

HIGHLIGHTS OF THIS ISSUE

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

INCOME TAX

Rev. Rul. 2003-34, page 813.

Special estimated tax payments. Insurance companies taking deductions under section 847 of the Code are provided guidance with respect to discontinuing the deduction.

Rev. Rul. 2003-38, page 811.

Section 355. Whether creation of an Internet web site to sell shoes at retail, by a corporation that conducts a retail shoe store business, is an expansion of the original business or an acquisition of a new or different business under section 355(b) of the Code.

Rev. Rul. 2003-39, page 811.

Overrecovered fuel costs. Taxpayers may exclude fuel cost and energy conservation cost overrecoveries from gross income in cases involving facts substantially similar to *Houston Industries Inc. v. United States*, 32 Fed. Cl. 202 (1994), *appeal on other grounds dismissed*, 78 F.3d 564 (Fed. Cir. 1996), *aff'd*, 125 F.3d 1442 (Fed. Cir. 1997), *Florida Progress Corp. v. Commissioner*, 114 T.C. 587 (2000), and *Cinergy Corp. v. United States*, Nos. 99-750 T and 00-572 T (Fed. Cl. filed March 10, 2003).

Notice 2003-21, page 817.

This notice provides guidance in a question and answer format on the tax relief provided under Executive Order No. 12744, 56 Fed. Reg. 2663 (Jan. 23, 1991), for U.S. military and support personnel involved in the military operations in the "Arabian Peninsula Areas" as defined by the Executive Order and listed in the notice.

Rev. Proc. 2003-30, page 822.

Specifications are set forth for the private printing of paper and laser-printed substitutes for tax year 2003 Form W-2, *Wage and Tax Statement*, and Form W-3, *Transmittal of Wage and Tax Statements*. Rev. Proc. 2002-53 superseded.

Rev. Proc. 2003-31, page 838.

Specifications are set forth for the private printing of paper substitutes for the December 2002 revisions of Form W-2c, *Corrected Wage and Tax Statement*, and Form W-3c, *Transmittal of Corrected Wage and Tax Statements*. Rev. Proc. 2002-51 superseded.

EMPLOYEE PLANS

Notice 2003-23, page 821.

Weighted average interest rate update. The weighted average interest rate for April 2003 and the resulting permissible range of interest rates used to calculate current liability for purposes of the full funding limitation of section 412(c)(7) of the Code are set forth.

Announcement 2003-22, page 846.

Proposed new comparability regulations; withdrawal; comment period. This announcement states that the Service will withdraw certain proposed, new comparability regulations and requests additional comments on the issue by July 27, 2003.

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Actions Relating to Court Decisions is on the page following the Introduction.
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ESTATE TAX

Rev. Rul. 2003–40, page 813.

Estate tax; taxation of life insurance. If a Louisiana decedent purchases a life insurance policy on the decedent's life during marriage, names the decedent as owner of the policy, and does not transfer ownership of the policy, the policy is presumed to be community property under Louisiana law. As a result, one-half of the proceeds is includible in the decedent's gross estate.

EMPLOYMENT TAX

Rev. Proc. 2003–30, page 822.

Specifications are set forth for the private printing of paper and laser-printed substitutes for tax year 2003 Form W–2, *Wage and Tax Statement*, and Form W–3, *Transmittal of Wage and Tax Statements*. Rev. Proc. 2002–53 superseded.

Rev. Proc. 2003–31, page 838.

Specifications are set forth for the private printing of paper substitutes for the December 2002 revisions of Form W–2c, *Corrected Wage and Tax Statement*, and Form W-3c, *Transmittal of Corrected Wage and Tax Statements*. Rev. Proc. 2002–51 superseded.

TAX CONVENTIONS

Announcement 2003–21, page 846.

Dutch agreement on pension funds. A copy of the News Release issued by the Director, International (U.S. Competent Authority) on March 21, 2003 (IR–2003–27), is set forth.

ADMINISTRATIVE

Rev. Rul. 2003–41, page 814.

Filing a timely claim for refund. This ruling holds that section 7503 of the Code does not affect the time for filing a timely claim for refund under section 6511 of the Code when the last day for filing a return falls on a Saturday, Sunday, or legal holiday, and the taxpayer does not file a return on the next succeeding day that is not a Saturday, Sunday, or legal holiday. Rev. Rul. 66–118 distinguished.

Announcement 2003–25, page 846.

This document provides notice of a change in location of a public hearing on proposed regulations (REG–126485–01, 2003–9 I.R.B. 542) relating to statutory mergers and consolidations.

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

Introduction

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

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

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

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

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

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

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

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, 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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Actions Relating to Decisions of the Tax Court

It is the policy of the Internal Revenue Service to announce at an early date whether it will follow the holdings in certain cases. An Action on Decision is the document making such an announcement. An Action on Decision will be issued at the discretion of the Service only on unappealed issues decided adverse to the government. Generally, an Action on Decision is issued where its guidance would be helpful to Service personnel working with the same or similar issues. Unlike a Treasury Regulation or a Revenue Ruling, an Action on Decision is not an affirmative statement of Service position. It is not intended to serve as public guidance and may not be cited as precedent.

Actions on Decisions shall be relied upon within the Service only as conclusions applying the law to the facts in the particular case at the time the Action on Decision was issued. Caution should be exercised in extending the recommendation of the Action on Decision to similar cases where the facts are different. Moreover, the recommendation in the Action on Decision may be superseded by new legislation, regulations, rulings, cases, or Actions on Decisions.

Prior to 1991, the Service published acquiescence or nonacquiescence only in certain regular Tax Court opinions. The Service has expanded its acquiescence program to include other civil tax cases where guidance is determined to be helpful. Accordingly, the Service now may acquiesce or nonacquiesce in the holdings of memorandum Tax Court opinions, as well as those of the United States District Courts, Claims Court, and Circuit Courts of Appeal. Regardless of the court deciding the case, the recommendation of any Action on Decision will be published in the Internal Revenue Bulletin.

The recommendation in every Action on Decision will be summarized as acquiescence, acquiescence in result only, or nonacquiescence. Both “acquiescence” and “acquiescence in result only” mean that the Service accepts the holding of the court in a case and that the Service will follow it in disposing of cases with the same controlling facts. However, “acquiescence” indicates neither approval nor disapproval of the reasons assigned by the court for its conclusions; whereas, “acquiescence in result only” indicates disagreement or concern with some or all of those reasons.

“Nonacquiescence” signifies that, although no further review was sought, the Service does not agree with the holding of the court and, generally, will not follow the decision in disposing of cases involving other taxpayers. In reference to an opinion of a circuit court of appeals, a “nonacquiescence” indicates that the Service will not follow the holding on a nationwide basis. However, the Service will recognize the precedential impact of the opinion on cases arising within the venue of the deciding circuit.

The Actions on Decisions published in the weekly Internal Revenue Bulletin are consolidated semiannually and appear in the first Bulletin for July and the Cumulative Bulletin for the first half of the year. A semiannual consolidation also appears in the first Bulletin for the following January and in the Cumulative Bulletin for the last half of the year.

The Commissioner ACQUIESCES in result only in the following decision:

Estate of William Blake Burris v. Commissioner,¹

T.C. Memo 2001-210

T.C. Docket No. 12899-99

¹Acquiescence in result only relating to what extent are proceeds of a life insurance policy on a Louisiana decedent's life includible in the decedent's estate under section 2042 of the Internal Revenue Code when the decedent named the decedent as the only owner on the policy and the policy was purchased by the decedent with community property funds.

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

Section 61.—Gross Income Defined

26 CFR 1.61-1: Gross income.

Overrecovered fuel costs. Taxpayers may exclude fuel cost and energy conservation cost overrecoveries from gross income in cases involving facts substantially similar to *Houston Industries Inc. v. United States*, 32 Fed. Cl. 202 (1994), *appeal on other grounds dismissed*, 78 F.3d 564 (Fed. Cir. 1996), *aff'd*, 125 F.3d 1442 (Fed. Cir. 1997), *Florida Progress Corp. v. Commissioner*, 114 T.C. 587 (2000), and *Cinergy Corp. v. United States*, Nos. 99-750 T and 00-572T (Fed. Cl. filed March 10, 2003).

Rev. Rul. 2003-39

The Internal Revenue Service will follow *Houston Industries Inc. v. United States*, 32 Fed. Cl. 202 (1994), *appeal on other grounds dismissed*, 78 F.3d 564 (Fed. Cir. 1996), *aff'd*, 125 F.3d 1442 (Fed. Cir. 1997), and the treatment under § 61 of the Internal Revenue Code of fuel cost and energy conservation cost overrecoveries in *Florida Progress Corp. v. Commissioner*, 114 T.C. 587 (2000). The Service also will follow the treatment under § 61 of fuel cost overrecoveries in *Cinergy Corp. v. United States*, Nos. 99-750 T and 00-572 T (Fed. Cl. filed March 10, 2003). Accordingly, the Service will treat as excludable from gross income fuel cost and energy conservation cost overrecoveries (customer payments in excess of actual fuel and energy conservation costs) in cases involving facts substantially similar to *Houston Industries*, *Florida Progress*, and *Cinergy*.

In *Houston Industries*, the taxpayer billed its customers for electricity according to rates prescribed by the state public utility commission. The rates included a fuel cost component designed to recover the taxpayer's fuel costs. The rates generally were effective for a rate period of at least 12 months, as determined by the public utility commission. Under state law, the taxpayer could retain only its actual fuel costs. On a monthly basis, the taxpayer determined whether it had an overrecovery or underrecovery of its fuel costs. Underrecoveries and overrecoveries were netted against each other to determine the taxpayer's net fuel cost recovery for a rate pe-

riod. Under state law the taxpayer was required to return a net fuel cost overrecovery for a rate period, with interest, by direct payments or credits to the accounts of customers during a subsequent rate period.

The fuel cost components of the taxpayer's rates in effect for rate periods during the years in issue resulted in a net overpayment of fuel costs by the taxpayer's customers. The taxpayer did not include the fuel cost overrecoveries in gross income and deducted the interest accrued on the overrecoveries.

The Court of Federal Claims ruled for the taxpayer. The court concluded that, because the taxpayer had an unconditional obligation to repay to its customers all overrecoveries received, the overrecoveries could not be characterized as income. The Court of Appeals for the Federal Circuit affirmed, noting that the overrecoveries were similar in several respects to the deposits in *Commissioner v. Indianapolis Power and Light Co.*, 493 U.S. 203 (1990). First, the taxpayer derived no benefit from the overrecoveries. The stated purpose of the regulatory scheme that caused the overrecoveries was to benefit the customers, not the taxpayer. Moreover, the taxpayer was required to pay interest on the overrecoveries. Further, the taxpayer had a statutory obligation to repay the overrecoveries at the time it collected its customers' payments. Although an overrecovery could be offset by a later underrecovery, this alternative method of repayment did not affect the taxpayer's obligation to repay.

In *Florida Progress*, the Tax Court held that fuel cost and energy conservation cost overrecoveries under a similar regulatory scheme were excludable from the taxpayer's gross income. The court rejected the Service's argument that the taxpayer held the cost overrecoveries under a claim of right and subject to a conditional obligation to repay only if offsetting underrecoveries did not occur before the end of a rate period. Rather, the court found that the taxpayer had a fixed and certain obligation to refund any overrecoveries, and that offsetting subsequent underrecoveries was merely one means by which the taxpayer met that obligation. Accordingly, the court concluded that the taxpayer did not enjoy com-

plete dominion over the overrecoveries and was not required to recognize them in income.

