	749-750

**(3) Payee "B" Record - Record Layout Positions 544-750 for Forms 1098-T**

Field Position	Field Title	Length	Description and Remarks
544-546	Blank	3	Enter blanks.
547	Half-time Student Indicator	1	Enter "1" (one) if the student was at least a half-time student during any academic period that began in 2001. Otherwise, enter a blank.
548	Graduate Student Indicator	1	Enter "1" (one) if the student is enrolled exclusively in a graduate level program. Otherwise, enter a blank.
549-662	Blank	114	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723-748	Blank	26	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

**(4) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-A**

Field Position	Field Title	Length	Description and Remarks						
544-546	Blank	3	Enter blanks.						
547	Personal Liability Indicator	1	Enter the appropriate indicator from the table below:  <table border="0"> <tr> <td align="center"><b><u>Indicator</u></b></td> <td align="center"><b><u>Usage</u></b></td> </tr> <tr> <td align="center">1</td> <td>Borrower was personally liable for repayment of the debt.</td> </tr> <tr> <td align="center">Blank</td> <td>Borrower was not personally liable for repayment of the debt.</td> </tr> </table>	<b><u>Indicator</u></b>	<b><u>Usage</u></b>	1	Borrower was personally liable for repayment of the debt.	Blank	Borrower was not personally liable for repayment of the debt.
<b><u>Indicator</u></b>	<b><u>Usage</u></b>								
1	Borrower was personally liable for repayment of the debt.								
Blank	Borrower was not personally liable for repayment of the debt.								
548-555	Date of Lender's Acquisition or Knowledge of Abandonment	8	Enter the acquisition date of the secured property or the date the lender first knew or had reason to know the property was abandoned, in the format YYYYMMDD (e.g., January 5, 2001, would be 20010105). <b>Do not enter hyphens or slashes.</b>						
556-594	Description of Property	39	Enter a brief description of the property. For real property, enter the address, or, if the address does not sufficiently identify the property, enter the section, lot and block. For personal property, enter the type, make and model (e.g., Car-1999 Buick Regal or Office Equipment). Enter "CCC" for crops forfeited on Commodity Credit Corporation loans. If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.						
595-662	Blank	68	Enter blanks.						
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.						
723-748	Blank	26	Enter blanks.						
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.						

**Payee "B" Record - Record Layout Positions 544-750  
Form 1099-A**

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

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

**(5) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-B**

Field Position	Field Title	Length	Description and Remarks						
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.						
545-546	Blank	2	Enter blanks.						
547	Gross Proceeds Indicator	1	Enter the appropriate indicator from the following table, to identify the amount reported in Amount Code 2; otherwise, enter a blank.  <table border="0"> <tr> <td style="text-align: center;"><b><u>Indicator</u></b></td> <td style="text-align: center;"><b><u>Usage</u></b></td> </tr> <tr> <td style="text-align: center;">1</td> <td>Gross proceeds</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Gross proceeds less commissions and options premiums</td> </tr> </table>	<b><u>Indicator</u></b>	<b><u>Usage</u></b>	1	Gross proceeds	2	Gross proceeds less commissions and options premiums
<b><u>Indicator</u></b>	<b><u>Usage</u></b>								
1	Gross proceeds								
2	Gross proceeds less commissions and options premiums								
548-555	Date of Sale	8	For broker transactions, enter the trade date of the transaction. For barter exchanges, enter the date when cash, property, a credit, or scrip is actually or constructively received in the format YYYYMMDD (e.g., January 5, 2001, would be 20010105). Enter blanks if this is an aggregate transaction. <b>Do not enter hyphens or slashes.</b>						
556-568	CUSIP Number	13	For broker transactions only, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the item reported for Amount Code 2 (stocks, bonds, etc.). Enter blanks if this is an aggregate transaction. Enter "0s" (zeros) if the number is not available. Right-justify information and fill unused positions with blanks.						
569-607	Description	39	If fewer than 39 characters are required, left-justify information and fill unused positions with blanks. For broker transactions, enter a brief description of the disposition item (e.g., 100 shares of XYZ Corp). For regulated futures and forward contracts, enter "RFC" or other appropriate description. For bartering transactions, show the services or property provided.						
608-662	Blank	55	Enter blanks.						
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.						
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.						
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.						

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**(5) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-B (Continued)**

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Field Position	Field Title	Length	Description and Remarks
747-748	Blank	2	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

Second TIN Notice (Optional)	Blank	Gross Proceeds Indicator	Date of Sale	CUSIP Number	Description
544	545-546	547	548-555	556-568	569-607
Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
608-662	663-722	723-734	735-746	747-748	749-750

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**(6) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-C**

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Field Position	Field Title	Length	Description and Remarks
544-546	Blank	3	Enter blanks.
547	Bankruptcy Indicator	1	Enter "1" (one) to indicate the debt was discharged in bankruptcy, if known. Otherwise, enter a blank.
548-555	Date Canceled	8	Enter the date the debt was canceled in the format of YYYYMMDD (e.g., January 5, 2001, would be 20010105). <b>Do not enter hyphens or slashes.</b>
556-594	Debt Description	39	Enter a description of the origin of the debt, such as student loan, mortgage, or credit card expenditure. If a combined Form 1099-C and 1099-A is being filed, also enter a description of the property.
595-662	Blank	68	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723-748	Blank	26	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

Blank	Blank or CR/LF
723-748	749-750

**(7) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-DIV**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545-546	Blank	2	Enter blanks.
547-586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code A) applies. Otherwise, enter blanks.
587-662	Blank	76	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747-748	Combined Federal/ State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.



**(8) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-G (Continued)**

Field Position	Field Title	Length	Description and Remarks
			filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747-748	Combined Federal/ State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

Blank	Trade or Business Indicator	Tax Year of Refund	Blank	Special Data Entries	State Income Tax Withheld
544-546	547	548-551	552-662	663-722	723-734
Local Income Tax Withheld	Combined Federal/ State Code	Blank or CR/LF			
735-746	747-748	749-750			

**(9) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-INT**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545-546	Blank	2	Enter blanks.
547-586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code 6) applies. Otherwise, enter blanks.
587-662	Blank	76	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. You may enter your routing and transit number (RTN) here. If this field is not utilized, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.

**(9) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-INT (Continued)**

Field Position	Field Title	Length	Description and Remarks
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747-748	Combined Federal/ State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

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

**(10) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-LTC**

Field Position	Field Title	Length	Description and Remarks						
544-546	Blank	3	Enter blanks.						
547	Type of Payment Indicator	1	Enter the appropriate indicator from the following table; otherwise, enter blanks.  <table border="0"> <tr> <td><b>Indicator</b></td> <td><b>Usage</b></td> </tr> <tr> <td>1</td> <td>Per diem</td> </tr> <tr> <td>2</td> <td>Reimbursed amount</td> </tr> </table>	<b>Indicator</b>	<b>Usage</b>	1	Per diem	2	Reimbursed amount
<b>Indicator</b>	<b>Usage</b>								
1	Per diem								
2	Reimbursed amount								
548-556	Social Security Number of Insured	9	<b>Required.</b> Enter the Social Security Number of the insured.						
557-596	Name of Insured	40	<b>Required.</b> Enter the name of the insured.						
597-636	Address of Insured	40	<b>Required.</b> Enter the address of the insured. Street address should include number, street, apartment or suite number (or P.O. Box if not delivered to street address). Left-justify information and fill unused positions with blanks. This field <b>must not</b> contain any data other than payee's address.						

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**(10) Payee “B” Record - Record Layout Positions 544-750 for Form 1099-LTC (Continued)**

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Field Position	Field Title	Length	Description and Remarks						
<p><b>For U.S. addresses</b>, the payee city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. <b>Filers must adhere to the correct format for the insured’s city, state, and ZIP Code.</b></p> <p><b>For foreign addresses</b>, filers may use the insured’s city, state, and ZIP Code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Country Indicator in position 247 must contain a “1” (one).</p>									
637-676	City of Insured	40	<b>Required.</b> Enter the city, town, or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO, if applicable. Do not enter state and Zip Code information in this field.						
677-678	State of Insured	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 18.						
679-687	ZIP Code of Insured	9	<b>Required.</b> Enter the valid nine digit ZIP Code assigned by the U.S. Postal Service. If only the first five digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a “1” (one) in the Foreign Country Indicator located in position 247 of the “B” Record.						
688	Status of Illness Indicator (Optional)	1	Enter the appropriate code from the table below to indicate the status of the illness of the insured; otherwise, enter blank:  <table><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Chronically ill</td></tr><tr><td>2</td><td>Terminally ill</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Chronically ill	2	Terminally ill
<u>Indicator</u>	<u>Usage</u>								
1	Chronically ill								
2	Terminally ill								
689-696	Date Certified (Optional)	8	Enter the latest date of a doctor’s certification of the status of the insured’s illness. The format of the date is YYYYMMDD (e.g., January 5, 2001, would be 20010105). <b>Do not enter hyphens or slashes.</b>						
697	<i>Qualified Contract (Optional)</i>	1	<i>Enter a “1” (one) if benefits were from a qualified long-term care insurance contract; otherwise, enter blank.</i>						
698-722	Blank	25	Enter blanks.						
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.						
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.						
747-748	Blank	2	Enter blanks.						
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.						

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

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

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

Blank	Blank or CR/LF
747-748	749-750

**(11) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-MISC**

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

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

548-662	Blank	115	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not used, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.

**(11) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-MISC (Continued)**

Field Position	Field Title	Length	Description and Remarks
747-748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

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

**(12) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-MSA**

Field Position	Field Title	Length	Description and Remarks														
544	Blank	1	Enter blank.														
545	Distribution Code	1	<b>Required.</b> Enter the applicable code to indicate the type of payment: <table><thead><tr><th><u>Code</u></th><th><u>Category</u></th></tr></thead><tbody><tr><td>1</td><td>Normal distribution</td></tr><tr><td>2</td><td>Excess contribution</td></tr><tr><td>3</td><td>Disability</td></tr><tr><td>4</td><td>Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)</td></tr><tr><td>5</td><td>Prohibited transaction</td></tr><tr><td>6</td><td>Death distribution <b>after year of death</b> to a nonspouse beneficiary (Do not use for distribution to an estate.)</td></tr></tbody></table>	<u>Code</u>	<u>Category</u>	1	Normal distribution	2	Excess contribution	3	Disability	4	Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)	5	Prohibited transaction	6	Death distribution <b>after year of death</b> to a nonspouse beneficiary (Do not use for distribution to an estate.)
<u>Code</u>	<u>Category</u>																
1	Normal distribution																
2	Excess contribution																
3	Disability																
4	Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)																
5	Prohibited transaction																
6	Death distribution <b>after year of death</b> to a nonspouse beneficiary (Do not use for distribution to an estate.)																
546	Blank	1	Enter a blank.														
547	Medicare+Choice MSAIndicator	1	Enter "1" (one) if distributions are from a Medicare+Choice MSA. Otherwise, enter a blank.														
548-662	Blank	115	Enter blanks.														