The Service has concluded, based on the decisions in *Houston Industries*, *Florida Progress*, and *Cinergy* that taxpayers may exclude fuel cost and energy conservation cost overrecoveries from gross income in cases involving facts substantially similar to the above cases.

DRAFTING INFORMATION

The principal author of this revenue ruling is Jeffrey S. Marshall of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Marshall at (202) 622-4960 (not a toll-free call).

Section 355.—Distribution of Stock and Securities of a Controlled Corporation

26 CFR 1.355-3: Active conduct of a trade or business.

Section 355. Whether creation of an Internet website to sell shoes at retail, by a corporation that conducts a retail shoe store business, is an expansion of the original business or an acquisition of a new or different business under section 355(b) of the Code.

Rev. Rul. 2003-38

ISSUE

Whether the creation by a corporation engaged in the retail shoe store business of an Internet web site on which the corporation will sell shoes at retail constitutes an expansion of the corporation's business rather than the acquisition of a new or different business under § 1.355-3(b)(3)(ii) of the Income Tax Regulations.

FACTS

Corporation D has operated a retail shoe store business, under the name "D," since Year 1 in a manner that meets the requirements of § 355(b) of the Internal Revenue Code. D's sales are made exclusively to customers who frequent its retail stores in shopping malls and other locations. D's business enjoys favorable name recogni-

tion, customer loyalty, and other elements of goodwill in the retail shoe market. In Year 8, D creates an Internet web site and begins selling shoes at retail on the web site. To a significant extent, the operation of the web site draws upon D's experience and know-how. The web site is named "D.com" to take advantage of the name recognition, customer loyalty, and other elements of goodwill associated with D and the D name and to enhance the web site's chances for success in its initial stages. In Year 10, D transfers all of the web site's assets and liabilities to corporation C, a newly formed, wholly owned subsidiary of D, and distributes the stock of C *pro rata* to D's shareholders. Apart from the issue of whether the web site is considered an expansion of D's business and therefore entitled to share the business's five-year history at the time of the distribution in Year 10, the distribution meets all the requirements of § 355.

LAW

Section 355(a) provides that a corporation may distribute stock and securities in a controlled corporation to its shareholders and security holders in a transaction that will not cause the distributees to recognize gain or loss, provided that, among other requirements, (i) each of the distributing corporation and controlled corporation is engaged, immediately after the distribution, in the active conduct of a trade or business, (ii) each trade or business has been actively conducted throughout the five-year period ending on the date of the distribution, and (iii) neither trade or business was acquired in a transaction in which gain or loss was recognized, in whole or in part, within the five-year period. Sections 355(b)(1)(A), 355(b)(2)(B), and 355(b)(2)(C).

In determining whether an active trade or business has been conducted by a corporation throughout the five-year period preceding the distribution, the fact that a trade or business underwent change during the five-year period (for example, by the addition of new or the dropping of old products, changes in production capacity, and the like) shall be disregarded, provided that the changes are not of such a character as to constitute the acquisition of a new or different business. Section 1.355-3(b)(3)(ii). In particular, if a corporation engaged in the active conduct of one trade or business dur-

ing that five-year period purchased, created, or otherwise acquired another trade or business in the same line of business, then the acquisition of that other business is ordinarily treated as an expansion of the original business, all of which is treated as having been actively conducted during that five-year period, unless that purchase, creation, or other acquisition effects a change of such character as to constitute the acquisition of a new or different business. *Id.*

In Example (7) of § 1.355-3(c), corporation X had owned and operated a department store in the downtown area of the City of G for six years before acquiring a parcel of land in a suburban area of G and constructing a new department store. Three years after the construction, X transferred the suburban store and related business assets to new subsidiary Y and distributed the Y stock to X's shareholders. Citing § 1.355-3(b)(3)(i) and (ii), the example concludes that X and Y both satisfy the requirements of § 355(b).

In Example (8) of § 1.355-3(c), corporation X had owned and operated hardware stores in several states for four years before purchasing the assets of a hardware store in State M where X had not previously conducted business. Two years after the purchase, X transferred the State M store and related business assets to new subsidiary Y and distributed the Y stock to X's shareholders. Citing § 1.355-3(b)(3)(i) and (ii), the example concludes that X and Y both satisfy the requirements of § 355(b).

Rev. Rul. 2003-18, 2003-7 I.R.B. 467, concludes that the acquisition by a dealer engaged in the sale and service of brand X automobiles of a franchise (and the assets needed) to sell and service brand Y automobiles is an expansion of the brand X business and does not constitute the acquisition of a new or different business under § 1.355-3(b)(3)(ii) because (i) the product of the brand X automobile dealership is similar to the product of the brand Y automobile dealership, (ii) the business activities associated with the operation of the brand X automobile dealership (*i.e.*, sales and service) are the same as the business activities associated with the operation of the brand Y automobile dealership, and (iii) the operation of the brand Y automobile dealership involves the use of the experience and know-how that the dealer developed in the operation of the brand X automobile dealership.

ANALYSIS

The product of the retail shoe store business and the product of the web site are the same (shoes), and the principal business activities of the retail shoe store business are the same as those of the web site (purchasing shoes at wholesale and reselling them at retail). Selling shoes on a web site requires some know-how not associated with operating a retail store, such as familiarity with different marketing approaches, distribution chains, and technical operations issues. Nevertheless, the web site's operation does draw to a significant extent on D's existing experience and know-how, and the web site's success will depend in large measure on the goodwill associated with D and the D name. Accordingly, the creation by D of the Internet web site does not constitute the acquisition of a new or different business under § 1.355-3(b)(3)(ii). Instead, it is an expansion of D's retail shoe store business. Therefore, each of D and C is engaged in the active conduct of a five-year active trade or business immediately after the distribution. *See* Rev. Rul. 2003-18 and § 1.355-3(c), Examples (7) and (8).

HOLDING

The creation by a corporation engaged in the retail shoe store business of an Internet web site that sells shoes at retail constitutes an expansion of the retail shoe store business rather than the acquisition of a new or different business under § 1.355-3(b)(3)(ii).

DRAFTING INFORMATION

The principal author of this revenue ruling is Russell P. Subin of the Office of Associate Chief Counsel (Corporate). For further information regarding this revenue ruling, contact Mr. Subin at (202) 622-7790 (not a toll-free call).

Section 847.—Special Estimated Tax Payments

Special estimated tax payments. Insurance companies taking deductions under section 847 of the Code are provided guidance with respect to discontinuing the deduction.

Rev. Rul. 2003–34

ISSUE

If an insurance company takes a deduction under § 847 of the Internal Revenue Code in a taxable year, must the company request the permission of the Secretary of the Treasury (Secretary) or his delegate in order to discontinue using § 847 in a subsequent year?

FACTS

IC is an insurance company subject to tax under § 831 or a life insurance company subject to tax under § 801. IC discounts its unpaid losses under § 846. IC files its federal income tax returns on a calendar year basis. For the 2002 calendar tax year, IC claimed a deduction for special estimated tax payments pursuant to § 847(1) and made the special estimated tax payments described in § 847(2).

For the 2003 tax year, IC decided not to take the deduction described in § 847(1) for the 2003 accident year and, accordingly, did not make the special estimated tax payments for that year. IC continued to account for adjustments due to its 2002 deduction with respect to the 2002 accident year and its 2002 special estimated tax payments on its 2003 return and later returns.

LAW AND ANALYSIS

For taxable years beginning after December 31, 1987, § 847(1) allows an insurance company that is required to discount unpaid losses (as defined in § 846) a deduction for the taxable year if special estimated tax payments are made as required by § 847(2). This deduction cannot exceed (i) the excess of — (A) the undiscounted, unpaid losses (as defined in § 846(b)) attributable to losses incurred in taxable years beginning after December 31, 1986, over (B) the discounted unpaid losses determined under § 846(b) less (ii) any

amounts deducted under this paragraph in a preceding tax year.

Section 847(2) provides, in part, that the deduction under § 847(1) shall be allowed only to the extent that such a deduction would result in a tax benefit for the taxable year for which such deduction is allowed or any carryback year. In addition, the deduction is allowable only if special estimated tax payments are made in an amount equal to the tax benefit attributable to such a deduction on or before the due date (determined without regard to extensions) for filing the return for the taxable year for which the deduction is allowed.

Section 847(3) provides that each company that is allowed a deduction under § 847(1) shall, for purposes of this part, establish and maintain a special loss discount account.

Section 847 imposes no requirement upon an insurance company that is required to discount its unpaid losses under § 846 to continue to avail itself of the § 847 deduction on an annual basis. Further, the legislative history of § 847 does not suggest that an insurance company having once used § 847 is obligated to continue to do so in subsequent tax years. *See* H.R. Conf. Rep. No. 1104 (Vol. II), 100th Cong., 2nd Sess. 172 (1988), 1988–3 C.B. 662. Even though IC had used § 847 in 2002, IC may chose not to utilize the § 847 deduction in 2003 for accident year 2003 without securing the approval of the Secretary or his delegate.

HOLDING

If an insurance company takes a deduction under § 847 in a taxable year, the company is not required to request the permission of the Secretary or his delegate in order to discontinue using § 847 in a subsequent year.

DRAFTING INFORMATION

The principal author of this revenue ruling is William T. Sullivan of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue ruling, contact Mr. Sullivan at (202) 622–3970 (not a toll-free call).

Section 2033.—Property in Which the Decedent Had an Interest

26 CFR 20.2033–1: Property in which the decedent had an interest.

What portion of a life insurance policy on a spouse's life is includible in a decedent's gross estate if the noninsured spouse predeceases the insured spouse? See Rev. Rul. 2003–40, on this page.

Section 2042.—Proceeds of Life Insurance

26 CFR 20.2042–1(c)(5): Proceeds of life insurance.
(Also § 2033; 20.2033–1.)

Estate tax; taxation of life insurance. If a Louisiana decedent purchases a life insurance policy on the decedent's life during marriage, names the decedent as owner of the policy, and does not transfer ownership of the policy, the policy is presumed to be community property under Louisiana law. As a result, one-half of the proceeds is includible in the decedent's gross estate.

Rev. Rul. 2003–40

ISSUE

If a Louisiana decedent purchases a life insurance policy on the decedent's life during marriage, names the decedent as owner of the policy, and does not transfer ownership of the policy, to what extent are the proceeds of insurance on the decedent's life includible in the decedent's gross estate under § 2042 of the Internal Revenue Code?

FACTS

Decedent, *D*, and *D*'s spouse, *S*, are married and domiciled in Louisiana. *D* purchased a life insurance policy on *D*'s life. *D* designated *D* as owner of the policy and designated *S* as beneficiary of the policy. *D* and *S* paid all of the premiums on the policy from community funds. During *D*'s life, *D* did not transfer ownership in the policy. Upon *D*'s death, the insurance proceeds were paid to *S*.

LAW AND ANALYSIS

Section 2031 provides that the value of the gross estate of the decedent is determined by including the value at the time of

his or her death of all property, real or personal, tangible or intangible, wherever situated.

Section 2033 provides that the value of the gross estate shall include the value of all property to the extent of the interest therein of the decedent at the time of his or her death.

Section 2042(2) provides that the proceeds of insurance on a decedent's life payable to a named beneficiary are includible in the decedent's gross estate if the decedent possessed any incidents of ownership in the policy at the time of death.

Section 20.2042-1(c)(2) of the Estate Tax Regulations provides that the term "incidents of ownership" is not limited to ownership of the policy in the technical legal sense, but includes the power to change the beneficiary, to surrender or cancel the policy, to assign the policy, to revoke an assignment, to pledge the policy for a loan, or to obtain from the insurer a loan against the surrender value of the policy. Section 20.2042-1(c)(5) explains that state law determines whether and to what extent a decedent held incidents of ownership in a life insurance policy.

In general, if life insurance is acquired by a spouse domiciled in a community property state during marriage and premiums are paid from community funds, the incidents of ownership constitute community property rights. *Freedman v. United States*, 382 F.2d 742 (5th Cir. 1967); *Davis v. Prudential Ins. Co. of America*, 331 F.2d 346 (5th Cir. 1964). Under those circumstances, one-half of the proceeds is includible in the gross estate of the insured spouse. Section 20.2042-1(c)(5).

In *Catalano v. United States*, 429 F.2d 1058, 1060 (5th Cir. 1969), the Fifth Circuit held that, under Louisiana law, a life insurance policy on the life of a husband, is, as a matter of law, deemed part of the wife's separate estate when the husband has transferred ownership of the policy to his wife. The court noted that in Louisiana the use of community funds to pay the premiums on a life insurance policy held as the separate property of the noninsured spouse does not cause any of the incidents of ownership to be attributed to the community and does not affect the separate property status of the policy. Accordingly, no portion of the proceeds was included in the insured spouse's estate under § 2042. See also *Estate of Marks v. Commissioner*, 94 T.C.

720, 724 (1990); *Bergman v. Commissioner*, 66 T.C. 887, 893 (1976); *Estate of Saia v. Commissioner*, 61 T.C. 515, 520 (1974).

The Service issued Rev. Rul. 94-69, 1994-2 C.B. 241, after the courts' opinions in *Catalano*, *Estate of Saia*, *Bergman* and *Estate of Marks*. In Rev. Rul. 94-69, the decedent, who was domiciled in Louisiana, purchased a life insurance policy on the decedent's life. The decedent designated the decedent's spouse as owner of the policy, which conferred all of the incidents of ownership in the policy on the spouse. The decedent and spouse paid all of the premiums on the policy from community funds. Based on the Fifth Circuit's and Tax Court's interpretations of Louisiana law in *Catalano*, *Estate of Saia*, *Bergman* and *Estate of Marks*, Rev. Rul. 94-69 concludes that when a Louisiana decedent purchased an insurance policy on the decedent's life during marriage, named the spouse as owner of the policy, and paid all premiums from community funds, none of the proceeds are includible in the decedent's estate under § 2042(2).

In *Estate of Burris v. Commissioner*, T.C. Memo. 2001-210, the Tax Court held that, under Louisiana law, a life insurance policy on the life of a husband is, as a matter of law, presumed to be community property when the husband is named as the owner of the policy. The court, accordingly, held that one-half of the proceeds of the insurance policy was includible in the husband's estate under § 2042.

Under the facts presented in this revenue ruling, *D* designated *D* as owner of a life insurance policy on *D*'s life and *D* retained incidents of ownership in that policy. Based on the Tax Court's interpretation of Louisiana law, the policy is presumed to be community property.

Unlike Rev. Rul. 94-69, there is no evidence in the facts presented in this revenue ruling that *S* intended to transfer *S*'s community property interest in the policy to *D* to overcome that presumption. *D*, therefore, possessed one-half of the incidents of ownership in his own right and held one-half of the incidents of ownership as agent for the community. Accordingly, only one-half of the proceeds of the life insurance policy is properly includible in *D*'s gross estate under § 2042 and § 20.2042-1(c)(5). In the event that *S* predeceases *D*, one-half of the value of the

policy is includible in *S*'s gross estate under § 2033 and § 20.2031-8(a)(2).

Taxpayers will be held to a duty of consistency in reporting the tax treatment of life insurance policies in the estates of a husband and a wife in appropriate circumstances. See *Cluck v. Commissioner*, 105 T.C. 324 (1995). For example, under the facts presented in this revenue ruling, *D*'s estate may be required to include one hundred percent of the proceeds of a life insurance policy in *D*'s gross estate if *S* died before *D* and a community property share of the value of the policy was not included in *S*'s estate.

HOLDING

If a Louisiana decedent purchases a life insurance policy on the decedent's life during marriage, names the decedent as owner of the policy, and does not transfer ownership of the policy, the policy is presumed to be community property under Louisiana law. As a result, one-half of the proceeds is includible in the decedent's gross estate under § 2042 and § 20.2042-1(c)(5).

DRAFTING INFORMATION

The principal author of this revenue ruling is DeAnn Malone of the Associate Chief Counsel (Passthroughs and Special Industries) (CC:PSI:B09). For further information regarding this revenue ruling, contact DeAnn Malone at (202) 622-7830 (not a toll-free call).

Section 7503.—Time for Performance of Acts Where Last Day Falls on Saturday, Sunday, or Legal Holiday

26 CFR 301.7503-1.
(Also Section 1.6511-1.)

Filing a timely claim for refund. This ruling holds that section 7503 of the Code does not affect the time for filing a timely claim for refund under section 6511 when the last day for filing a return falls on a Saturday, Sunday, or legal holiday, and the taxpayer does not file a return on the next succeeding day that is not a Saturday, Sunday, or legal holiday. Section 7503 provides an extension of time to file a return, within the meaning of section 6511(b)(2)(A), only when the due date (or

extended due date) for filing a return falls on a Saturday, Sunday, or legal holiday and the taxpayer actually files a return on the next succeeding day that is not a Saturday, Sunday, or legal holiday. Rev. Rul. 66-118 distinguished.

Rev. Rul. 2003-41

ISSUE

How does section 7503 of the Internal Revenue Code affect the limitation on the amount of a refund allowed under section 6511(b)(2)(A) when the last day for filing a return for the taxable year to which a claim for refund relates falls on a Saturday, Sunday, or legal holiday?

FACTS

Situation 1. The Taxpayers timely filed their 1994 joint income tax return on Wednesday, March 1, 1995. The due date for filing that joint income tax return was Saturday, April 15, 1995. Their sole source of income for 1994 was wages. On Friday, April 17, 1998, the Taxpayers filed a claim for refund of a portion of the income taxes withheld from their wages during 1994.

Situation 2. The Taxpayer timely filed a request for a four-month automatic extension to file an individual income tax return for the 1997 taxable year. The automatic extension extended the due date of the individual income tax return from Wednesday, April 15, 1998, until Saturday, August 15, 1998. The Taxpayer, however, did not file a 1997 individual income tax return until Friday, August 17, 2001, three years and two days later. That 1997 individual income tax return included a claim for refund of income taxes withheld from wages.

Situation 3. The Taxpayer filed a 1994 individual income tax return on Monday, April 17, 1995. On Friday, April 17, 1998, the Taxpayer filed a claim for refund for income taxes withheld from wages during the 1994 taxable year.

LAW

Section 6511(a) provides, in pertinent part, that a taxpayer shall file a claim for credit or refund of an overpayment within three years from the time of filing the rel-

evant return or two years from the time of payment of the tax, whichever period expires later.

Section 6511(b)(2)(A) limits the amount of refund or credit. If a taxpayer files a claim for refund or credit during the three-year period prescribed in section 6511(a), the amount of the refund or credit shall not exceed the portion of the tax paid within the period, immediately preceding the filing of the claim for refund or credit, equal to three years plus the period of any extension of time for filing the relevant return.

Section 6513(a) treats, for purposes of section 6511, any return filed before the last day prescribed for filing that return as filed on that last day. Section 6513(a) treats, for purposes of section 6511(b)(2), payment of tax before the last day prescribed for payment as paid on that last day.

For purposes of section 6511, section 6513(b)(1) deems any tax actually deducted and withheld at the source during any calendar year to have been paid by the recipient of the income on the 15th day of the fourth month following the close of the taxable year with respect to which the tax is allowable as a credit under section 31 (relating to credit for tax withheld on wages).

Section 7503 provides that, if the last day prescribed under authority of the internal revenue laws for performing any act falls on a Saturday, Sunday, or legal holiday, the act shall be considered timely if the act is performed on the next succeeding day that is not a Saturday, Sunday, or legal holiday. For purposes of section 7503, the last day for the performance of any act is determined by including any authorized extension of time.

Section 6072(a) provides that an individual income tax return is due on the fifteenth day of the fourth month following the end of the taxable year.

Treas. Reg. § 1.6081-4(a)(1) allows, for an individual who is required to file an individual income tax return, an automatic four-month extension of time to file upon meeting certain application requirements.

In Rev. Rul. 66-118, 1966-1 C.B. 290, the taxpayer filed his 1958 individual income tax return on or before the April 15, 1959, due date. On Monday, April 16, 1962, the taxpayer filed a claim for refund of taxes deemed paid pursuant to section 6513(b)(1) on April 15, 1959. Because the due date of the claim for refund for purposes of sec-

tion 6511(a) (three years from the filing date of the individual income tax return) fell on a Sunday, the claim was deemed timely by section 7503. Rev. Rul. 66-118 holds that, to prevent nullifying the effectiveness of section 7503, the Service will deem the filing of the claim for refund to have occurred, for purposes of section 6511(b), on April 15, 1962, so that section 6511(b)(2)(A) does not preclude a refund of amounts deemed paid on April 15, 1959.

In Rev. Rul. 76-511, 1976-2 C.B. 428, the taxpayer filed his 1972 individual income tax return on April 30, 1976. Rev. Rul. 76-511 holds that the taxpayer filed a claim for refund within the three-year limitation period under section 6511(a) because the limitation period runs from the date the taxpayer files his individual income tax return and the taxpayer included the claim on his individual income tax return. Rev. Rul. 76-511 further holds that section 6511(b)(2)(A) does not allow a credit or refund of amounts withheld from wages during the 1972 taxable year because those amounts were deemed paid by section 6513(b)(1) on April 15, 1973, which was more than three years before the April 30, 1976, filing of the late-filed individual income tax return.

ANALYSIS

Situation 1. In order to satisfy section 6511(a), the Taxpayers must have filed their claim for refund for the 1994 taxable year within three years of the date they filed their joint income tax return for 1994, or two years from the time they paid the tax, whichever is later. Section 6513(b)(1) deems the wages withheld from the Taxpayers' income during 1994 as paid on April 15, 1995, more than two years before the April 17, 1998, claim for refund. Because April 15, 1995, is more than two years prior to the filing of the claim for refund, the April 17, 1998, claim for refund will not fall within the two-year period prescribed by section 6511(a).

The Taxpayers' claim for refund also fails to fall within the three-year period of section 6511(a). Although they filed their joint income tax return on March 1, 1995, section 6513(a) treats the joint income tax return as filed on April 15, 1995, the last day prescribed by section 6072(a) for filing that joint income tax return. Because the Taxpayers filed their claim for refund on Friday, April 17, 1998, two days more than

three years after April 15, 1995, section 6511(a) bars their claim for refund.

Section 7503 does not alter this result. Section 7503 applies only if (i) the last day prescribed under authority of the internal revenue laws falls on a Saturday, Sunday, or legal holiday and (ii) the taxpayer files on the next succeeding day that is not a Saturday, Sunday, or legal holiday. In those circumstances only, section 7503 deems timely what would otherwise be late. In this case, section 7503 does not apply to the filing of the joint income tax return on March 1, 1995, because that filing did not occur on the day next succeeding Saturday, April 15, 1995, that was not a Saturday, Sunday, or legal holiday. Nor does section 7503 apply to the filing of the claim for refund, because the last day prescribed under authority of the internal revenue laws to file the claim for refund was a Wednesday, April 15, 1998, not a Saturday, Sunday, or legal holiday. The three-year period within which the Taxpayers must have filed a claim for refund began immediately after the Taxpayers' deemed filing and payment date of April 15, 1995, and was expired after April 15, 1998.