**(12) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-MSA (Continued)**

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

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

Blank	Distribution Code	Blank	Medicare+ Choice MSA Indicator	Blank	Special Data Entries
544	545	546	547	548-662	663-722
State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF		
723-734	735-746	747-748	749-750		

**(13) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-OID**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545-546	Blank	2	Enter blanks.
547-585	Description	39	<b>Required.</b> Enter the CUSIP number, if any. If there is no CUSIP number, enter the abbreviation for the stock exchange and issuer, the coupon rate, and year ( <b>must be 4 digit year</b> ) of maturity (e.g., NYSE XYZ 12 1/ 2001). Show the name of the issuer if other than the payer. If fewer than 39 characters are required, left-justify information and fill unused positions with blanks.

**(13) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-OID (Continued)**

Field Position	Field Title	Length	Description and Remarks
586-662	Blank	77	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747-748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table I. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

  

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

**(14) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-PATR**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545-662	Blank	118	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for fil-

**(14) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-PATR (Continued)**

Field Position	Field Title	Length	Description and Remarks
			ing requirements. If this field is not utilized, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747-748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

**(15) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-R**

Field Position	Field Title	Length	Description and Remarks
544	Blank	1	Enter blank.
545-546	Distribution Code  (For a detailed explanation of distribution codes, see the 2001 "Instructions for Forms 1099-R and 5498.")	2	<b>Required.</b> Enter at least one distribution code from the table below. More than one code may apply. If only one code is required, it must be entered in position 545 and position 546 must be blank. A blank in position 545 is not acceptable. Position 545 must contain a numeric code except when using Code D, E, F, G, H, J, L, M, N, P, R, S, or T. Distribution Code A, when applicable, must be entered in position 546 with the applicable numeric code in position 545. When using Code P for an IRA distribution under section 408(d)(4) of the Internal Revenue Code, the filer may also enter Code 1, 2, or 4, if applicable. Only three numeric combinations are acceptable, Codes 8 and 1, 8 and 2, and 8 and 4, on one return. These three combinations can be used only if both codes apply to the distribution being reported. If more than one numeric code is applicable to different parts of a distribution, report two separate "B" Records. Distribution Codes E, F, H, N, R, and S cannot be used with any other codes. Distribution Code G may be used with Distribution Code 4 only if applicable.

**(15) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-R (Continued)**

Field Position	Field Title	Length	Description and Remarks
			<b>Code</b>
			<b>Category</b>
			1 *Early distribution, no known exception (in most cases, under age 59 1/2)
			2 *Early distribution, exception applies (Under age 59 1/2)
			3 *Disability
			4 *Death
			5 *Prohibited transaction
			6 Section 1035 exchange (a tax-free exchange of life insurance, annuity, or endowment contracts)
			7 *Normal distribution
			8 *Excess contributions plus earnings/ excess deferrals (and/or earnings) taxable in 2001
			9 PS 58 costs (premiums paid by a trustee or custodian for current insurance protection)
			A May be eligible for 10-year tax option
			D *Excess contributions plus earnings/ excess deferrals taxable in 1999
			E Excess annual additions under section 415
			F Charitable gift annuity
			G Direct rollover to IRA
			H *Direct rollover to qualified plan or tax-sheltered annuity or a transfer from a conduit IRA to a qualified plan
			J <i>Early distribution from a Roth IRA, no known exception. (This code may be used with Code 5, 8, or P.)</i>
			L Loans treated as deemed distributions under section 72(p)
			M Distribution from an education IRA (Ed IRA)
			N <i>Recharacterized IRA contribution made for 2001</i>
			P *Excess contributions plus earnings/ excess deferrals taxable in 2000
			R <i>Recharacterized IRA contribution made for 2000 (See Note.)</i>
			S *Early distribution from a SIMPLE IRA in first 2 years, no known exception
			T <i>Roth IRA distribution, exception applies. (This code may be used with Code 5, 8, or P.)</i>

\*If reporting a traditional IRA, SEP, or SIMPLE distribution or a Roth conversion, use the IRA/SEP/SIMPLE Indicator of "1" (one) in position 548 of the Payee "B" Record.

☛Note: The trustee of the first IRA must report the recharacterization as a distribution on Form 1099-R (and the original contribution and its character on Form 5498).

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(15) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-R (Continued)

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Field Position	Field Title	Length	Description and Remarks
547	Taxable Amount Not Determined Indicator	1	Enter "1" (one) only if the taxable amount of the payment entered for Payment Amount Field 1 (Gross distribution) of the "B" Record cannot be computed; otherwise, enter blank. (If Taxable Amount Not Determined Indicator is used, enter "0's" [zeros] in Payment Amount Field 2 of the Payee "B" Record.) Please make every effort to compute the taxable amount.
548	IRA/SEP/SIMPLE Indicator	1	Enter "1" (one) for a traditional IRA, SEP, or SIMPLE distribution or Roth conversion; otherwise, enter a blank. (See <b>Note</b> .) If the IRA/SEP/SIMPLE Indicator is used, enter the amount of the Roth conversion or distribution in Payment Amount Field A of the Payee "B" Record. <b>Do not use the indicator for a distribution from a Roth or education IRA or for an IRA recharacterization.</b>
<b>Note:</b> For Form 1099-R, generally, report the Roth conversion or total amount distributed from a traditional IRA, SEP, or SIMPLE in Payment Amount Field A (traditional IRA/SEP/SIMPLE distribution or Roth conversion), as well as Payment Amount Field 1 (Gross Distribution) of the "B" Record. Refer to the 2001 "Instructions for Forms 1099-R and 5498" for exceptions (Box 2a instructions).			
549	Total Distribution Indicator (See <b>Note</b> .)	1	Enter a "1" (one) only if the payment shown for Amount Code 1 is a total distribution that closed out the account; otherwise, enter a blank.
<b>Note:</b> A total distribution is one or more distributions within one tax year in which the entire balance of the account is distributed. Any distribution that does not meet this definition is not a total distribution.			
550-551	Percentage of Total Distribution	2	Use this field when reporting a total distribution to more than one person, such as when a participant is deceased and a payer distributes to two or more beneficiaries. Therefore, if the percentage is 100, leave this field blank. If the percentage is a fraction, round off to the nearest whole number (for example, 10.4 percent will be 10 percent; 10.5 percent will be 11 percent). Enter the percentage received by the person whose TIN is included in positions 12-20 of the "B" Record. This field must be right-justified, and unused positions must be zero-filled. If not applicable, enter blanks. Filers are not required to enter this information for any IRA distribution or for direct rollovers.
552-662	Blank	111	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. The state/payer's state number, state distribution, name of locality, and/or local distribution can be entered in this field. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries field.
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment

(15) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-R (Continued)

Field Position	Field Title	Length	Description and Remarks
			amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.
747-748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

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

(16) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-S

Field Position	Field Title	Length	Description and Remarks
544-546	Blank	3	Enter blanks.
547	Property or Services Indicator	1	<b>Required.</b> Enter "1" (one) if the transferor received or will receive property (other than cash and consideration treated as cash in computing gross proceeds) or services as part of the consideration for the property transferred. Otherwise, enter a blank.
548-555	Date of Closing	8	<b>Required.</b> Enter the closing date in the format YYYYMMDD (e.g., January 5, 2001, would be 20010105). <b>Do not enter hyphens or slashes.</b>
556-594	Address or Legal Description	39	<b>Required.</b> Enter the address of the property transferred (including city, state, and ZIP Code). If the address does not sufficiently identify the property, also enter a legal description, such as section, lot, and block. For timber royalties, enter "TIMBER." If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.
595-662	Blank	68	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes.

**(16) Payee "B" Record - Record Layout Positions 544-750 for Form 1099-S (Continued)**

Field Position	Field Title	Length	Description and Remarks
			Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747-748	Blank	2	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

Blank	Property or Services Indicator	Date of Closing	Address or Legal Description	Blank	Special Data Entries
544-546	547	548-555	556-594	595-662	663-722
State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF		
723-734	735-746	747-748	749-750		

**(17) Payee "B" Record - Record Layout Positions 544-750 for Form 5498**

Field Position	Field Title	Length	Description and Remarks
544-546	Blank	3	Enter blanks.
547	<b>IRA</b> Indicator (Individual Retirement Account)	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for an IRA. Otherwise, enter a blank.
548	<b>SEP</b> Indicator (Simplified Employee Pension)	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a SEP. Otherwise, enter a blank.
549	<b>SIMPLE</b> Indicator (Savings Incentive Match Plan for Employees)	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a SIMPLE. Otherwise, enter a blank.

**(17) Payee "B" Record - Record Layout Positions 544-750 for Form 5498 (Continued)**

Field Position	Field Title	Length	Description and Remarks
550	<b>Roth IRA</b> Indicator	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a Roth IRA. Otherwise, enter a blank.
551	Blank	1	Enter blank.
552	<b>Education IRA</b> Indicator	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for an Education IRA. Otherwise, enter a blank.
553-662	Blank	110	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723-746	Blank	24	Enter blanks.
747-748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program, enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record - Record Layout Positions 544-750  
for Form 5498**

Blank	IRA Indicator	SEP Indicator	SIMPLE Indicator	Roth IRA Indicator	Blank	Education IRA Indicator
544-546	547	548	549	550	551	552

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

**(18) Payee "B" Record - Record Layout Positions 544-750 for Form 5498-MSA**

Field Position	Field Title	Length	Description and Remarks
544-546	Blank	3	Enter blanks.
547	Medicare+ Choice MSA Indicator	1	Enter "1" (one) for Medicare+Choice MSA.
548-662	Blank	115	Enter blanks.

**(18) Payee "B" Record - Record Layout Positions 544-750 for Form 5498-MSA (Continued)**

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

**Payee "B" Record - Record Layout Positions 544-750  
for Form 5498-MSA**

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

**(19) Payee "B" Record - Record Layout Positions 544-750 for Form W-2G**

Field Position	Field Title	Length	Description and Remarks																		
544-546	Blank	3	Enter blanks.																		
547	Type of Wager Code	1	<b>Required.</b> Enter the applicable type of wager code from the table below:  <table><thead><tr><th><u>Code</u></th><th><u>Category</u></th></tr></thead><tbody><tr><td>1</td><td>Horse race track (or off-track betting of a horse track nature)</td></tr><tr><td>2</td><td>Dog race track (or off-track betting of a dog track nature)</td></tr><tr><td>3</td><td>Jai-alai</td></tr><tr><td>4</td><td>State-conducted lottery</td></tr><tr><td>5</td><td>Keno</td></tr><tr><td>6</td><td>Bingo</td></tr><tr><td>7</td><td>Slot machines</td></tr><tr><td>8</td><td>Any other type of gambling winnings</td></tr></tbody></table>	<u>Code</u>	<u>Category</u>	1	Horse race track (or off-track betting of a horse track nature)	2	Dog race track (or off-track betting of a dog track nature)	3	Jai-alai	4	State-conducted lottery	5	Keno	6	Bingo	7	Slot machines	8	Any other type of gambling winnings
<u>Code</u>	<u>Category</u>																				
1	Horse race track (or off-track betting of a horse track nature)																				
2	Dog race track (or off-track betting of a dog track nature)																				
3	Jai-alai																				
4	State-conducted lottery																				
5	Keno																				
6	Bingo																				
7	Slot machines																				
8	Any other type of gambling winnings																				
548-555	Date Won	8	<b>Required.</b> Enter the date of the winning transaction in the format YYYYMMDD (e.g., January 5, 2001, would be 20010105). <b>Do not enter hyphens or slashes.</b> This is not the date the money was paid, if paid after the date of the race (or game).																		
556-570	Transaction	15	<b>Required.</b> For state-conducted lotteries, enter the ticket or other identifying number. For keno, bingo, and slot machines, enter the ticket or card number (and color, if applicable), machine serial number, or any other information that will help identify the winning transaction. For all others, enter blanks.																		
571-575	Race	5	If applicable, enter the race (or game) relating to the winning ticket; otherwise, enter blanks.																		
576-580	Cashier	5	If applicable, enter the initials or number of the cashier making the winning payment; otherwise, enter blanks.																		

**(19) Payee "B" Record - Record Layout Positions 544-750 for Form W-2G (Continued)**

Field Position	Field Title	Length	Description and Remarks
581-585	Window	5	If applicable, enter the window number or location of the person paying the winning payment; otherwise, enter blanks.
586-600	First ID	15	For other than state lotteries, enter the first identification number of the person receiving the winning payment; otherwise, enter blanks.
601-615	Second ID	15	For other than state lotteries, enter the second identification number of the person receiving the winnings; otherwise, enter blanks.
616-662	Blank	47	Enter blanks.
663-722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723-734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735-746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747-748	Blank	2	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record - Record Layout Positions 544-750  
for Form W-2G**

Blank	Type of Wager Code	Date Won	Transaction	Race	Cashier	Window	First ID
544-546	547	548-555	556-570	571-575	576-580	581-585	586-600
Second ID	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF	
601-615	616-662	663-722	723-734	735-746	747-748	749-750	

**Sec. 11. End of Payer "C" Record - General Field Descriptions and Record Layout**

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

**.02** The "C" Record consists of the total number of payees and the totals of the payment amount fields filed by a given payer and/or a particular type of return. The "C" Record must be written after the last "B" Record for each type of return for a given payer. For each "A" Record and group of "B" Records on the file, there must be a corresponding "C" Record. A file format diagram is located at the end of Part E, Miscellaneous Information, just before the mail labels.

**.03** In developing the “C” Record, for example, if a payer used Amount Codes 1, 3, and 6 in the “A” Record, the totals from the “B” Records would appear in Control Totals 1 (positions 16-33), 3 (positions 52-69), and 6 (positions 106-123) of the “C” Record. In this example, positions 34-51, 70-105, and 124-231 would be zero-filled. Positions 232-748 would be blank filled.

**.04** Payers/Transmitters should verify the accuracy of the totals. IRS/MCC will request a replacement file for files with missing or incorrect “C” Records.

**Record Name: End of Payer “C” Record**

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “C.”
2-9	Number of Payees	8	<b>Required.</b> Enter the total number of “B” Records covered by the preceding “A” Record. Right-justify information and fill unused positions with zeros.
10-15	Blank	6	Enter blanks.
16-33	Control Total 1	18	<b>Required.</b> Accumulate totals of any payment amount fields in the “B” Records into the appropriate control total fields of the “C” Record. <b>Control totals must be right-justified and unused control total fields zero-filled.</b> All control total fields are 18 positions in length.
34-51	Control Total 2	18	
52-69	Control Total 3	18	
70-87	Control Total 4	18	
88-105	Control Total 5	18	
106-123	Control Total 6	18	
124-141	Control Total 7	18	
142-159	Control Total 8	18	
160-177	Control Total 9	18	
178-195	Control Total A	18	
196-213	Control Total B	18	
214-231	Control Total C	18	
232-748	Blank	517	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**End of Payer “C” Record - Record Layout**

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3	Control Total 4	Control Total 5	Control Total 6
1	2-9	10-15	16-33	34-51	52-69	70-87	88-105	106-123
Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Blank	Blank or CR/LF	
124-141	142-159	160-177	178-195	196-213	214-231	232-748	749-750	

**Sec. 12. State Totals “K” Record - General Field Descriptions and Record Layout**

**.01** The State Totals “K” Record is a fixed record length of 750 positions. The control total fields are each 18 positions in length.

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

**.03** The “K” Record will contain the total number of payees and the totals of the payment amount fields filed by a given payer for a given state. The “K” Record(s) must be written after the “C” Record for the related “A” Record. A file format diagram is located at the end of Part E, Miscellaneous Information, just before the mail labels.

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

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

**.06** Refer to Part A, Sec. 16, for the requirements and conditions that **must** be met to file via this program.

**(1) State Totals “K” Record - Record Layout Forms 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498**

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “K.”
2-9	Number of Payees	8	<b>Required.</b> Enter the total number of “B” Records being coded for this state. Right-justify information and fill unused positions with zeros.
10-15	Blank	6	Enter blanks.
16-33	Control Total 1	18	<b>Required.</b> Accumulate totals of any payment amount fields in the “B” Records for each state being reported into the appropriate control total fields of the appropriate “K” Record. <b>Control totals must be right-justified and unused control total fields zero-filled.</b> All control total fields are 18 positions in length.
34-51	Control Total 2	18	
52-69	Control Total 3	18	
70-87	Control Total 4	18	
88-105	Control Total 5	18	
106-123	Control Total 6	18	
124-141	Control Total 7	18	
142-159	Control Total 8	18	
160-177	Control Total 9	18	
178-195	Control Total A	18	
196-213	Control Total B	18	
214-231	Control Total C	18	
232-706	Blank	475	Enter blanks.
707-724	State Income Tax Withheld Total	18	State income tax withheld total is for the convenience of the filers. Aggregate totals of the state income tax withheld field in the Payee “B” Records; otherwise, enter blanks.
725-742	Local Income Tax Withheld Total	18	Local income tax withheld total is for the convenience of the filers. Aggregate totals of the local income tax withheld field in the Payee “B” Records; otherwise, enter blanks.

**(1) State Totals "K" Record - Record Layout Forms 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498 (Continued)**

Field Position	Field Title	Length	Description and Remarks
743-746	Blank	4	Enter blanks.
747-748	Combined Federal/ State Code	2	<b>Required.</b> Enter the code assigned to the state which is to receive the information. (Refer to Part A, Sec. 16, Table I.)
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Blank	State Income Tax Withheld Total	Local Income Tax Withheld Total
124-141	142-159	160-177	178-195	196-213	214-231	232-706	707-724	725-742

Blank	Combined Federal/State Code	Blank or CR/LF
743-746	747-748	749-750

**Sec. 13. End of Transmission "F" Record - General Field Descriptions and Record Layout**

**.01** The End of Transmission "F" Record is a fixed record length of 750 positions. The "F" Record is a summary of the number of payers in the entire file.

**.02** This record should be written after the last "C" Record (or last "K" Record, when applicable) of the entire file.

**Record Name: End of Transmission "F" Record**

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter "F."
2-9	Number of "A" Records	8	Enter the total number of Payer "A" Records in the entire file (right-justify and zero-fill) or enter all zeros.
10-30	Zero	21	Enter zeros.
31-748	Blank	718	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

## End of Transmission "F" Record - Record Layout

Record Type	Number of "A" Records	Zero	Blank	Blank or CR/LF
1	2-9	10-30	31-748	749-750

### Part C. Electronic Filing Specifications

#### Sec. 1. Background

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

#### Sec. 2. Advantages of Filing Electronically

Some of the advantages of filing electronically are as follows:

- (1) Results available within 1-2 workdays regarding the acceptability of the data transmitted. It is the filer's responsibility to dial back in and check results.
- (2) Later due date than magnetic media or paper for electronically filed Forms 1098, 1099, and W-2G (refer to Part A, Section 10.01).
- (3) Allows more attempts than magnetic media filing to correct bad files within a specific time frame before imposing penalties (refer to Part C, Section 6.05).
- (4) Better customer service due to on-line availability of transmitter's files for research purposes.
- (5) Extended period to test electronic files: November 1, 2001, to February 15, 2002.

#### Sec. 3. General

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

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

**.03** Files submitted to IRS/MCC electronically must be in standard ASCII code. No magnetic media or paper forms are to be submitted with the same information as the electronically submitted file.

**.04** If a request for extension is approved, transmitters who file electronically will be granted an extension of time to file. Part A, Sec. 11, explains procedures for requesting extensions of time. Filers are encouraged to file their data as soon as possible.

**.05** The formats of the "T", "A", "B", "C", "K", and "F" records are the same for electronically filed records as they are for magnetic media, and must be in standard ASCII code. For electronically filed documents, each transmission is considered a separate file; therefore, each transmission **must** begin with a Transmitter "T" Record and end with an End of Transmission (EOT) "F" Record.

#### Sec. 4. Electronic Filing Approval Procedure

**.01** Filers must obtain, or already have, a Transmitter Control Code (TCC) assigned prior to submitting files electronically. (Filers who currently have a TCC for magnetic media filing will not be assigned a second TCC for electronic filing.) Refer to Part A, Sec. 7, for information on how to obtain a TCC.

**.02** *Once a TCC is obtained, electronic filers assign their own logon name, password and PIN (Personal Identification Number) and do not need prior or special approval. See Sec. 7, for more information on the PIN.*

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

**.04** For all passwords, it is the user's responsibility to remember the password and not allow the password to be compromised. Passwords are user assigned at first logon and are up to 8 alpha/numerics, **which are case sensitive**. However, if filers forget their password or PIN, call **304-263-8700** for assistance. *The FIRE System will require users to change their passwords on a yearly basis.*

**Sec. 5. Test Files**

**.01** Filers are not required to submit a test file; however, the submission of a test file is encouraged for all *new electronic filers to test hardware and software*. If filers wish to submit an electronic test file for Tax Year 2001 (returns to be filed in 2002), it **must** be submitted to IRS/MCC **no earlier than** November 1, 2001, and **no later than** February 15, 2002.

**.02** If a filer encounters problems while transmitting the electronic test file, contact IRS/MCC for assistance at 304-263-8700.

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

**.04** *Form 4804 is no longer required for test files submitted electronically*. See Part C, Sec.7.

**.05** **A test file is required from filers who want approval for the Combined Federal/State Filing Program. See Part A, Sec. 16, for further details.**

**Sec. 6. Electronic Submissions**

**.01** Electronically filed information may be submitted to IRS/MCC 24 hours a day, 7 days a week. Technical assistance will be available Monday through Friday between 8:30 a.m. and 4:30 p.m. Eastern time by calling **304-263-8700**.

**.02** **The FIRE System will be down from December 27, 2001, through January 6, 2002.** This allows IRS/MCC to update its system to reflect current year changes.