Situation 2. The claim for refund included on the 1997 individual income tax return filed Friday, August 17, 2001, is timely. Rev. Rul. 76-511, 1976-2 C.B. 428. Section 6513(b)(1), however, deems the payment of the tax to which the claim for refund relates to have occurred on April 15, 1998, which is beyond the period of three years plus the four-month extension immediately preceding August 17, 2001, the filing date of the claim for refund. Therefore, although the claim for refund was timely, section 6511(b)(2)(A) specifically bars allowance of the refund.

Pursuant to Treas. Reg. § 1.6081-4(a)(1), the period of the automatic extension of time to file an individual income tax return is limited to four months. If the Taxpayer had filed a 1997 individual income tax return on Monday, August 17, 1998, section 7503 would have treated that individual income tax return as timely, because the extended due date of August 15, 1998, fell on a Saturday. Section 7503, however, does not provide this extension to the Taxpayer in Situation 2. By its terms, section 7503 has the effect of an extension only when a taxpayer performs an act on the next succeeding day that is not a Saturday, Sunday, or legal holiday after a Sat-

urday, Sunday, or legal holiday that would otherwise be the last day prescribed for performing the act. Because the Taxpayer did not file an individual income tax return on Monday, August 17, 1998, the Taxpayer does not enjoy the benefit of an extension from Saturday, August 15, 1998, to the following Monday, August 17, 1998.

The holding of Rev. Rul. 66-118 does not apply to Situation 2. Rev. Rul. 66-118 relies on section 7503 to deem the claim for refund as timely under sections 6511(a) and 6511(b)(2)(A) because the last day prescribed under authority of the internal revenue laws for filing the claim for refund was a Sunday and the taxpayer filed on the next succeeding day that was not a Saturday, Sunday, or legal holiday. In Situation 2, however, section 6511(a) prescribed Wednesday, April 15, 2001, as the last day for filing the claim for refund with respect to amounts deemed paid on April 15, 1998. Consequently, section 7503, by its terms, does not apply to the facts of Situation 2, and Rev. Rul. 66-118, which relies on the application of section 7503 to section 6511(a) as the basis for its rationale regarding section 6511(b)(2)(A), does not apply either.

Situation 3. The Taxpayer's April 17, 1998, claim for refund falls within the three-year period of limitations of section 6511(a) because the Taxpayer filed the claim for refund within three years of filing the individual income tax return. Section 6511(b)(2)(A) also allows payment of the claim for refund in full. Section 6511(b)(2)(A) permits a refund of taxes paid within the period immediately preceding the filing of the claim for refund equal to three years plus any extensions of time for filing of the individual income tax return. Because the otherwise applicable due date of the return in Situation 3 fell on a Saturday, April 15, 1995, and the Taxpayer filed on the next succeeding day that was not a Saturday, Sunday, or legal holiday, section 7503 extended the due date to Monday, April 17, 1995. Thus, taxes deemed paid pursuant to section 6513(b)(1) on April 15, 1995, were paid within the period of three years plus extensions immediately preceding the claim for refund.

HOLDING

Section 7503 does not affect the limitation on the amount of a credit or refund available under section 6511(b)(2)(A) if the

last day for filing a return falls on a Saturday, Sunday, or legal holiday, and the taxpayer does not file a return on the next succeeding day that is not a Saturday, Sunday, or legal holiday. Section 7503 provides an extension of time to file a return, within the meaning of section 6511(b)(2)(A), only if the due date (or extended due date) for filing a return falls on a Saturday, Sunday, or legal holiday and the taxpayer files a return on the next succeeding day that is not a Saturday, Sunday, or legal holiday.

EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 66-118, 1966-1 C.B. 290, is hereby distinguished.

DRAFTING INFORMATION

The principal author of this revenue ruling is Emly B. Berndt of the Office of the Associate Chief Counsel (Procedure and Administration) Administrative Provisions and Judicial Practice Division. For further information regarding this revenue ruling, contact Emly Berndt at (202) 622-4940 (not a toll-free call).

Part III. Administrative, Procedural, and Miscellaneous

Tax Relief for Those Involved in Operation Iraqi Freedom

Notice 2003-21

PURPOSE

This notice provides guidance in a question and answer format on the tax relief provided under Executive Order No. 12744, 56 Fed. Reg. 2663 (Jan. 23, 1991), for U.S. military and support personnel involved in the military operations in the “Arabian Peninsula Areas,” as defined below.

BACKGROUND

The Executive Order, effective January 17, 1991, designated the “Arabian Peninsula Areas,” as defined below, as a combat zone for purposes of section 112 of the Internal Revenue Code. No authority has terminated the designation, which continues to be in effect.

The provisions of the Code affected by the designation of a combat zone include the following:

- (1) Section 2(a)(3) (relating to the special rule where a deceased spouse was in missing status);
- (2) Section 112 (relating to the exclusion from gross income of certain combat pay received by members of the U.S. Armed Forces);
- (3) Section 692 (relating to income taxes of members of the U.S. Armed Forces on death);
- (4) Section 2201 (relating to estate tax as to members of the U.S. Armed Forces dying in a combat zone or as a result of wounds, disease or injury suffered while serving in a combat zone);
- (5) Section 3401(a)(1) (defining wages relating to combat pay for members of the U.S. Armed Forces);
- (6) Section 4253(d) (relating to taxation of telephone service originating from members of the U.S. Armed Forces in a combat zone);
- (7) Section 6013(f)(1) (relating to a joint return where an individual is in missing status as a result of service in a combat zone); and
- (8) Section 7508 (relating to the time for performing certain acts (including filing a return; paying, assessing or collecting a tax; claiming a refund; litigating a suit; and per-

forming any act listed in Rev. Proc. 2002-71, 2002-46 I.R.B. 850) postponed by reason of service in a combat zone).

Under the Executive Order, the deadline extension provisions under section 7508 apply to members of the U.S. Armed Forces (and those serving in support of the U.S. Armed Forces) in the combat zone.

QUESTIONS AND ANSWERS

The following questions and answers apply to members of the U.S. Armed Forces on active duty and, where applicable in Part 2, to those serving in support of the U.S. Armed Forces and are patterned after the questions and answers in Notice 2002-17, 2002-1 C.B. 567 (Tax Relief for Those Involved in Operation Enduring Freedom); Notice 99-30, 1999-1 C.B. 1135 (Tax Relief for Those Affected by Operation Allied Force); and Notice 96-34, 1996-1 C.B. 379 (Tax Relief for Those Affected by Operation Joint Endeavor). A taxpayer covered by the relief provisions discussed in this notice (a “covered taxpayer”) should write “Combat Zone” in red at the top of his or her return. A covered taxpayer who receives a notice from the IRS regarding a collection or examination matter should return the notice to the IRS with the words “Combat Zone” at the top of the notice and on the envelope so the IRS can suspend the action. For additional information on the tax treatment of members of the U.S. Armed Forces, including reservists, decedents, or persons missing in action, consult Publication 3, *Armed Forces’ Tax Guide*.

PART 1 — MILITARY PAY EXCLUSION

Q-1: What geographic areas are included in the combat zone covered by this notice?

A-1: The geographic areas in the combat zone (the “Arabian Peninsula Areas”) include

- The Persian Gulf,
- The Red Sea,
- The Gulf of Oman,

The portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude,

- The Gulf of Aden, and

The total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates.

The Arabian Peninsula Areas include the airspace above such locations.

Q-2: I am a member of the U.S. Armed Forces performing services in the Arabian Peninsula Areas. Is any part of my 2002 military pay for serving in this area excluded from gross income?

A-2: Yes. The Arabian Peninsula Areas constitute the combat zone. If you serve in the combat zone as an enlisted member or as a warrant officer (including commissioned warrant officers) for any part of a month, all your military pay received for military service that month is excluded from gross income. For commissioned officers, the monthly exclusion is capped at the highest enlisted pay, plus any hostile fire or imminent danger pay received. Therefore, for 2002, the most a commissioned officer can earn tax-free each month is \$5,532.90 (\$5,382.90, the highest monthly enlisted pay, plus \$150.00 hostile fire or imminent danger pay). For 2003, the most a commissioned officer can earn tax-free each month is \$5,882.70. Amounts excluded from gross income are not subject to federal income tax.

Q-3: My husband and I are both enlisted members of the U.S. Armed Forces serving in the combat zone. Are we both entitled to the income tax exclusion for military pay?

A-3: Yes. Each of you qualifies for the income tax exclusion for your military pay.

Q-4: I am a member of the U.S. Armed Forces stationed on a ship in the Indian Ocean. I fly missions over the Arabian Peninsula Areas as part of the military operations in the combat zone. Is any part of my military pay excluded from gross income?

A-4: Yes. The combat zone includes the airspace over the Arabian Peninsula Areas, so you are serving in the combat zone. See Q & A-2 for a discussion of the amount of your military pay that is excluded.

Q-5: If I am injured and hospitalized while serving in the U.S. Armed Forces in the combat zone, is any of my military pay excluded from gross income?

A-5: Yes. Military pay received by enlisted members who are hospitalized as a result of injuries sustained while serving in

the combat zone is excluded from gross income for the period of hospitalization, subject to the 2-year limitation provided below. Commissioned officers have a similar exclusion, limited to the maximum enlisted pay amount per month. See Q & A-2. These exclusions from gross income for hospitalized enlisted members and commissioned officers end 2 years after the date of termination of the designation as a combat zone.

Q-6: My wife is currently serving in the U.S. Armed Forces in the combat zone and will be eligible for discharge when she returns home. If she is discharged upon her return, will the payment for the annual leave that she accrued during her service in the combat zone be excluded from gross income?

A-6: Yes. Annual leave payments to enlisted members of the U.S. Armed Forces upon discharge from service are excluded from gross income to the extent the annual leave was accrued during any month in any part of which the member served in the combat zone. If your wife is a commissioned officer, the portion of the payment she receives for annual leave accrued during any month in any part of which she served in the combat zone is excluded. The annual leave payment is not excludable to the extent it exceeds the maximum enlisted pay amount (see Q & A-2) for the month of service to which it relates less the amount of military pay already excluded for that month.

Q-7: I am an enlisted member serving in the combat zone. If I reenlist early while I am in the combat zone and receive my reenlistment bonus several months later when I am stationed outside the combat zone, is any part of my reenlistment bonus excluded from gross income?

A-7: Yes. The reenlistment bonus is excluded from gross income although received in a month that you were outside the combat zone, because you completed the necessary action for entitlement to the reenlistment bonus in a month during which you served in the combat zone.

Q-8: My brother, who is a civilian in the merchant marine, is on a ship that transports military supplies between the United States and the combat zone. Is he entitled to the combat zone military pay exclusion?

A-8: No. Those serving in the merchant marine are not members of the U.S.

Armed Forces. The combat zone military pay exclusion applies only to members of the U.S. Armed Forces. The U.S. Armed Forces include all regular and reserve components of the uniformed services that are under the control of the Secretaries of Defense, Army, Navy, and Air Force, and the Secretary of Homeland Security with respect to the Coast Guard.

Q-9: My husband is a member of the U.S. Armed Forces performing services as part of Operation Iraqi Freedom, but he is not in the combat zone and he is not receiving hostile fire/imminent danger pay. Is he entitled to the military pay exclusion?

A-9: No. U.S. Armed Forces members serving outside the combat zone are not entitled to the military pay exclusion, unless they are serving in direct support of military operations in the combat zone for which they receive hostile fire/imminent danger pay. On April 11, 2003, the Department of Defense certified that effective January 1, 2003, military personnel serving in direct support of Operation Iraqi Freedom in Turkey and Israel, and effective April 11, 2003, military personnel deployed to water areas of the Eastern Mediterranean that lie east of 30 degrees east longitude in direct support of Operation Iraqi Freedom, are eligible for all combat zone tax benefits. For a more detailed discussion of the tax treatment of military personnel, see Publication 3, *Armed Forces' Tax Guide*.

Q-10: How do I certify my entitlement to the military pay exclusion?

A-10: Your service branch must certify your entitlement on the Form W-2 it provides you. If you believe you are entitled to the exclusion, but it is not reflected on your Form W-2, ask your service branch to issue a corrected Form W-2.

PART 2 — EXTENSION OF DEADLINES

Q-11: I have been serving in the Arabian Peninsula Areas since December 1, 2002. I understand that the deadline for performing certain actions required by the internal revenue laws is extended as a result of my service. On what date did these deadline extensions begin?

A-11: The deadline extensions apply to most tax actions required to be performed on or after January 17, 1991, or the date you began serving in the combat zone,

whichever is later. In your case, the date that the deadline extensions began is December 1, 2002.

Q-12: My son is a member of the U.S. Armed Forces, and he has been serving in the combat zone since February 1, 2003. Is he entitled to an extension of time for filing and paying his 2002 federal income taxes? Are any assessment or collection deadlines extended?

A-12: For both questions, the answer is yes. In general, the deadlines for performing certain actions applicable to his taxes are extended for the period of his service in the combat zone, plus 180 days after his last day in the combat zone. This extension applies to the filing and paying of your son's 2002 income taxes. Also, in addition to the 180-day period, your son's extension period includes the 74-day period that was left before the April 15, 2003, deadline. During this 254-day extension period, assessment and collection deadlines will be extended, and interest and penalties attributable to the extension period will not be charged. See Publication 3, *Armed Forces' Tax Guide*, for additional extension examples and computations of the extended due date.

Q-13: Assuming the same facts as in question 12, does the extension for filing and paying his individual income taxes apply to unearned income from my son's investments?

A-13: Yes. The deadline extensions apply without regard to the source of your son's income.

Q-14: Assuming the same facts as in question 12, will the deadline extensions continue to apply if my son is hospitalized as a result of an injury sustained in the combat zone?

A-14: Yes. The deadline extensions will apply for the period that your son is continuously hospitalized outside of the United States as a result of injuries sustained while serving in the combat zone, including 180 days thereafter. For hospitalization inside the United States, the extension period cannot be more than 5 years.

Q-15: My son is a member of a unit of the U.S. Armed Forces and most members of the unit have been serving in the combat zone since April 1, 2003. My son has been overseas since February 1, 2003, but he did not enter the combat zone until May 1, 2003. Is he entitled to an

extension of time for filing and paying his 2002 federal income taxes?

A-15: No. Only a deadline arising on or after the date your son entered the combat zone, May 1, 2003, is postponed.

Q-16: Do the deadline extensions apply only to members of the U.S. Armed Forces serving in the combat zone?

A-16: No. Unlike the combat zone military pay exclusion discussed in Part 1, the deadline extensions also apply to individuals serving in the combat zone in support of the U.S. Armed Forces, such as merchant marines serving aboard vessels under the operational control of the Department of Defense, Red Cross personnel, accredited correspondents, and civilian personnel acting under the direction of the U.S. Armed Forces in support of those forces.

Q-17: Do the deadline extensions apply only to those inside of the combat zone?

A-17: No. Members of the U.S. Armed Forces who perform military service in an area outside the combat zone qualify for the deadline extensions if their service is in direct support of military operations in the combat zone, and they receive special pay for duty subject to hostile fire or imminent danger as certified by the Department of Defense. See Q & A-9 regarding certification by the Department of Defense.

Q-18: My son is a civilian explosive specialist who is in the combat zone training U.S. Armed Forces members serving in the combat zone. Do the deadline extension provisions apply to my son?

A-18: Yes. The deadline extensions apply to your son because he is serving in the combat zone in support of the U.S. Armed Forces.

Q-19: My husband is a private businessman working in the Arabian Peninsula Areas on nonmilitary projects. Do the deadline extensions apply to my husband?

A-19: No. Other than military members, the only individuals working in the combat zone that are entitled to the deadline extensions are those serving in support of the U.S. Armed Forces.

Q-20: I am a member of the U.S. Armed Forces serving in the combat zone. Do the deadline extensions apply to my husband, who is in the United States?

A-20: Yes. The deadline extensions apply not only to members serving in the U.S. Armed Forces (or individuals serving in

support thereof) in the combat zone, but to their spouses as well, with two exceptions. First, if you are hospitalized in the United States as a result of injuries received while serving in the combat zone, the deadline extensions would not apply to your husband. Second, the deadline extensions for your husband do not apply for any tax year beginning more than 2 years after the date of the termination of the combat zone designation.

Q-21: Assuming the same facts as in question 20, will my husband have to file a joint tax return in order to benefit from the deadline extensions?

A-21: No. The deadline extensions apply to both spouses whether joint or separate returns are filed. If your husband chooses to file a separate return, he will have the same extension of time to file and pay his taxes that you have.

Q-22: My husband is serving in the U.S. Armed Forces in the combat zone. In 2002, our son, who is 12 years old, received interest income that is subject to income tax. Our daughter, who is 17 years old, received investment income. In addition, she received earned income from part-time work and is entitled to a refund. We claim both children as dependents on our joint income tax return. Must I file individual income tax returns for our children while my husband is in the combat zone?

A-22: No. Filing individual income tax returns for your dependent children is not required while your husband is in the combat zone. Instead, these individual income tax returns will be timely if filed on or before the deadline for filing your joint income tax return under the applicable deadline extensions. When filing your children's 2002 individual income tax returns, you should write "Combat Zone" in red at the top of those individual income tax returns. Because your older child may be entitled to a refund of tax, she may want to file her individual income tax return and obtain her refund without regard to the extension.

Q-23: I am a member of the U.S. Armed Forces serving in the combat zone. My spouse and our three children live in our home in the United States. During 2002, a child care provider took care of our children in our home. We are required to file a Schedule H, *Household Employment Taxes*, as an attachment to our joint income tax return to report the employment

taxes on wages we paid to our child care provider. Do the deadline extensions apply to the filing of Schedule H as an attachment to our joint income tax return?

A-23: Yes. The deadline extensions apply to all schedules and forms that are filed as attachments to an income tax return.

Q-24: Almost two years ago, the IRS contacted me to collect tax on a joint income tax return I had filed with my now former spouse. I believe only my former spouse should be held liable for the tax. I understand that I may file Form 8857, *Request for Innocent Spouse Relief*, within 2 years of the first collection activity against me by the IRS. I have just entered a combat zone. Do the deadline extensions apply to the filing of Form 8857?

A-24: Yes. A list of time-sensitive acts for which performance is postponed for members of the U.S. Armed Forces (or individuals serving in support thereof) in a combat zone is provided in Rev. Proc. 2002-71, 2002-46 I.R.B. 850. Section 14.03(2) of that revenue procedure concerns innocent spouse relief.

Q-25: I served in the U.S. Armed Forces in Afghanistan from April 1, 2002, until August 31, 2002. I was reassigned to the Arabian Peninsula Areas on March 5, 2003. I understand that I was entitled to an extension of time for filing and paying my 2001 income taxes of 195 days (180 days plus the 15-day period that was left before the April 15, 2002, deadline). This extension period would have expired on March 14, 2003, — 195 days from September 1, 2002 (my first day out of the combat zone in Afghanistan). What effect does my reentry into a combat zone have on my extension for filing and paying my 2001 income taxes?

A-25: Because the extension period had not expired for your 2001 individual income tax return before you reentered a combat zone, a new 180-day period will begin after you leave a combat zone for the second time. In addition, any time that remained in the 15-day period when you entered the Arabian Peninsula Areas adds to the new 180-day period when you leave the Arabian Peninsula Areas. In determining how much of the 15-day period is unused, treat the 180-day period as being used first. In your case, on March 5, 2003, 10 of the 15 days remained. After you leave the Arabian Peninsula Areas, you will have a 190-day extension period.

Q-26: My wife is a member of the U.S. Armed Forces serving in the combat zone. Can she make a timely qualified retirement contribution for 2002 to her individual retirement account (IRA) after April 15, 2003, and on or before the due date of her 2002 individual income tax return after applying the deadline extensions?

A-26: Yes. Your wife can make a timely qualified retirement contribution for 2002 to her IRA on or before the extended deadline for filing her 2002 income tax return under the deadline extensions.

Q-27: My brother, who began serving in the U.S. Armed Forces in the combat zone on January 10, 2003, did not make his fourth estimated tax payment for 2002 which was due January 15, 2003. Will my brother be liable for estimated tax penalties?

A-27: No. Your brother is covered by the deadline extensions and will not be liable for any penalties if he files and pays any tax due by his extended filing due date. When your brother files his 2002 individual income tax return, he should write "Combat Zone" in red at the top of that individual income tax return.

Q-28: My son, who is a member of the U.S. Armed Forces, was on an installment payment plan with the IRS for back income taxes before he was assigned to the combat zone. What should be done now that he is in the combat zone?

A-28: The IRS office where your son was making payments should be contacted. Because your son is serving in the com-

bat zone, he will not have to make payments on his back income taxes for his period of service in the combat zone plus 180 days. No additional penalties or interest will accrue during the deadline extension period.

Q-29: My son, who is a member of the U.S. Armed Forces serving in the combat zone, will file his individual income tax return for 2002 after April 15, 2003, but on or before the end of the deadline extension for filing that return. He expects to receive a refund. Will the IRS pay interest on the refund?

A-29: Yes. The IRS will pay interest from April 15, 2003, on a refund issued to your son if he files his 2002 individual income tax return on or before the due date of that return after applying the deadline extension provisions. When your son files his 2002 individual income tax return, he should write "Combat Zone" in red at the top of that return. If his 2002 individual income tax return is not timely filed on or before the due date after applying the deadline extensions, no interest will be paid on the refund except as provided under the normal refund rules. Even though the deadline is extended, your son may file an individual income tax return earlier to receive any refund due.

Q-30: Do the deadline extensions apply to tax returns other than the individual income tax return?

A-30: Yes. The deadline extension provisions also apply to estate and gift tax returns. However, the deadline extensions do

not apply to other tax and information returns, such as those for corporate income taxes, employment taxes, or excise taxes.

Q-31: My husband and I are civilian employees of defense contractors. I work in the United States and my husband temporarily works in Germany. Our jobs involve the production of equipment used by the U.S. Armed Forces for Operation Iraqi Freedom. Do the deadline extensions apply to either of us?

A-31: No. The deadline extensions do not apply to civilian employees of defense contractors unless they are serving in the combat zone in support of the U.S. Armed Forces.

PART 3 — MISCELLANEOUS PROVISIONS

Q-32: My daughter is a member of the U.S. Armed Forces serving in the combat zone. She makes calls to me here in the United States. Are these calls exempt from the excise tax on toll telephone service?