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

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

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

<b>Transmission Speed in bps</b>	<b>1000 Records</b>	<b>10,000 Records</b>	<b>100,000 Records</b>
<b>19.2K</b>	<b>34 Sec.</b>	<b>6 Min.</b>	<b>60 Min.</b>
<b>56K</b>	<b>20 Sec.</b>	<b>3 1/2 Min.</b>	<b>33 Min.</b>
<b>128K (ISDN)</b>	<b>8 Sec.</b>	<b>1 Min.</b>	<b>10 Min.</b>

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

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

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

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

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

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

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

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

## Sec. 7. PIN Requirements

**.01** *The Form 4804 is not required for electronic files. Effective 1/1/2002 all new users will be prompted to create a PIN consisting of 10 numerics when establishing their initial logon name and password. All users having existing accounts will be prompted for a PIN assignment at the first logon after 12/31/2001.*

**.02** *Filers must provide some on line information, such as, TCC, EIN, Company name, contact person and telephone number, before establishing their PIN number.*

**.03** *The PIN is required each time a file is sent electronically and is permission to release the file. If you forget your PIN, please call 304-263-8700 for assistance.*

**.04** *If the file is good, it is released for mainline processing 10 calendar days from receipt. Contact us at 304-263-8700 within this 10 day period if there is a reason the file should not be released for further processing. If the file is bad, normal replacement procedures are followed.*

## Sec. 8. Electronic Filing Specifications

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

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

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

**.04** Connect to the FIRE System by dialing **304-262-2400**. This number supports analog connections from 1200bps to 56Kbps or ISDN BRI 128Kbps. The system can be accessed via Dial-up network/web browser (*see Part C, Sec. 9*) or communications software such as Hyperterminal, Procomm, PCAnywhere or other VT100 emulation products (*see Part C, Sec.10*). The Dial-up network/web browser (point-to-point) will provide an Internet-like look, however, it is not the Internet.

## Sec. 9. Dial-up Network/Browser Specifications (Web Interface)

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

Dial-up network settings:

- (a) Set dial-up server type to PPP
- (b) Set network protocol to TCP/IP
- (c) Disable software compression
- (d) Disable PPP-LCP extensions (NT and 2000)

Browser settings:

- (a) Browser must be capable of file uploads (i.e., Internet Explorer 4.0, Netscape 2.0 or higher)
- (b) Enter the URL address of <http://10.225.224.2> after you have connected via dial-up. (Remember, this is a point-to-point connection, not the Internet.)

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

# UPLOADING FILES WITH DIAL-UP NETWORKING/WEB BROWSER IN WINDOWS 95/98/NT/2000/ME

## Tips

- (1) This is a point-to-point connection – not the Internet.
- (2) Your browser must be capable of file uploads, i.e., Internet Explorer 4.0 or Netscape Navigator 2.0 or higher.
- (3) If you currently access the Internet via a LAN or a PROXY server, you will need to disable those options in your browser and enable 'Connect to the Internet using a modem'.
- (4) These instructions will vary slightly depending upon your version of Windows.
- (5) *Before dialing have your TCC and EIN available.*

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

**First time connecting with Dial-Up Network** (If you have logged on previously, skip to Subsequent Dial-up Network Connections.)

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

Select **'Make new connection'**.

Type a descriptive name for the system you are calling.

Select your modem.

Click **'Next'**.

Enter area code **304** and telephone number **262-2400**.

Click **'Next'**.

When you receive a message that you have successfully created a new Dial-Up Networking connection, click **'Finish'**.

Click **'Connect'** to dial. If you are prompted for a user name and password, leave blank unless needed by your system, click **'OK'**.

When you receive the message that you have connected to our system, click on your Web Browser (**remember, it is not via the Internet – this is a point-to-point connection**).

In the URL Address enter **http://10.225.224.2** and press **ENTER**.

**Subsequent Dial-Up Network connections**

Click **'Connect'**.

If prompted for user name and password, leave blank unless needed by your system, click **'OK'**.

When you receive 'Connection Complete', click **'OK'**.

Click on your Web Browser (**remember, you are not connecting via the Internet**).

In the URL Address enter **http://10.225.224.2** and press **ENTER**.

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

Click **'Create New Account'**.

Fill out the registration form and click **'Create'**.

Enter your **logon name** (most users logon with their first and last name).

Enter your **password** (the password is user assigned and is case sensitive).

Click **'Create'**.

If you receive the message 'account created', click **'OK'**.

Click **'Start the Fire Application'**

**Subsequent connections to the FIRE System**

Click **'Log On'**.

Enter your **logon name** (most users logon with their first and last name).

Enter your **password** (the password is user assigned and is case sensitive).

At Menu Options:

Click **'Information Returns'**

Enter your **TCC**:

Enter your **EIN**:

Click **'Submit'**.

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

Click one of the following:

**Original File**

**Correction File**

**Test File**

**Replacement File** (if you select this option, select one of the following):

**FIRE Replacement** (file was originally transmitted on this system)

Click file to be replaced

or

### **Magnetic Media Replacement File**

Enter the alpha character from Form 9267, Media Tracking Slip, that was returned with your correspondence requesting a replacement file.

Click **'Submit'**.

Enter the **drive/path/filename** of the file you want to upload or click **'Browse'** to locate the file.

Click **'Upload'**.

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

If you have more files to upload for that TCC:

Click **'File Another'**; otherwise,

Click **'Back to Main Menu'**.

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

To check the acceptability of a previously submitted file:

At the Main Menu:

Click **'File Stats'**

Enter your **TCC**:

Enter your **EIN**:

Click on the appropriate filename to get results.

If 'Results' indicate:

**'File Good'** and you agree with the 'Count of Payees' you are finished with this file. *(If you do not want the file processed, you must contact IRS/MCC within 10 days from the transmission of your file.)*

**'File Bad'** - Correct the errors and resubmit the file as a 'replacement'.

**'Not Yet Processed'** - File has been received, but results are not available. Please recheck in several days.

Click on the desired file for a detailed report of your transmission.

When finished viewing your files, click on **'Main Menu'**.

Click **'Log Off'**.

Close your Web Browser.

### **IMPORTANT**

**Go back into your Dial-Up Network and click 'hang-up'; otherwise, you may remain connected and incur unnecessary phone charges.**

### **Sec. 10. Communication Software Specifications (Text Interface)**

**.01** Communications software settings must be:

- No parity
- Eight data bits
- One stop bit

**.02** Terminal Emulation must be VT100.

**.03** Due to the large number of communication products available, it is impossible to provide specific information on all software/hardware configurations. However, since most filers use Windows 95, 98, NT, 2000 or ME software, the following instructions are most compatible with those products (Procomm, PCAnywhere and VT100 emulation products are also acceptable.)

**.04** *Before dialing in, have your TCC and EIN available.*

### **Uploading Files Using Hyperterminal in Windows 95, 98, NT, 2000 or ME**

(These instructions will vary slightly depending upon your version of Windows.)

Select **Programs**

**Accessories**

**Communications (Windows 98)**

**Hyperterminal**

The first time you log on, select **Hyperterminal**, **Hyperterm** or **Hyperterm.exe**, whichever is available on your system. With subsequent connections, select the saved icon.

A box will appear titled '**Connection Description**'.

**Enter a name and choose an icon** for the connection:

Country Code: United States of America

Area Code: **304**

Phone Number: **262-2400**

**Connect Using: (default)**

(If you need to modify the phone number, select **File**, then **Properties** to enter defaults for the area code, phone numbers and/or special access codes.)

Click on **Dial**.

A 'Connect' box will appear to show the status.

Once you have connected to the FIRE System, if you do not get a menu within a few seconds, press the **ENTER** key one time.

### **First Time Logon**

When you have connected to the system, enter '**new**' to create your logon name and password.

Complete the registration information and enter '**y**' to create account.

### **Logon Name and Password**

**Logon Name:** Enter a logon name. Most users enter their first and last name as the logon name.

**Password:** Enter a password of your choosing (1-8 alpha/numerics - case sensitive).

After entering the password, you will go to the Main Menu.

### **Transferring Your Electronic File**

Enter '**A**' for Electronic Filing.

After reading Information Notice, press **ENTER**.

Enter '**A**' for Forms 1098, 1099, 5498, W-2G, 1042-S, 8027 and Questionable Forms W-4.

Press the Tab key to advance to TCC box; otherwise, enter '**E**' to exit.

Enter your **TCC**:

Enter your **EIN**:

The system will then display the company name, address, city, state, ZIP code, and phone number. This information will be used for correspondence regarding this transmission. If you need to update, enter '**n**' to change information; otherwise, enter '**y**' to accept.

Select one of the following:

'**A**' for an Original file

'**B**' for a Replacement file

'**C**' for a Correction file

'**D**' for a Test file

### **If you selected '**B**' for a replacement file, select one of the following:**

'**A**' Replacement Files For This System

This option is to replace an original/correction file that was submitted electronically on this system but was bad and requires replacement. Select the file to be replaced.

**or**

'**B**' Magnetic media replacement files

Enter the alpha character from Form 9267, Media Tracking Slip, that was sent with the correspondence requesting a replacement file.

Choose one of the following protocols (Hyperterminal is normally set to Zmodem by default):

**X** - Xmodem

**Y** - Ymodem

**Z** - Zmodem (Zmodem will normally give you the fastest transfer rate.)

At this point, you must start the upload from your PC.

To send a file:

Go to the hyperterminal menu bar.

Click on **Transfer**.

Click on **Send file**.

A box will appear titled 'Send File'.

Enter the drive/path/filename or click on **Browse** to locate your file.

Click on **Send**.

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

Press **ENTER** to continue.

If you have more files to send for the same TCC/EIN, enter 'y'; otherwise, enter 'n'.

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

To check acceptability of a previously submitted file:

At the Main Menu:

Enter '**B**' for file status.

Press the Tab key to advance to TCC box; otherwise, enter '**E**' to exit.

Enter your **TCC**:

Enter your **EIN**:

Choose the appropriate option.

Tab to appropriate file and press **ENTER**.

If 'Results' indicate:

**'File Good'** and you agree with the 'Count of Payees', you are finished with this file. *(If you do not want the file processed, you must contact IRS/MCC within 10 days from the transmission of your file.)*

**'File Bad'** - Correct the errors and resubmit the file as a replacement.

**'Not Yet Processed'** - File has been received, but results are not available. Please recheck in several days.

When you are finished, enter '**E**' from the 'Main Menu' to logoff.

Enter '**2**' to hang-up.

## **Sec. 11. Modem Configuration**

### **.01 Hardware features**

- (a)** Enable hardware flow control
- (b)** Enable modem error control
- (c)** Enable modem compression

## **Sec. 12. Common Problems Associated with Electronic Filing**

**.01** Refer to Part A, Section 19, for common format errors associated with magnetic/electronic files.

**.02** The following are the major non-format errors associated with electronic filing:

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

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

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### **2. Incorrect file is not replaced timely.**

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

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### **3. Transmitter compresses several files into one.**

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

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

Once a file has been transmitted, you cannot send a replacement file unless File Status indicates the file is bad (1-2 business days after file was transmitted). If you do not want us to process the file, you must first contact us at 304-263-8700 to see if this is a possibility. However, this will count as a replacement. (See Part A, Sec. 17, for the definition of replacement.)

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

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

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**6. File is formatted as EBCDIC.**

All files submitted electronically must be in standard ASCII code.

---

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

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

---

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

Call us as soon as possible @ (304) 263-8700, ext. 3. We may be able to stop the file before it has been processed. **Please do not send a replacement for a file that is marked as a good file.**

---

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

---

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

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

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

---

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

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

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

Your browser must be set to receive 'cookies'.

---

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

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

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

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

---

**6. The line is busy when dialed.**

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

---

**7. I am receiving the error message “Remote PPP Peer Not Responding”**

*Disable ‘enable PPP/LCP Extensions’ in Dial-Up Networking*

---

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

---

**1. Transmitter is unable to connect using hyperterminal.**

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

*Make sure you are using analog lines rather than digital.*

---

**2. Transmitter is getting the message ‘annex command line interpreter’.**

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

---

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

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

---

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

*Scroll lock cannot be turned on.*

---

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

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

---

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

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

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## **Part D. Magnetic/Electronic Specifications For Extensions of Time**

### **Sec. 1. General**

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

**.02** Only filers who have been assigned a Transmitter Control Code may request an extension of time magnetically or electronically. If you meet the threshold of more than 50 payers when requesting an extension but are below the 250 documents threshold,

you must still submit a Form 4419, Application for Filing Information Returns Magnetically/Electronically. Requests for extensions of time may be made for Forms 1042-S, 1098, 1099, 5498, W-2G, W-2, and 8027.

**.03** For Tax Year 2001 (returns to be filed in 2002), transmitters requesting an extension of time to file for **more than 50 payers (not payees) are required to file the extension request magnetically or electronically.** Transmitters requesting an extension of time for 10 to 50 payers (not payees) are encouraged to file the request magnetically or electronically. The request may be filed on tape, tape cartridge, 8mm, 4mm, Quarter Inch Cartridges (QIC), 3 1/2-inch diskette, or electronically.

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

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

**.06** To be considered, an extension request must be postmarked or transmitted by the due date of the returns; otherwise, the request will be denied.

**.07** A magnetically filed request for an extension of time should be sent to the following address:

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

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

**.08** Requests for extensions of time to file postmarked by the United States Postal Service on or before the due date of the returns, and delivered by United States mail to the IRS/MCC after the due date, are treated as timely under the "timely mailing as timely filing" rule. A similar rule applies to designated private delivery services (PDSs). See Part A, Sec. 10, for more information on PDSs. For requests delivered by a designated PDS, but through a non-designated service, the actual date of receipt by IRS/MCC will be used as the filing date.

**.09** Transmitters who submit their extension of time requests magnetically or electronically will receive a letter from IRS/MCC with an attached list of the payers, based on information contained in the file, specifying approval and/or denial.

**.10** Do not submit tax year 2001 extensions of time to file requests on magnetic media before *January 1, 2002* or electronically before *January 7, 2002*.

**.11** It will take a minimum of 30 days for IRS/MCC to respond to an extension request. Under certain circumstances a request for an extension of time could be denied, and the transmitter will receive a denial letter. When the denial letter is received, the transmitter has 20 days to provide the additional information and resubmit the extension request to IRS/MCC.

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

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

**.13** A request for an extension of time to file is not automatically granted. Approval or denial is dependent on information provided on the Form 8809. If the Form 8809 is not completed properly, processing may be delayed or the request may be denied.

**.14** If the first request for an extension of time to file was submitted magnetically or electronically, additional extension requests should be submitted in the same manner.

**.15** If an additional extension of time is needed, a second Form 8809 and file may be submitted before the end of the initial extension period with a postmark reflecting the date mailed. Line 7 on the form should be checked to indicate that the original extension has been received and the additional extension is being requested.

**.16** See Part A, Sec. 11, for complete information on requesting an extension of time to file information returns. If there are additional questions or concerns, contact IRS/MCC.

## **Sec. 2. Magnetic Tape, Tape Cartridge, 8mm, 4mm and QIC (Quarter-Inch Cartridge), 3 1/2-inch Diskette and Electronic Specifications**

**Note: Beginning in calendar year 2003 for Tax Year 2002, 9 track magnetic tape will no longer be an acceptable method for submitting Information Returns to IRS/MCC.**

**.01** Tape specifications are as follows:

- (a) 9 track.
- (b) EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) recording mode.
- (c) 1600 or 6250 BPI.
- (d) A block must not exceed 32,600 tape positions and must be a multiple of 200.
- (e) Record length of 200 bytes.
- (f) Labeled or unlabeled tapes may be submitted.

**.02** Tape cartridge specifications are as follows:

- (a) Must be IBM 3480, 3490, 3590, 3590E or AS400 compatible.
- (b) Must meet American National Standard Institute (ANSI) standards and have the following characteristics:
  - (1) Tape cartridges will be 1/2-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.
  - (2) Magnetic tape will be chromium dioxide particle based 1/2-inch tape.
  - (3) Cartridges will be 18-track, 36-track, 128-track or 256-track parallel. Indicate on the external media label if the tape cartridge is 18- or 36- track.
  - (4) Mode will be full function.
  - (5) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
  - (6) Either EBCDIC or ASCII.
- (c) A block must not exceed 32,600 tape positions and must be a multiple of 200.
- (d) Record length of 200 bytes.
- (e) Labeled or unlabeled tape cartridges may be submitted.

**.03** 8mm, 4mm, and Quarter Inch Cartridge Specifications

- (a) In most instances, IRS/MCC can process 8mm tape cartridges that meet the following specifications:
  - (1) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
    - (a) Created from an AS400 operating system **only**.
    - (b) 8mm (.315-inch) tape cartridges will be 2 1/2-inch by 3 3/4-inch.
    - (c) The 8mm tape cartridges must meet the following specifications:

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

- (d) Mode will be full function.
- (e) **Compressed data is not acceptable.**
- (f) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used. However, IRS/MCC encourages the use of EBCDIC. This information must appear on the external media label affixed to the cartridge.
- (g) A file may consist of more than one cartridge; however, no more than 250,000 documents may be transmitted per file or per cartridge. The filename, for example; IRSEOT, will contain a three digit extension. The extension will indicate the sequence of the cartridge within the file, 1 of 3, 2 of 3, or 3 of 3, and will appear in the header label IRSEOT.001, IRSEOT.002, and IRSEOT.003 on each cartridge of the file.
- (2) The 8mm (.315-inch) tape cartridge records defined in this Revenue Procedure must be blocked subject to the following:
  - (a) A block must not exceed 32,600 tape positions.
  - (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9's; however, the last block of the file may be filled with 9's or truncated. Do not pad a block with blanks.
  - (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within a block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 200.
  - (d) Various SAVE commands have been successful, however, the **SAVE OBJECT COMMAND is not acceptable.**
  - (e) Records may not span blocks.

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

- (3) For faster processing, IRS/MCC encourages transmitters to use header labeled cartridges. IRSEOT may be used as a suggested filename.
- (4) For the purposes of this Revenue Procedure, the following must be used:  
Tape Mark:
  - (a) Signifies the physical end of the recording on tape.
  - (b) For even parity, use BCD configuration 001111 (8421).

- (c) May follow the header label and precede and/or follow the trailer label.
- (5) IRS/MCC can only read one data file on a tape. A data file is a group of records which may or may not begin with a tape-mark, but must end with a trailer label. Any data beyond the trailer label cannot be read by IRS programs.
- (b) 4mm (.157-inch) cassettes are now acceptable with the following specifications:
  - (1) 4mm cassettes will be 2 1/2-inch by 3-inch.
  - (2) The tracks are 1 (one).
  - (3) The density is 19 (61000 BPI).
  - (4) The typical capacity is DDS (DAT data storage) at 1.3 Gb or 2 Gb, or DDS-2 at 4 Gb.
  - (5) The general specifications for 8mm cartridges will also apply to the 4mm cassettes.

☛ **Note: 4mm cassettes with a capacity of DDS-3 (125 meter) are not acceptable.**

- (c) Various Quarter-Inch Cartridges (QIC) (1/4-inch) are also acceptable.
  - (1) QIC cartridges will be 4" by 6".
  - (2) QIC cartridges must meet the following specification:

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

(3) The general specifications that apply to 8mm cartridges will also apply to QIC cartridges.

**.04** Diskette specifications are as follows:

- (a) 3 1/2-inches in diameter.
- (b) ASCII recording mode **only**. Additional specifications may be found in Part B, Sec. 5, of this Revenue Procedure.
- (c) Record length of 200 bytes.
- (d) Diskettes must be created using the MS-DOS operating system.
- (e) Filename of IRSEOT must be used. No other filenames are acceptable. If a file will consist of more than one diskette, the filename IRSEOT will contain a three-digit extension. This extension will indicate the sequence of the diskettes within the file. For example, the first diskette will be named IRSEOT.001, the second diskette will be named IRSEOT.002, etc.
- (f) Delimiter character commas (,) or quotes (") must not be used.
- (g) Positions 199 and 200 of each record have been reserved for use as carriage return/line feed (cr/lf) characters, if applicable.

**.05** Electronic Filing specifications (See Note.)

- (a) A transmitter must have a Transmitter Control Code (TCC).
- (b) Filers can determine the acceptability of files submitted by checking the file status area of the system. These reports will be available on the electronic system within 5 business days if the Form 8809 is received timely by IRS/MCC.

☛ **Note: See Part C, Electronic Filing Specifications, for detailed information on filing with IRS/MCC electronically.**

### Sec. 3. Record Layout – Extension of Time

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

#### Record Layout for Extension of Time

Field Position	Field Title	Length	Description and Remarks
1-5	Transmitter Control Code	5	<b>Required.</b> Enter the five digit Transmitter Control Code (TCC) issued by IRS. <b>Only one TCC per file is acceptable.</b>
6-14	Payer TIN	9	<b>Required.</b> Must be the valid nine-digit EIN/SSN assigned to the payer. <b>Do not enter blanks, hyphens or alpha characters.</b> All zeros, ones, twos, etc., will have the effect of an incorrect TIN. For foreign entities that are not required to have a TIN, this field may be blank; however, the Foreign Entity Indicator, position 187, <b>must</b> be set to "X."

**Record Layout for Extension of Time**

Field Position	Field Title	Length	Description and Remarks
15-54	Payer Name	40	<b>Required.</b> Enter the name of the payer whose TIN appears in positions 6-14. Left-justify information and fill unused positions with blanks.
55-94	Second Payer Name	40	If additional space is needed, this field may be used to continue name line information (e.g., c/o First National Bank); otherwise, enter blanks.
95-134	Payer Address	40	<b>Required.</b> Enter the payer's address. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to a street address).
135-174	Payer City	40	<b>Required.</b> Enter payer city, town, or post office.
175-176	Payer State	2	<b>Required.</b> Enter the payer valid U.S. Postal Service state abbreviation. (Refer to Part A, Sec. 18.)
177-185	Payer ZIP Code	9	<b>Required.</b> Enter payer ZIP Code. If using a five-digit ZIP Code, left justify information and fill unused positions with blanks.
186	Document Indicator (See <b>Note.</b> )	1	<b>Required.</b> Enter the appropriate code of the document for which you are requesting an extension of time.