A-32: Yes. Telephone calls that originate within the combat zone and that are made by members of the U.S. Armed Forces serving there are exempt from the excise tax on toll telephone service, provided a properly executed certificate of exemption is furnished to the telephone service provider receiving payment for the call. The exemption certificate should be in substantially the following form:

EXEMPTION CERTIFICATE (Overseas Telephone Calls)

(Date).....20...

I certify that the toll charges of \$..... are for telephone or radio telephone messages originating at.....(Point of origin) within a combat zone from.....(Name) a member of the Armed Forces of the United States performing service in such combat zone; that the transmission facilities were furnished by(Name of carrier); and that the charges are exempt from tax under section 4253(d) of the Internal Revenue Code.

.....
(Signature of Subscriber)

.....
(Address)

Note: Penalty for fraudulent use: fine or imprisonment or both.

Q-33: If I already have paid an excise tax on the toll telephone service in Q & A-32, can I obtain a refund?

A-33: Yes. If you already have paid an excise tax on that toll telephone service, you may obtain a refund either from the telephone service provider that collected the excise tax, or from the IRS by filing Form 8849, *Claim for Refund of Excise Taxes*.

Q-34: How will my military pay for active service in the U.S. Armed Forces in the combat zone appear on my 2002 Form W-2, *Wage and Tax Statement*?

A-34: Military pay attributable to your active service in the combat zone that is ex-

cluded from gross income will not appear on your 2002 Form W-2 in the box marked "Wages, tips, other compensation." However, military pay for such service is subject to social security and medicare taxes and will appear on your 2002 Form W-2 in the boxes marked "Social security wages" and "Medicare wages and tips." If you believe you are entitled to the military pay exclusion, but the military pay exclusion is not reflected on your Form W-2, ask your service branch to issue a corrected Form W-2.

Q-35: I am an officer who served in the Operation Enduring Freedom combat zone from January 2002 until October 2002 and the Operation Iraqi Freedom combat zone from November 2002 through December 2002. I have made monthly contributions to an individual retirement account (IRA) for 2002. In view of the military pay exclusion for my service in the combat zones, I may have little or no taxable compensation for 2002 and may not be eligible to make an IRA contribution for 2002. If my taxable compensation is less than \$3,000 (\$3,500 if age 50 or older), should I withdraw the portion of my contributions that exceeds my taxable compensation?

A-35: Yes. In general, any amount contributed to your IRA that is more than the smaller of (1) your taxable compensation; or (2) \$3,000 (\$3,500 if age 50 or older), is an excess contribution and must be withdrawn to avoid a 6 percent excise tax. If you are married and file a joint income tax return, you may still be eligible to make an IRA contribution. See Publication 590, *Individual Retirement Arrangements (IRAs)*, for more information on spousal contribution limits. Once you are sure that your taxable compensation will be less than \$3,000 (\$3,500 if age 50 or older), you should withdraw the portion of your contributions that exceeds your taxable compensation. You will not be taxed on the distributed amount if you receive the distribution on or before the deadline for filing your 2002 individual income tax return after applying the deadline extension provisions. You may not take a deduction with respect to these distributed contributions. You must also withdraw the amount of net income attributable to the distributed contributions while they were assets of the IRA. That portion of the net income is includible in your gross income for 2002. For further information, see Publication 590, *Individual Retirement Arrangements (IRAs)*.

Q-36: Assuming the same facts as in question 35, how will the financial institution that distributes my 2002 IRA contributions to me report this distribution?

A-36: The financial institution will report the entire amount of the distribution (2002 distributed contributions and attributable net income) on Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts*, etc. However, it should report only the amount of any net income attributable to the distributed contributions as the "Taxable amount" on Form 1099-R.

Q-37: How might my combat zone military pay exclusion affect my eligibility for the Earned Income Credit (EIC)?

A-37: A change in the tax law for 2002 and later years removes from the definition of "earned income" for purposes of the EIC all employee compensation that is not includible in gross income for the tax year. Thus, for example, excludable combat zone compensation no longer counts as earned income. Also excluded from earned income are the Basic Allowance for Housing (BAH) and the Basic Allowance for Subsistence (BAS). With this change, your income may fall within the qualifying range to claim the credit. But if the exclusion leaves you with no earned income, you will not be able to claim the EIC. See Publication 3, *Armed Forces' Tax Guide*, for details.

PART 4 — INQUIRIES

The IRS web site at www.irs.gov offers tax information for Armed Forces members (and those serving in support of the Armed Forces) — search for "Armed Forces" on the site.

The IRS has a special e-mail address — combatzone@irs.gov — for taxpayers in a combat zone to send questions specifically related to filing and payment issues and to update their combat zone status in order to qualify for relief provisions. The web site has more information about this service and restrictions on IRS responses that would include tax account information.

Taxpayers within the United States may seek assistance by calling the IRS at 1-800-829-1040 (toll-free). Taxpayers outside the United States may contact the IRS in Philadelphia, PA, at (215) 516-2000 or via fax at (215) 516-2555 (these are not toll-free numbers).

The IRS offices in Italy, Germany, France, England, Japan, and Singapore, can also assist you with your federal income tax questions. The Singapore office will close after June 30, 2003. You may contact the Rome office at [39] (06) 4674-2560, or via fax at [39] (06) 4674-2223; the Berlin office at [49] (30) 8305-1136 and [49] (30) 8305-1140, or via fax at [49] (30) 8305-1145; the Paris office at [33] (1) 4312-2555, or via fax at [33] (1) 4312-4752; the London office at [44] (207) 408-8077, or via fax at [44] (207) 495-4224; the Tokyo office at [81] (3) 3224-5466, or via fax at [81] (3) 3224-5274; and the Singapore office at [65] 6476-9413 or via fax at [65] 6476-9030.

Weighted Average Interest Rate Update

Notice 2003-23

Sections 412(b)(5)(B) and 412(l)(7)(C)(i) of the Internal Revenue Code provide that the interest rates used to calculate current liability for purposes of determining the full funding limitation under § 412(c)(7) and the required contribution under § 412(l) must be within a permissible range around the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year.

Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability for the purpose of the full funding limitation of § 412(c)(7) of the Code.

Section 417(e)(3)(A)(ii)(II) defines the applicable interest rate, which must be used for purposes of determining the minimum present value of a participant's benefit under § 417(e)(1) and (2), as the annual rate of interest on 30-year Treasury securities for the month before the date of distribution or such other time as the Secretary may by regulations prescribe. Section 1.417(e)-1(d)(3) of the Income Tax Regulations provides that the applicable interest rate for a month is the annual interest rate on 30-year Treasury securities as specified by the Commissioner for that month in revenue rulings, notices or other guidance published in the Internal Revenue Bulletin.

The rate of interest on 30-year Treasury Securities for March 2003 is 4.80 percent. Pursuant to Notice 2002-26, 2002-15 I.R.B. 743, the Service has determined this rate as the monthly average of the daily determination of yield on the 30-year Treasury bond maturing in February 2031.

Section 405 of the Job Creation and Worker Assistance Act of 2002 amended § 412(1)(7)(C) of the Code to provide that for plan years beginning in 2002 and 2003 the permissible range is extended to 120 percent.

The following rates were determined for the plan years beginning in the month shown below.

Month	Year	Weighted Average	90% to 110% Permissible Range	90% to 120% Permissible Range
April	2003	5.46	4.91 to 6.00	4.91 to 6.55

Drafting Information

The principal authors of this notice are Paul Stern and Tony Montanaro of the Employee Plans, Tax Exempt and Government Entities Division. For further

information regarding this notice, please contact the Employee Plans' taxpayer assistance telephone service at 1-877-829-5500 (a toll-free number), between the hours of 8:00 a.m. and 6:30 p.m. Eastern time, Monday through Friday. Mr. Stern

may be reached at 1-202-283-9703. Mr. Montanaro may be reached at 1-202-283-9714. The telephone numbers in the preceding two sentences are not toll-free.

Note: This revenue procedure will be reprinted as the next revision of IRS Publication 1141, *General Rules and Specifications for Substitute Forms W-2 and W-3*.

26 CFR 601.602: Tax forms and instructions.

(Also Part I, Sections 6041, 6051, 6071, 6081, 6091; 1.6041-1, 1.6041-2, 31.6051-1, 31.6051-2, 31.6071(a)-1, 31.6081(a)-1, 31.6091-1.)

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Part A. General

Section 1. Purpose

.01 The purpose of this revenue procedure is to provide general rules and specifications of the Internal Revenue Service (IRS) and the Social Security Administration (SSA) for paper substitute forms for **Form W-2, Wage and Tax Statement**, and **Form W-3, Transmittal of Wage and Tax Statements**, for wages paid during the **2003** calendar year.

.02 For purposes of this revenue procedure, a substitute form is one that is not printed by the IRS. A substitute Form W-2 or W-3 **must** conform to the specifications in this revenue procedure to be acceptable to the IRS and the SSA. No IRS office is authorized to allow deviations from this revenue procedure. Preparers should also refer to the separate *2003 Instructions for Forms W-2 and W-3* for details on how to complete these forms. See Part C, Section 4, for information on obtaining the official IRS forms and instructions. See Part B, Section 2, for requirements for the copies of substitute forms furnished to employees.

.03 The IRS maintains a centralized call-site at its Martinsburg Computing Center (IRS/MCC) to answer questions related to information returns (Forms W-2, W-3, 1099 series, 1096, etc.). You can reach the call-site at 304-263-8700 (**not a toll-free number**) or 1-866-455-7438 (**toll-free**). The Telecommunication Device for the Deaf (TDD) number is 304-267-3367 (**not a toll-free number**). The hours of operation are Monday through Friday from 8:30 A.M. to 4:30 P.M. Eastern Time. You may also send questions to the call-site via the Internet at mccirp@irs.gov. IRS/MCC does **not** process Forms W-2. Forms W-2 prepared on paper **and/or** magnetically/electronically must be filed with the SSA. IRS/MCC does, however, process waiver requests (**Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media**) and extension of time to file requests (**Form 8809, Request for Extension of Time To File Information Returns**) for Forms W-2 and requests for an extension of time to furnish the employee copies of Form W-2. See **Pub 1220, Specifications for Filing Forms 1098, 1099, 5498 and W-2G Magnetically or Electronically**, for information on waivers and extensions of time.

.04 The following publications provide detailed filing procedures for certain information returns:

- *2003 Instructions for Forms W-2 and W-3*,
- *Instructions for Forms W-2c and W-3c (Rev. December 2002)*, and
- **Pub 1223, General Rules and Specifications for Substitute Forms W-2c and W-3c**.

Section 2. Nature of Changes

.01 Because there were few changes to the format of Forms W-2 and W-3 since the last revision of Pub. 1141, most of the changes to this document are editorial in nature.

.02 Redundancies were eliminated as much as possible.

.03 The IRS plans to change the dimensions of the 2004 Forms W-2 and W-3 to match those shown for laser-printed forms in Exhibits E and F. Details will be posted under "What's Hot in Tax Forms, Pubs, and Other Tax Products" on the IRS web site at www.irs.gov/formspubs.

.04 The web address for the Social Security Administration has changed to www.socialsecurity.gov.

.05 The 4-digit vendor code on the laser-printed Forms W-2 and W-3 must be preceded by four zeros and a slash (0000/).

Section 3. General Rules for Filing Forms W-2 or W-3 Magnetically or Electronically

.01 Employers **must** file Forms W-2 (Copy A) with the SSA electronically or with magnetic media if they file 250 or more calendar year 2003 Forms W-2 (Copy A). The SSA publication **MMREF-1, Magnetic Media Reporting and Electronic Filing**, contains specifications and procedures for filing Form W-2 information with the SSA magnetically or electronically. Employers are cautioned to obtain the most recent revision of MMREF-1 (and supplements) due to any subsequent changes in the specifications and procedures.