Code	Document
1	W-2
2	1098, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-DIV, 1099-G, 1099-INT, 1099-LTC, 1099-MISC, 1099-MSA, 1099-OID, 1099-PATR, 1099-R, 1099-S, or W-2G
3	5498
4	1042-S
5	REMIC Documents (1099-INT or 1099-OID)
6	5498- MSA

⚡ **Note:** Do not enter any other values in this field. Submit a separate record for each document. For example, if you are requesting an extension for Form 1099-INT and Form 5498 for the same payer, submit one record with “2” coded in this field and another record with “3” coded in this field. If you are requesting an extension for Form 1099-DIV and Form 1099-MISC for the same payer, submit one record with “2” coded in this field.

187	Foreign Entity Indicator	1	Enter character “X” if the payer is a foreign entity.
188-198	Blank	11	Enter blanks.
199-200	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

### Extension of Time Record Layout

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

  

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

## Part E. Miscellaneous Information

### Sec. 1. Addresses for Martinsburg Computing Center

Send applications to file, correspondence, and magnetic media files, to the following:

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

Send all extension requests and waiver requests, to the following address:

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

### Sec. 2. Telephone Numbers for Contacting IRS/MCC

**Between 8:30 a.m. and 4:30 p.m. Eastern Time  
Monday through Friday**

**Information Reporting Program Call Site: 304-263-8700**



**Or email the Call Site at [mccirp@irs.gov](mailto:mccirp@irs.gov)**

**Telecommunication Device for the Deaf (TDD): 304-267-3367**



**HOURS OF OPERATION – FIRE SYSTEM & FAX  
24 HOURS A DAY  
7 DAYS A WEEK**

**Electronic Filing via FIRE: 304-262-2400**

**Information Returns FAX Machine: 304-264-5602**

**This is the end of Publication 1220 for Tax Year 2001.**

# Part IV. Items of General Interest

## New Revision of Publication 538, Accounting Periods and Methods

### Announcement 2001-54

Publication 538, revised April 2001, will be available soon from the Internal Revenue Service. It replaces the April 1999 revision.

This publication provides information on how to determine the appropriate accounting year and accounting method for your business.

You can get a copy of this publication by calling 1-800-TAX-FORM (1-800-829-3676). You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address. The publication is also available on the IRS Internet web site at [www.irs.gov](http://www.irs.gov).

## Revisions to Regulations Relating to Withholding of Tax on Certain U.S. Source Income Paid to Foreign Persons and Revisions of Information Reporting Regulations; Correction

### Announcement 2001-55

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final regulations.

SUMMARY: This document contains corrections to final regulations (T.D. 8881, 2000-23 I.R.B. 1158) which were published in the **Federal Register** on Monday, May 22, 2000 (65 FR 32152). The final regulations relate to withholding of tax on certain U.S. source income paid to foreign persons and related requirements governing the collection, deposit, refunds, and credits of withheld amounts under sections 1461 through 1463.

DATES: This correction is effective January 1, 2001.

FOR FURTHER INFORMATION CONTACT: Carl Cooper, Laurie Hatten-Boyd, or Kate Hwa (202) 622-3840 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

## Background

The final regulations that are subject to these corrections are under section 1441 of the Internal Revenue Code.

## Need for Correction

As published, final regulations (T.D. 8881) contain errors that may prove to be misleading and are in need of clarification.

## Correction of Publication

Accordingly, the publication of final regulations (T.D. 8881), which were the subject of FR Doc. 00-11937, is corrected as follows:

### §1.1441-1 [Corrected]

1. On page 32174, columns 1 and 2, §1.1441(b)(3)(ii)(C) is corrected to read as follows:

*§1.1441-1 Requirement for the deduction and withholding of tax on payments to foreign persons.*

\* \* \* \* \*

(b) \* \* \*

(3) \* \* \*

(ii) \* \* \*

(C) *Documentary evidence furnished for offshore account.* If the withholding agent receives valid documentary evidence, as described in §1.6049-5(c)(1) or (4), with respect to an offshore account from an entity but the documentary evidence does not establish the entity's classification as a corporation, trust, estate, or partnership, the withholding agent may presume (in the absence of actual knowledge otherwise) that the entity is the type of person enumerated under §1.6049-4(c)(1)(ii)(B) through (Q) if it can be so treated under any one of those paragraphs without the need to furnish documentation. If the withholding agent cannot treat a payee as a person described in §1.6049-4(c)(1)(ii)(B) through (Q), then the payee shall be presumed to be a corporation unless the withholding agent knows, or has reason to know, that the entity is not classified as a corporation for U.S. tax purposes. If a payee is, or is presumed to be, a corporation under this paragraph (b)(3)(ii)(C) and a foreign per-

son under paragraph (b)(3)(iii) of this section, a withholding agent shall not treat the payee as the beneficial owner of income if the withholding agent knows, or has reason to know, that the payee is not the beneficial owner of the income. For this purpose, a withholding agent shall have reason to know that the payee is not a beneficial owner if the documentary evidence indicates that the payee is a bank, broker, intermediary, custodian, or other agent, or is treated under §1.6049-4(c)(1)(ii)(B) through (Q) as such a person. A withholding agent may, however, treat such a person as a beneficial owner if the foreign person provides a statement, in writing and signed by a person with authority to sign the statement, that is attached to the documentary evidence stating it is the beneficial owner of the income.

\* \* \* \* \*

2. On page 32175, column 2, §1.1441-1(b)(3)(vi), line 5, the language "this section that has not agreed to be" is corrected to read "this section that has provided a withholding certificate as described in paragraph (e)(3)(v) of this section on which it has not agreed to be".

3. On page 32175, column 2, §1.1441-1(b)(3)(vii)(B), line 9, the language "defined in §1.6059-5(e) to an offshore" is corrected to read "defined in §1.6049-5(e) to an offshore".

4. On page 32176, column 3, §1.1441-1(c)(14), line 3, the language "intermediary that is not a qualified" is corrected to read "intermediary that is not a U.S. person and not a qualified".

5. On page 32179, column 1, §1.1441-1(e)(3)(iii)(D), line 7, the language "(e)(3)(iii) or paragraph (e)(3)(iv) of this" is corrected to read "(e)(3)(iii) or paragraph (e)(5)(iv) of this".

6. On page 32180, column 1, §1.1441-1(e)(3)(iv)(C)(I), line 8, the language "intermediary to the withholding agent" is corrected to read "intermediary and provided to the withholding agent".

7. On page 32180, column 2, §1.1441-1(e)(3)(iv)(C)(2), line 5 from the top of the column, the language "person), the withholding certificate" is corrected to read "person), the withholding statement".

8. On page 32180, column 3, §1.1441-1(e)(3)(iv)(D)(2), line 3, the lan-

guage “(e)(3)(iv)(B)(2) of this section allocating” is corrected to read “(e)(3)(iv)(C)(2) of this section allocating”.

9. On page 32180, column 3, §1.1441-1(e)(3)(iv)(D)(2), line 11, the language “(e)(3)(iv)(B) of this section. Further, each” is corrected to read “(e)(3)(iv)(C) of this section. Further, each”.

10. On page 32180, column 3, §1.1441-1(e)(3)(iv)(D)(2), line 25, the language “(e)(3)(iv)(B) of this section (other than” is corrected to read “(e)(3)(iv)(C) of this section (other than”.

11. On page 32181, column 1, §1.1441-1(e)(3)(iv)(D)(3), line 6, the language “payee (including U.S. non-exempt” is corrected to read “payee (including U.S. exempt”.

12. On page 32186, columns 1 and 2, §1.1441-1(e)(5)(v)(C)(2), is corrected to read as follows:

*§1.1441-1 Requirement for the deduction and withholding of tax on payments to foreign persons.*

- \* \* \* \* \*
- (e) \* \* \*
- (5) \* \* \*
- (v) \* \* \*
- (C) \* \* \*

(2) *Alternative procedure for U.S. non-exempt recipients.* If permitted under its agreement with the IRS, a qualified intermediary may, by mutual agreement with a withholding agent, establish a single zero withholding rate pool that includes U.S. non-exempt recipient account holders for whom the qualified intermediary has provided Forms W-9 prior to the withholding agent paying any reportable payments, as defined in the qualified intermediary agreement, and a separate withholding rate pool (subject to 31-percent withholding) that includes only U.S. non-exempt recipient account holders for whom a qualified intermediary has not provided Forms W-9 prior to the withholding agent paying any reportable payments. If a qualified intermediary chooses the alternative procedure of this paragraph (e)(5)(v)(C)(2), the qualified intermediary must provide the information required by its qualified intermediary agreement to the withholding agent no later than January 15 of the year following the year in which the payments are paid. Failure to

provide such information will result in the application of penalties to the qualified intermediary under sections 6721 and 6722, as well as any other applicable penalties, and may result in the termination of the qualified intermediary’s withholding agreement with the IRS. A withholding agent shall not be liable for tax, interest, or penalties for failure to backup withhold or report information under chapter 61 of the Internal Revenue Code due solely to the errors or omissions of the qualified intermediary. If a qualified intermediary fails to provide the allocation information required by this paragraph (e)(5)(v)(C)(2), with respect to U.S. non-exempt recipients, the withholding agent shall report the unallocated amount paid from the withholding rate pool to an unknown recipient, or otherwise in accordance with the appropriate Form 1099 and the instructions accompanying the form.

\* \* \* \* \*

**§1.1441-5 [Corrected]**

12a. On page 32193, column 2, §1.1441-5(e)(5), paragraph (e)(5)(ii) is correctly designated paragraph (e)(5)(ii).

13. On page 32193, column 3, §1.1441-5(e)(5)(ii), the last 2 lines of the paragraph, the language “having to identify any partner’s distributive share of the payment.” is corrected to read “having to identify any beneficiary’s or grantor’s distributive share of the payment.”.

**§1.1441-7 [Corrected]**

14. On page 32198, columns 1 and 2, §1.1441-7(b)(4)(i) is corrected to read as follows:

*§1.1441-7 General provisions relating to withholding agents.*

\* \* \* \* \*

(b) \* \* \*

(4) \* \* \* (i) *In general.* A withholding agent has reason to know that a beneficial owner withholding certificate provided by a direct account holder in connection with a payment of an amount described in §1.1441-6(c)(2) is unreliable or incorrect if the withholding certificate is incomplete with respect to any item on the certificate that is relevant to the claims made by the direct account holder, the withholding certificate contains any information that is inconsistent with the direct

account holder’s claim, the withholding agent has other account information that is inconsistent with the direct account holder’s claim, or the withholding certificate lacks information necessary to establish entitlement to a reduced rate of withholding. For purposes of establishing a direct account holder’s status as a foreign person or resident of a treaty country, a withholding certificate shall be considered unreliable or inconsistent with an account holder’s claims only if it is not reliable under the rules of paragraphs (b)(5) and (6) of this section. A withholding agent that relies on an agent to review and maintain a withholding certificate is considered to know or have reason to know the facts within the knowledge of the agent.

\* \* \* \* \*

15. On page 32198, column 3, §1.1441-7(b)(5)(i)(A)(I), lines 4 and 5, the language “address) that is no more than three years old, the documentary evidence supports” is corrected to read “address) that has been provided within the past three years, was valid at the time it was provided, the documentary evidence supports”.

16. On page 32201, column 1, §1.1441-7(b)(10)(ii), line 21, the language “withholding certificate relates. A” is corrected to read “withholding certificate. A”.

**§1.1461-1 [Corrected]**

17. On page 32201, column 3, §1.1461-1, in the section heading “Payment and returns of tax withhold.” is corrected to read “Payment and returns of tax withheld.”.

18. On page 32202, column 1, §1.1461-1(c)(1)(ii)(A)(I), line 2, the language “paragraph (c)(6) of this section,” is corrected to read “§1.1441-1(c)(6).”.

19. On page 32202, column 3, §1.1461-1(c)(2)(i) is corrected by adding the language “and” at the end of the last line of paragraph (c)(2)(i)(L), removing paragraph (2)(i)(M), and correctly designating paragraph (c)(2)(i)(N) as paragraph (c)(2)(i)(M).

20. On page 32203, column 1, §1.1461-1(c)(2)(ii)(H) is corrected to read as follows:

*§1.1461-1 Payment and returns of tax withheld.*

\* \* \* \* \*

(c) \* \* \*

(2) \* \* \*

(ii) \* \* \*

(H) Interest (including original issue discount) paid with respect to foreign-targeted registered obligations described in §1.871-14(e)(2) to the extent the documentation requirements described in §1.871-14(e)(3) and (4) are required to be satisfied (taking into account the provisions of §1.871-14(e)(4)(ii), if applicable; \* \* \* \* \*

**§1.6045-1 [Corrected]**

21. On page 32206, column 2, §1.6045-1(g)(3)(iv), lines 6 and 7, the language “broker has actual knowledge or reason to know (within the meaning of” is corrected to read “broker has actual knowledge (within the meaning of”.

**§1.6049-5 [Corrected]**

22. On page 32207, column 3, §1.6049-5(c)(4) introductory text, lines 2 and 3, the language “modifies the provisions of this paragraph (c) for payments to offshore” is corrected to read “modifies the provisions of paragraph (c)(1) of this section for payments to offshore”.

23. On page 32208, columns 2 and 3, §1.6049-5(d)(2)(i), is corrected to read as follows:

*§1.6049-5 Interest and original issue discount subject to reporting after December 31, 1982.*

\* \* \* \* \*

(d) \* \* \*

(2) \* \* \* (i) *In general.* Except as otherwise provided in this paragraph (d)(2)(i), for purposes of this section (and other sections of regulations under this chapter to which this paragraph (d)(2) applies), the provisions of §1.1441-1(b)(3)(i) through (ix) and §1.1441-5(d) and (e)(6) shall apply (by applying the term *payor* instead of the term *withholding agent*) to determine the classification (e.g., individual, corporation, partnership, trust), status (i.e., a U.S. or a foreign person), and other relevant characteristics (e.g., beneficial owner or intermediary) of a payee if a payment cannot be reliably associated with valid documentation under §1.1441-1(b)(2)(vii) irrespective of whether the payments are subject to withholding under chapter 3 of the Internal Revenue Code. The provisions of §1.1441-1(b)(3)(iii)(D) and (vii)(B) shall not apply, however, to payments to amounts that are not subject to withholding. The rules of §1.1441-1(b)(2)(vii) shall apply for purposes of determining when a payment can reliably be associated with documentation, by applying the term *payor* instead of the term *withholding agent*. For this purpose, the documentary evidence or statement described in paragraph (c)(4) of this section can be treated as documentation with which a payment can be associated.

\* \* \* \* \*

24. On page 32208, column 3, §1.6049-5(d)(2)(ii), line 11, the language “described in §1.1441-6(c)(2) that are” is corrected to read “described in §1.1441-6(c)(2) (or credits an account with broker proceeds from securities described in §1.1441-6(c)(2)), that are”.

25. On page 32209, column 2, §1.6049-5(d)(3)(i), line 11 from the top of the column, the language “determine the payees status for” is corrected to read “determine the payee’s status for”.

26. On page 32209, column 2, §1.6049-5(d)(3)(ii), the last line in the paragraph, the language “an exempt recipient.” is corrected to read “an exempt recipient and has actual knowledge of the amount allocable to such a person.”.

27. On page 32209, column 2, §1.6049-5(d)(3)(iii)(A), line 13, the language “§1.1441-1(b)(3)(ii)(C) or (v)(A) shall be” is corrected to read “§1.1441-1(b)(3)(ii)(C), (v)(A), §1.1441-5(d) or (e), shall be”.

28. On page 32209, column 3, §1.6049-5(d)(3)(iii)(B), line 4 from the top of the column, the language “under §1.1441-3(b)(ii)(C) or (v)(A) for” is corrected to read “as an intermediary for”.

**PART 1 – [Corrected]**

29. On page 32212, the table in amendatory instruction Par. 18. is corrected by adding two entries in numerical order to read as follows:

Section	Remove	Add
* * * * * 1.6045-1(g)(1)(i), first sentence . . . . .	or presumed to be made to a foreign payee under §1.6049-5(d)(2), (3), (4), or (5) . . . . .	or presumed to be made to a foreign payee under §1.6049-5(d)(2) or (3) . . . . .
* * * * * 1.6049-5(b)(12), first sentence . . . . .	or presumed to be made to a foreign payee under paragraph (d)(2), (3), (4), or (5) of this section . . . . .	or presumed to be made to a foreign payee under paragraph (d)(2) or (3) of this section . . . . .
* * * * *		

Cynthia E. Grigsby,  
Chief, Regulations Unit,  
Office of Special Counsel  
(Modernization & Strategic Planning).

**Accounting for Long-Term Contracts; Correction Announcement 2001-56**

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final regulations.

SUMMARY: This document contains corrections to final regulations (T.D. 8929, 2001-10 I.R.B. 756) which were published in the **Federal Register** on Thursday, January 11, 2001 (66 FR 2219). The final regulations provide guidance on methods of accounting for long-term contracts.

DATES: This correction is effective January 11, 2001.

FOR FURTHER INFORMATION CONTACT: Leo F. Nolan II (202) 622-4960 (not a toll-free number).

#### SUPPLEMENTARY INFORMATION:

##### Background

The final regulations that are subject to these corrections are under section 460 of the Internal Revenue Code.

##### Need for Correction

As published, final regulations (T.D. 8929) contain errors that may prove to be misleading and are in need of clarification.

##### Correction of Publication

Accordingly, the publication of final regulations (T.D. 8929), which were the subject of FR Doc. 01-6, is corrected as follows:

1. On page 2222, column 1, in the preamble under the paragraph heading “*Unique Items*”, first paragraph, last 3 lines of the paragraph, the language “taxpayer must allocate all customization costs to the first unit manufactured under the contract.” is corrected to read “taxpayer must allocate all customization costs necessary to manufacture the first unit manufactured under the contract to that first unit.”.

##### §1.460-2 [Corrected]

2. On page 2230, column 2, §1.460-2(b)(2)(ii), second line from the bottom of the paragraph, the language “the item must be allocated to the first” is corrected to read “the first unit of the item must be allocated to that first”.

3. On page 2230, column 2, §1.460-2(c)(1), fourth line from the bottom of the column, the language “time required to design and” is corrected to read “time normally required to design and”.

##### §1.460-4 [Corrected]

4. On page 2232, column 2, §1.460-4(b)(3), line 9, the language “the treatment of post-completion costs,” is corrected to read “the treatment of post-completion-year costs,”.

5. On page 2235, column 2, §1.460-4(g), lines 2 through 5, the language “that uses the PCM, EPCM, CCM, PCCM, or elects the 10-percent method or special AMTI method (or changes to another method of accounting with the Commissioner’s consent) must apply the” is corrected to read “that uses the PCM, EPCM, CCM, or PCCM, or elects the 10-percent method or special AMTI method (or changes to another method of accounting with the Commissioner’s consent) must apply the”.

Cynthia E. Grigsby,  
*Chief, Regulations Unit,*  
*Office of Special Counsel*  
*(Modernization & Strategic Planning).*

(Filed by the Office of the Federal Register on April 5, 2001, 8:45 a.m., and published in the issue of the Federal Register for April 6, 2001, 66 F.R. 18190)

## Foundations Status of Certain Organizations

### Announcement 2001-60

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

*Former Public Charities.* The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

Advisory Board for BHM Health Associates, Inc., Merrillville, IN  
AFC Community Development Corporation, Chicago, IL  
African Institute for Education and Development, Chicago, IL  
Agenda for Black Quad Citizens, Rock Island, IL  
Airport Development Zone Commission, Inc., Gary, IN  
All My Children Daycare Center, Chicago, IL

Alternative Hope for Youth, Inc., Chicago, IL  
Alternative Sentencing Approach Program, Chicago, IL  
Amer Friends of Tiferes Yehoshua Inc., Chicago, IL  
American Academy for Cerebral Palsy & Developmental Medicine, Rosemont, IL  
American Organization to Help Needy Seniors, Chicago, IL  
Andre Hunter & Health Associates, Lincolnwood, IL  
Artensa Randolph Biographical Foundation, Chicago, IL  
Austintown Junior Womens League, Youngstown, OH  
Australian Shepherd Rescue of Indiana, Inc., Greenfield, IN  
Ballet Theatre of Chicago, Chicago, IL  
Beacon Light Center, Hazel Crest, IL  
Bellevue Recreation Youth Track Club, Omaha, NE  
Black Line Productions Inc., Center, E. St. Louis, IL  
Black Metropolis Convention and Tourism Council, Chicago, IL  
Broken Wagon Ranch Incorporated, Indianapolis, IN  
Brownhelm Historical Association, Vermilion, OH  
Care for Children, Oak Lawn, IL  
Care & Share of Grant County, Inc., Marion, IN  
Carver Institute, Tinley Park, IL  
Catlin Recreation Complex, Inc., Catlin, IL  
Center for Equal Justice, Chicago, IL  
Center for Hospice Care, Inc., Lafayette, IN  
Challenged Hearts, Chicago, IL  
Charotar Patidar Samaj Midwest, Hoffman Est, IL  
Chicago Land Arts and Sciences Energy Consortium, Inc., Chicago, IL  
Children of Prisoners Enhancement Services, Chesterton, IN  
Children-Parent Center, Inc., Burns Harbor, IN  
Childrens Learning Center II, Bellwood, IL  
CHOICE Learning Center, Inc., Indianapolis, IN  
Christian Law Enforcement Association of Nebraska, Dannebrog, NE  
Churchhill Fund, Chicago, IL  
Citizens Certificate Awards, Gary, IN  
Codi Vespa Foundation for Pediatric Aids, Davis, IL