.02 You may obtain a copy of the MMREF-1 by:

- Writing to:

Social Security Administration
OCO, DES; Attn: Employer Reporting Services Center
300 North Greene Street
Baltimore, MD 21290-0300

- Accessing the SSA web site at www.socialsecurity.gov/employer.
- Calling your local SSA Employer Service Liaison Officer (ESLO) (the ESLOs' telephone numbers are available at www.socialsecurity.gov/employer) or by calling 1-800-772-6270, or
- Using the SSA Business Services Online (BSO) at www.socialsecurity.gov/employer.

.03 **Magnetic media or electronic filers do not file a paper Form W-3**. See the SSA publication MMREF-1 for guidance on transmitting Form W-2 information to SSA magnetically or electronically.

.04 Employers who do *not* comply with the magnetic media or electronic filing requirements for Form W-2 and who are not granted a waiver may be subject to penalties. Employers who file Form W-2 information with the SSA on magnetic media or electronically must not send the same data to the SSA on paper Forms W-2. Any duplicate reporting may subject filers to unnecessary contacts by the SSA or IRS.

Section 4. General Rules for Paper Forms W-2 And W-3

.01 Employers not filing magnetically or electronically **must** file a paper Form W-2 (Copy A) and Form W-3 with the SSA using either the official IRS form or a substitute form that **exactly** meets the specifications shown in Parts B and C of this revenue procedure.

Note: *Substitute territorial forms (W-2GU, W-2VI, W-2AS) should also conform to the specifications as outlined in this revenue procedure. These forms require the form designation (“W-2AS,” “W-2GU,” “W-2VI”) on Copy A to be in black ink.*

Employers who file with the SSA magnetically, electronically, or on paper may design their own statements to furnish to employees. These employee statements designed by employers **must** comply with the requirements shown in Parts B and C.

.02 Red-ink substitute forms that **completely** conform to the specifications contained in this revenue procedure may be privately printed **without prior approval** from the IRS or the SSA. Forms **cannot** be submitted to the IRS or the SSA for specific approval, except for the black-and-white laser-printed forms submitted to SSA for initial approval (see Section 1B of Part B).

.03 Substitute forms filed with the SSA and substitute copies furnished to employees that do not conform completely to these specifications are unacceptable. Forms W-2 (Copy A) and W-3 filed with the SSA that do not conform may be returned. In addition, **penalties may be assessed** for not complying with the form specifications.

.04 If you are uncertain of any specification and want it clarified, submit a letter citing the specification, state your interpretation of that specification, and enclose an example (if appropriate) of how the form would appear if produced using your understanding of the specification.

.05 Any questions about the red-ink Form W-2 and Form W-3 should be sent to:

Internal Revenue Service
Attn: Substitute Forms Coordinator
W:CAR:MP:T:T:SP
Room 6411
1111 Constitution Ave., N.W.
Washington, DC 20224

Any questions about the black-and-white laser-printed Form W-2 (Copy A) and Form W-3 should be sent to:

Social Security Administration
Data Operations Center
Attn: Laser Forms Approval, Room 359
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Note: *You should receive a response within 30 days from either the IRS or the SSA.*

.06 Forms W-2 and W-3 are subject to annual review and possible change. Therefore, employers are cautioned against overstocking supplies of privately-printed substitutes.

.07 Separate instructions for Forms W-2 and W-3 are provided in the *2003 Instructions for Forms W-2 and W-3*. Form W-3 should be used only to transmit paper Forms W-2 (Copy A). Form W-3 is a single sheet including only essential filing information. **Be sure to make a copy of your completed Form W-3 for your records.** Copies of the current year official IRS Forms W-2 and W-3, and the instructions for those forms may be obtained from most IRS offices or by calling 1-800-829-3676. The IRS provides only cutsheet sets of Forms W-2 and cutsheets of Form W-3. The instructions and information copies of the forms may be found on the IRS web site at www.irs.gov.

.08 Because substitute Forms W-2 (Copy A) and W-3 are machine-imaged and scanned by the SSA, the forms **must** meet the same specifications as the official IRS Forms W-2 and W-3 (as shown in the exhibits).

Part B. Specifications for Substitute Forms W-2 and W-3

Section 1A. Specifications for “Red-Ink” Substitute Form W-2 (Copy A) and Form W-3 Filed With the SSA

.01 The official, IRS-printed red drop-out ink Form W-2 (Copy A) and W-3 and their exact substitutes are referred to as “**red-ink.**” Employers may file substitute Forms W-2 and W-3 with the SSA. The substitute forms **must** be exact replicas of the official IRS forms with respect to layout and content because they will be read by scanner equipment.

.02 Paper used for substitute Form W-2 (Copy A) and Form W-3 (cutsheets and continuous-pinfed forms) that are to be filed with the SSA must be white 100% bleached chemical wood, **18-20 pound paper only**, optical character recognition (OCR) bond

produced in accordance with the specifications shown as follows:

• Acidity: Ph value, average, not less than	4.5
• Basis Weight: 17 x 22 inch 500 cut sheets, pound	18–20
• Metric equivalent—gm./sq. meter (a tolerance of +5 pct. Is allowed).....	68–75
• Stiffness: Average, each direction, not less than—milligrams	
Cross direction	50
Machine direction	80
• Tearing strength: Average, each direction, not less than—grams	40
• Opacity: Average, not less than—percent	82
• Reflectivity: Average, not less than—percent.....	68
• Thickness: Average—inch	0.0038
Metric equivalent—mm.....	0.097
(a tolerance of +0.0005 inch (0.0127 mm) is allowed) Paper cannot vary more than 0.0004 inch (0.0102 mm) from one edge to the other.	
• Porosity: Average, not less than—seconds	10
• Finish (smoothness): Average, each side—seconds.....	20–55
(for information only) the Sheffield equivalent—units	170–d200
• Dirt: Average, each side, not to exceed—parts per million	8

Note: Reclaimed fiber in any percentage is permitted, provided the requirements of this standard are met.

.03 All printing of substitute Forms W–2 (Copy A) and W–3 **must** be in Flint red OCR dropout ink **except** as specified below. The following **must** be printed in **nonreflective black ink**:

- Identifying number “22222” or “33333” at the top of the forms.
- Tax year at the bottom of the forms using 24-point OCR-A font.
- The four (4) corner register marks on the forms.
- The jurat and “Signature, Title, Date” line at the bottom of Form W–3.
- The form identification number (“W–3”) at the bottom of Form W–3.
- All the instructions below Form W–3 beginning with “Send this entire page....” line to the bottom of Form W–3.

.04 As in the past, Form W–2 (Copy A) and Form W–3 may be generated using a laser-printer by following all guidelines and specifications (also see Section 1B). In general, regardless of the method of entering data, the use of black ink on Forms W–2 and W–3 provides better readability for processing by scanning equipment. Colors other than black are not easily read by the scanner and/or may result in delays/errors in the processing of Forms W–2 and W–3. The printing of the data should be centered within the boxes. Type **must** be substantially identical in size (not below 10-point) and shape to the official form. All other printing, including shading and dollar signs for money boxes, on Form W–2 (Copy A) and W–3 **must** be in Flint J–6983 **red** OCR dropout ink or an exact match.

.05 The vertical and horizontal spacing for all federal payment and data boxes on Forms W–2 and W–3 **must** meet specifications. On Form W–3 and Form W–2 (Copy A), all the perimeter rules **must** be 1-point (0.014-inch), while all other rules must be one-half point (0.007-inch). Vertical rules **must** be parallel to the left edge of the form; horizontal rules parallel to the top edge.

.06 Employers filing Forms W–2 (Copy A) with the SSA on paper **must** also file a Form W–3. Form W–3 **must** be the same width (8.0 inches) as the Form W–2. One Form W–3 is printed on standard-size, 8.5 x 11-inch paper. Two official Forms W–2 (Copy A) are contained on a single page that is 8.5 inches wide by 11 inches deep (exclusive of any snap-stubs). The official red-ink Form W–3 and Form W–2 (Copy A) are 8.0 inches wide.

.07 The top margin for the Form W–2 (Copy A) and Form W–3 is .375 inches (3/8 inch). The right margin **must** be .2 inches and the left margin is .3 inches (plus or minus .0313 inches). Margins **must** be free of all printing.

.08 The identifying numbers are “22222” for Form W–2 (Copies A and 1) and “33333” for Form W–3. No printing should appear anywhere near the identifying numbers. For both Form W–2 (Copy A) and Form W–3, the combination width of box a (Control number) and the box containing the identifying number (22222) **must** always be 2.54 inches.

Note: The identifying number **must** be printed in nonreflective black ink in OCR-A font of **10** characters per inch.

.09 The depth of the individual scannable image on a page **must** be the same as that on the official IRS forms. For Form W–2, the total depth of an individual form **must** be 4.94 inches. The depth of the Form W–3 on a page **must** be 4.8 inches.

.10 Continuous-pinfed Forms W–2 (Copy A) must be separated into 11-inch deep pages. The pinfed strips must be removed when Forms W–2 are filed with the SSA. The two Copies A of Form W–2 on the 11-inch page must **not** be separated (only the pages

are to be separated (burst)). The words “Do Not Cut, Fold, or Staple Forms on This Page” **must** be printed **twice** between the two Copies A in Flint red OCR dropout ink. Perforations are required on all other copies (Copies 1, B, C, 2, and D) to enable the separation of individual forms.

.11 Box 12 of Form W-2 (Copy A) contains four entry boxes — 12a, 12b, 12c, and 12d. Do **not** make more than one entry per box. Enter your first code in box 12a (*i.e.*, enter Code D in box 12a, not 12d, if it is your first entry). If more than four items need to be reported in box 12, use a second Form W-2 to report the additional items (see “Multiple forms” in the *2003 Instructions for Forms W-2 and W-3*). Do not report the same federal tax data to the SSA on more than one Form W-2 (Copy A). However, repeat the identifying information (employer’s name, address, and EIN) on each additional form.

.12 The checkboxes in box 13 of Form W-2 (Copy A) must be .14 inches each; the spacing on each side of the 3 checkboxes is .36 inches; the space after the 3rd checkbox is .46 inches (see Exhibit A). The checkboxes in box b of Form W-3 **must** be .13 inches (see Exhibit B).

Note: *More than 50% of an applicable checkbox must be covered by an “X.”*

.13 All substitute Forms W-2 (Copy A) and W-3 in the red-ink format must have the tax year, form number, and form title printed on the bottom face of each form using identical type to that of the official IRS form. The red-ink substitute Form W-2 (Copy A) and Form W-3 **must** have the form producer’s EIN entered to the left of “Department of the Treasury.”

.14 The words “For Privacy Act and Paperwork Reduction Act Notice, see separate instructions,” **must** be printed in Flint red OCR dropout ink in the same location as on Form W-2 (Copy A). The *2003 Instructions for Forms W-2 and W-3* contain the Privacy Act Notice previously shown on the Form W-3.

.15 The Office of Management and Budget (OMB) Number **must** be printed on substitute Form W-3 and on each ply of substitute Form W-2 in the same location as the official IRS forms.

.16 All substitute Forms W-3 must include the instructions that are printed on the same sheet below the official IRS form.

.17 The back of substitute Form W-2 (Copy A) and Form W-3 **must** be free of all printing.