Community Arts Council,  
Sugar creek, OH

Community Home Development, Inc.,  
Park Forest, IL

Complementary Health Project, Inc.,  
Indianapolis, IN

Comprehensive Community Services,  
Inc., Calumet Park, IL

Deby Focus, Chicago, IL

Diamonds Fast Pitch Softball Teams,  
Markleville, IN

Die Hanswurst, Chicago, IL

Divine Hope, Chicago, IL

Dubois County Homeless Fund, Inc.,  
Jasper, IN

Dunamis Ministries, Chicago, IL

Duneland Friends of the Playground,  
Inc., Chesterton, IN

English Learning & Counseling Center,  
Inc., Chicago, IL

ESPA, Warrensville Heights, OH

Evansville Welcome Wagon Charities  
Corporation, Evansville, IN

Excel Rewards, Inc., Solon, OH

Exchange Foundation, Inc.,  
Willoughby, OH

Falls Cities Community Network, Inc.,  
Sellersburg, IN

Fayette Township Fire Protection  
Association, Inc., W. Terre Haute, IN

Fellowship of Christian Modelers,  
Galena, IL

Financial Services Assistance Housing  
Exchange, Inc., Chicago, IL

Finnegans Wake Foundation,  
Forest Park, IL

Fishers Arts Council, Inc., Fishers, IN

Fondo Franciscano, Ltd., Chicago, IL

Foster Foundation, Inc., Nineveh, IN

Foundation E.A.R.T.H., St. Louis, MO

Foundation for Orthodox Tradition,  
Chicago, IL

Foundation for the Evanston Public  
Library, Evanston, IL

Founders Resource Artist Fund, Inc.,  
Alexandria, IN

Friends of Maayanot Yerushalayim for  
Girls, Inc., Chicago, IL

Friends of the Arts of Grant County, Inc.,  
Marion, IN

Friends of the Elkhart County Parks, Inc.,  
Goshen, IN

Friends of Wesley International  
Theological Seminary, Inc.,  
Greenwood, IN

Full Gospel Day Care Ministry,  
South Bend, IN

Gang Outreach, Lake Zurich, IL

Gary Alumni Chapter Kappa Alpha Psi  
Community Foundation, Inc., Gary, IN

Global Christian Ministries, Inc.,  
Manilla, IN

God Loves Little Children, Hillside, IL

Gonstead Methodology Institute, Inc.,  
Rock Island, IL

Gotta Dance Parents Association, Inc.,  
Speedway, IN

Great Lakes Youth Academy,  
Park Forest, IL

Great Us - Owerri Foundation, Inc.,  
Calumet City, IL

Greater Kishwaukee Men of Promise,  
Dekalb, IL

Gus Johnson Community Center, Inc.,  
Akron, OH

Guttr, Inc., Indianapolis, IN

Hammond Hispanic Community  
Committee, Inc., Hammond, IN

Harvard Outreach Program for  
Emergencies, Harvard, IL

Have A Heart Save A Heart,  
Shaker Heights, OH

Helen Surovek Foundation, Ltd.,  
Hammond, IN

Helena Parents Commission,  
Helena, MT

Helpful Christian Ministries, Inc.,  
Canton, OH

Henry River Front Development Council,  
Henry, IL

Highland Rotary Club Scholarship Fund  
Tr, Highland, IL

Housing Opportunities Mean  
Empowerment, Chicago, IL

Ican Day Camp & Care, Inc., Elkhart, IN

Indiana Association of Nonprofit  
Organizations, Inc., Indianapolis, IN

Indiana Sanitary Commission, Inc.,  
Unionville, IN

Indiana School of Champions, Inc.,  
Indianapolis, IN

Indianapolis Mayors Commission on  
Family Violence, Inc., Indianapolis, IN

Indianapolis Minyo Dancers,  
Incorporated, Greenwood, IN

Institute of Intra-American Studies,  
Dixon, MT

James Ford Bell Natural History Tr,  
St. Louis Park, MN

Jefferson County Child Abuse Prevention  
Council, Madison, IN

Jesse the Law Torres Boxing Club and  
Drop in Youth Center, Naperville, IL

Jewel Tea Historical Foundation,  
Barrington, IL

JNCL Researach Fund, Mundelein, IL

JRB Cystic Fibrosis Hope Foundation,  
Oak Park, IL

Kankakee Area Transit System,  
Bourbonnais, IL

Kelly Park Advisory Council,  
Chicago, IL

Kentuckiana Prison Ministries,  
Incorporated, Jeffersonville, IN

Kiddie Kottage Day Care Center,  
Chicago, IL

Kolbe Fund, Inc., Willoughby, OH

Law School Fund for the Future,  
Chicago, IL

Life After Racing-Greyhound Adoption,  
Inc., Whitestown, IN

Lift Corporation, Indianapolis, IN

Lift Ministries, Chicago, IL

Lighthouse Academy and Residential  
Center, Joliet, IL

Lineage Gallery Project, Inc.,  
Chicago, IL

Look at Me Now, Chicago, IL

L.O.S.T. Lifeline Organized Search  
Teams, Clyde, OH

L.Z. Incorporated, Fort Wayne, IN

Machine Trades Advisory Council, Inc.,  
Chicago, IL

Mack-Swains Share and Care, Inc.,  
Chicago, IL

Madison County Child Abuse Prevention  
Council, Inc., Anderson, IN

Marcinkowski Amyloidosis Foundation,  
Inc., Barrington, IL

Maria Mater Ecclesiae, Gary, IN

Marshall County Christmas in April, Inc.,  
Plymouth, IN

Mentoring Foundation, Chicago, IL

Mentors Action Network, Chicago, IL

Mexican American Family Association,  
Chicago, IL

MGT Council of Elders, Chicago, IL

Miami-Class County Freedom Bound  
Wildlife Rehabilitation Center, Inc.,  
Peru, IN

Michiana Academy for Visual &  
Performing Arts, South Bend, IN

Midwest Community Development  
Corporation, Broadview, IL

Mid-West Symphony Orchestra,  
Chicago, IL

Mission Media Production, Inc.,  
Scipio, IN

Morse Lake Safety Committee, Inc.,  
Noblesville, IN

Multicultural Network, Incorporated,  
Indianapolis, IN

Museums of Prophetstown, Inc.,  
Battle Ground, IN

National Archery Museum, Inc.,  
Fort Wayne, IN

National Coalition of 100 Black Women-  
Indianapolis Chapter, Inc.,  
Indianapolis, IN

National Raynauds Network, Inc.,  
Chicago, IL

New Century Brass and New Century  
Concerts, Inc., Lakewood, OH

New Land Castle Foundation, Inc.,  
Matteson, IL

New Life Mission, Northbrook, IL

New Music Guild, Inc., Liberty, OH

New Roots, Incorporated, Gary, IN

Nicholas Foundation, Hazelcrest, IL

Northside Youth Center, Inc.,  
Indianapolis, IN

NU Alpha, Chicago, IL

Nurses for Better Babies, Inc.,  
Ft. Wayne, IN

Oasis of Joy, Vincennes, IN

Old St. Pauls Warming Center,  
Chicago, IL

Operation Change, Olympia Fields, IL

Operation Fellowship,  
Michigan City, IN

Options Institute, Inc., S. Bend, IN

Orange Township Youth Athletic  
Association, Inc., Rome City, IN

Ottawa Area Economic Development  
Foundation, Inc., Ottawa, IL

Otter Limits Association, Waterford, CT

Our Blessed Hope Evangelistic Assn.,  
Inc., Frankfort, IN

Overflow Ministries, Chicago, IL

Pan-Arts Theatre, Incorporated,  
Indianapolis, IN

Perspectives International Educational  
Films, Wilmette, IL

Polycystic Kidney Disease Foundation of  
Illinois, Inc., Chicago, IL

Porter Memorial Hospital Foundation,  
Inc., Valpariso, IN

Potters Will, Inc., River Forest, IL

Prairie Arts Council, Princeton, IL

Prairie Haven Homes, Ltd., Chicago, IL

Preservation Association of Clay Co,  
Inc., Brazil, IN

Primal Connection, Chicago, IL

Production Unlimited Multi-Cultural  
Organization, Waukegan, IL

Property Remediation and  
Redevelopment Foundation,  
Chicago, IL

Proviso Infant Academy, Chicago, IL

Runamuck, Chicago, IL

Quad Town Safety Village, Inc.,  
Highland, IN

Quilt Literacy to Facilitate Job  
Education, Chicago, IL

Raven Brook Corporation,  
Indianapolis, IN

Redes, Chicago, IL

Revere Antiques Guild, Bath, OH

Richard Wagner Association of Chicago,  
Western Springs, IL

Rock-River-CRI Wildlife Refuge, Ltd.,  
E. Moline, IL

Rowe & Gayle Giesen Trust,  
Pasadena, CA

RTAA, Matteson, IL

Scholarships for Aggrieved Victims  
Education, Inc., Chicago, IL

Seniors Unlimited Adult Day Care, Inc.,  
Harvey, IL

Shannon Lutz Foundation, Inc.,  
Fort Wayne, IN

Sharona, Inc., Wheaton, IL

Shekinah Global Outreach International,  
Inc., South Bend, IN

Showcase Productions, Inc., Skokie, IL

Sioux River Rodeo Club, Flandreau, SD

Sisters Taking Care, Inc., Chicago, IL

Society of Filipino American Youth  
Professionals, Brookfield, IL

Southlake Net, Inc., Crown Point, IN

Southside Nondenominational  
Fellowship, Inc., Fort Wayne, IN

Speedway Allison Association, Inc.,  
Speedway, IN

Spelling Bee Competition, Inc.,  
Chicago, IL

Springfield Sun Baseball,  
Morrisonville, IL

St. Joseph County 4-H Scholarship Tr,  
Cleveland, OH

Step Right Up Productions Company,  
Chicago, IL

Steven A. Larue Scholarship Foundation,  
Inc., Richwood, OH

Street Films, Oswego, IL

Sycamore Institute, Inc., Indianapolis, IN

Taekwondo Brat Pak, Bargersville, IN

Testimony Ministries, Incorporated,  
Indianapolis, IN

Three Little Kittens Adoption Agency,  
Inc., Chicago, IL

Townsend Mosby, Inc., Calumet Park, IL

Trinity House of Hope, Inc.,  
Fort Wayne, IN

United Together Against Gangs,  
Villa Park, IL

Universal Center, Inc., Indianapolis, IN

Visiontek Foundation, Gurnee, IL

Warren Guthrie Memorial Foundation,  
Inc., Indianapolis, IN

We Care Development Center, Inc.,  
Matteson, IL

We Will Work, Inc., Lawrence, IN

Westside Christmas Fund,  
Indianapolis, IN

Whitecaps Water Protection Foundation,  
Brookings, SD

Whittington Foundation, Vernon Hills, IL

Wildlife Natural Care Exchange,  
Chicago, IL

Window, Inc., Warren, OH

Womens Health Education Project,  
Chicago, IL

Work-Based Education Project,  
Chicago, IL

Worldwide Fund for Mothers Injured in  
Childbirth, Chicago, IL

Z-B Pre High School Youth Football,  
Inc., Zion, IL

If an organization listed above submits information that warrants the renewal of its classification as a public charity or as a private operating foundation, the Internal Revenue Service will issue a ruling or determination letter with the revised classification as to foundation status. Grantors and contributors may thereafter rely upon such ruling or determination letter as provided in section 1.509(a)-7 of the Income Tax Regulations. It is not the practice of the Service to announce such revised classification of foundation status in the Internal Revenue Bulletin.

## 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 Contributions 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 List<sup>1</sup>

Bulletins 2001-1 through 2001-20

### Announcements:

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**Internal Revenue Service**

**Washington, DC 20224**

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