.18 All copies must be **clearly legible**. Hot wax and cold carbon spots **are not** permitted for Form W-2 (Copy A). **Interleaved carbon** should be black and must be of good quality to assure legibility on all copies and to avoid smudging. Fading must be minimized to assure legibility.

.19 Chemical transfer paper is permitted for Form W-2 (Copy A) only if the following standards are met:

- Only **chemically-backed** paper is acceptable for Form W-2 (Copy A). Front and back chemically-treated paper cannot be processed properly by scanning equipment.
- Chemically-transferred images must be black.
- Carbon-coated forms are not permitted.

.20 The Government Printing Office (GPO) symbol and the Catalog Number (Cat. No.) must be deleted from substitute Form W-2 (Copy A) and Form W-3.

Section 1B. Specifications for “Laser-Printed” Substitute Form W-2 (Copy A) and Form W-3 Filed With the SSA

.01 The SSA-approved, laser-printed, black-and-white Forms W-2 (Copy A) and W-3 are referred to as “**laser-printed.**” Specifications for the laser-printed black-and-white Forms W-2 (Copy A) and W-3 are similar to the red-ink forms (Part B, Section 1A) except for the following items and the actual form dimensions (in Exhibits E and F). Exhibits are samples only and must not be downloaded to meet tax obligations.

1. Forms must be printed on 8.5 x 11-inch single-sheet paper only, **not** on continuous-feed using a laser printer. **There must be two Forms W-2 printed on a page.** There must be no horizontal perforations between the two Copies A of Form W-2 on each page.
2. All forms and data must be printed in nonreflective black ink only.
3. **The data and forms must be programmed to print simultaneously.** Forms cannot be produced separately from wage data entries.
4. The forms must **not** contain corner register marks.
5. The forms must **not** contain any shaded areas including those boxes that are entirely shaded on the red-ink forms.
6. Identifying numbers on both Form W-2 (**22222**) and Form W-3 (**33333**) must be preprinted in 14-point Arial bold font.
7. The form numbers (“W-2” and “W-3”) must be in 18-point Arial font. The tax year (“2003”) on Forms W-2 and W-3 must be in 20-point Arial font.
8. No part of the box titles or the data printed on the forms may touch any of the vertical or horizontal lines, nor should any of the data intermingle with the box titles. The data should be centered in the boxes.
9. Do not print any information in the margins of the laser-printed forms (*i.e.*, do not print “DO NOT STAPLE OR FOLD” in the top margin of Form W-3).
10. The word “Code” must **not** appear in box 12 on Form W-2 (Copy A).

11. A 4-digit vendor code preceded by four zeros and a slash (*i.e.*, 0000/1234) must appear in 12-point Arial font under the tax year in place of the Cat. No. on Form W-2 (Copy A) and in the bottom right corner of the “For Official Use Only” box at the bottom of Form W-3. Do **not** display the form producer’s EIN to the left of “Department of the Treasury.” The vendor code will be used to identify the form producer.
12. Do not print Catalog Numbers (Cat. No.) on either form (10134D for Form W-2; 10159Y for Form W-3).
13. Do **not** print the checkboxes in:
 - Box b of Form W-3. The “X” should be programmed to be printed and centered directly below the applicable “Kind of Payer.”
 - The “Void” box of Form W-2 (Copy A). The “X” should be programmed to be printed to the right of “Void” because of space limitations.
 - Box 13 of Form W-2 (Copy A). The “X” should be programmed to be printed and centered directly below the applicable box title.
14. Do **not** print dollar signs. If there are no money amounts being reported, the entire field should be left blank.

.02 You **must** submit samples of your laser-printed substitute forms to the SSA. Only laser-printed, black-and-white substitute Forms W-2 (Copy A) and W-3 for tax year 2003 will be accepted for approval by the SSA. **Questions regarding other forms (*i.e.*, Forms W-2c, W-3c, 1099 series, 1096, etc.) must be directed to the IRS.**

.03 You will be required to send one set of blank and one set of dummy-data, laser-printed substitute Forms W-2 (Copy A) and W-3. Sample data entries should be filled in to the maximum length for each box entry using numeric data or alpha data depending upon the type being entered. Include in your submission the name, telephone number, fax number, and e-mail address of a contact person who can answer questions regarding your sample forms.

.04 To receive approval, you may first contact the SSA at laser.forms@ssa.gov to obtain a template and further instructions in pdf or Excel format. You may also send your 2003 sample, laser-printed substitute forms to:

Social Security Administration
Data Operations Center
Attn: Laser Forms Approval, Room 359
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Send your sample forms via private mail carrier or certified mail in order to verify their receipt. You can expect approval (or disapproval) by the SSA within **30** days of receipt of your sample forms.

.05 The 4-digit vendor code preceded by four zeros and a slash (0000/) must be preprinted on the sample, laser-printed substitute forms. **Forms not containing a vendor code will be rejected and will not be submitted for testing or approval.** If you do not have a vendor code, you may contact the National Association of Computerized Tax Processors via e-mail at president@nactp.org.

.06 If you use forms produced by a vendor and have questions concerning approval, do **not** send the forms to the SSA for approval. Instead, contact the software vendor to obtain a copy of SSA’s dated approval notice supplied to that vendor.

Section 2. Requirements for Substitute Forms Furnished to Employees (Copies B, C, and 2 of Form W-2)

.01 All employers (including those who file on magnetic media or electronically) must furnish employees with at least two copies of Form W-2 (three or more for employees required to file a state, city, or local income tax return). The following rules are guidelines for preparing employee copies.

The dimensions of these copies (Copies B, C, and 2), but not Copy A, may differ from the dimensions of the official IRS form to allow space for reporting additional information, including additional entries such as withholding for health insurance, union dues, bonds, or charity in box 14. The limitation of a maximum of **four items** in box 12 of Form W-2 applies **only** to **Copy A** that is filed with the SSA.

Note: *Printers are cautioned that the rules in Part B, Section 2, apply only to employee copies of Form W-2 (Copies B, C, and 2). Paper filers who send Forms W-2 (Copy A) to the SSA must follow the requirements in Part B, Sections 1A and 1B.*

.02 The **minimum** allowable dimensions for employee copies **only** (not Copy A) of Form W-2 are 2.67 inches deep by 4.25 inches wide. The **maximum** allowable dimensions are no more than 6.5 inches deep by no more than 8.5 inches wide.

Note: *The maximum and minimum size specifications are for tax year 2003 only and may change in future years.*

.03 Either horizontal or vertical format is permitted (see Exhibit D).

.04 The paper for all copies **must** be white. The substitute Form W-2 (Copy B), which employees are instructed to attach to their federal income tax return, must be at least 12-pound paper (basis 17 x 22-500).

.05 Employee copies of Form W-2 (Copies B, C, and 2), including those that are printed on a single sheet of paper, **must** be easily separated. Including perforations between the individual copies satisfies this requirement, but using scissors to separate Copies B, C, and 2 does not.

.06 Interleaved carbon and chemical transfer paper employee copies must be **clearly legible**. Hot wax and cold-carbon spots **are not** permitted for employee copies. All copies **must** be able to be photocopied. **Interleaved carbon** should be black and must be of good quality to assure legibility on all copies and to avoid smudging. Fading must be minimized to assure legibility.

.07 The electronic tax logo on the IRS official employee copies is **not** required on any of the substitute form copies. To avoid confusion and questions by employees, employers are encouraged to delete the identifying number (22222) and the word “Void” and its associated checkbox from the employee copies of Form W–2.

.08 All substitute employee copies **must** contain the boxes, box numbers, and box titles that, **when applicable**, match the official IRS Form W–2. However, certain **core information** is required. The placement, numbering, and size of this information is specified as follows:

- The items and box numbers that constitute the core data are:

Box 1 — Wages, tips, other compensation,

Box 2 — Federal income tax withheld,

Box 3 — Social security wages,

Box 4 — Social security tax withheld,

Box 5 — Medicare wages and tips, and

Box 6 — Medicare tax withheld.

The core boxes **must** be printed in the exact order shown on the official IRS form.

- The core data boxes (1 through 6) **must** be placed in the upper right of the form. Substitute vertical-format copies may have the core data across the top of the form (see Exhibit D). **In no instance**, will boxes or other information be permitted to the right of the core data.
- The form title, number, or copy designation (B, C, or 2) may be at the top of the form. Also, a reversed or blocked-out area to accommodate a postal permit number or other postal considerations is allowed in the upper-right.
- Boxes 1 through 6 **must** each be a minimum of 1 $\frac{3}{8}$ inches wide x $\frac{1}{4}$ inch deep.
- Other required boxes are:
 - b) Employer identification number (EIN),
 - c) Employer’s name, address, and ZIP code,
 - d) Employee’s social security number,
 - e) Employee’s name, and
 - f) Employee’s address and ZIP code.

Identifying items **must** be present on the form and be in boxes similar to those on the official IRS form. However, they may be placed in any location other than the top or upper right. You do not need to use the lettering system (b-f) used on the official IRS form. The employer identification number (EIN) may be included with the employer’s name and address and not in a separate box.

Note: *Box a (“Control number”) is not required.*

.09 All copies of Form W–2 **must** clearly show the form number, the form title, and the tax year prominently displayed together in one area of the form. The title of Form W–2 is “Wage and Tax Statement.” It is recommended (but not required) that this be located on the bottom left of Form W–2. The reference to the “Department of the Treasury — Internal Revenue Service” **must** be on all copies of Form W–2 provided to the employee. It is recommended (but not required) that this be located on the bottom right of Form W–2.

- .10** If the substitute employee copies are labeled, the forms **must** contain the applicable description:

- “Copy B, To Be Filed With Employee’s FEDERAL Tax Return.”
- “Copy C, for EMPLOYEE’S RECORDS.”
- “Copy 2, To Be Filed With Employee’s State, City, or Local Income Tax Return.”

It is recommended (but not required) that these be located on the lower-left of Form W–2. If the substitute employee copies are **not labeled** as to the disposition of the copies, then written notification using similar wording **must** be provided to each employee.

.11 The tax year (2003) must be clearly printed in **nonreflective black ink** on all copies of substitute Form W–2. It is recommended (but not required) that this information be in the middle at the bottom of the Form W–2. The use of 24-pt. OCR-A font is recommended (but not required).

.12 Boxes 1, 2, and 9 (if applicable) on **Copy B** must be outlined in **bold 2-point** rule or highlighted in some manner to distinguish them. If “Allocated tips” are being reported, it is recommended (but not required) that box 8 also be outlined. If reported, “Social security tips” (box 7) **must** be shown separately from “Social security wages” (box 3).

Note: *Boxes 8 and 9 may be omitted if not applicable.*

.13 If employers are required to withhold and report state or local income tax, the applicable boxes are also considered core information and **must** be placed at the bottom of the form. State information is included in:

- Box 15 (State, Employer’s state ID number)
- Box 16 (State wages, tips, etc.)
- Box 17 (State income tax)

Local information is included in:

- Box 18 (Local wages, tips, etc.)
- Box 19 (Local income tax)
- Box 20 (Locality name)

.14 Boxes 7 through 14 may be omitted from substitute employee copies **unless** the employer must report related information to the employee. For example, if an employee did not have Social security tips (box 7), the form could be printed without that box. But if an employer provided dependent care benefits, the amount must be reported separately, shown in box 10, and labeled “Dependent care benefits.”

.15 Employers may enter more than four codes in box 12 of Copies 1, B, C, 2, and D of Form W-2, but each entry **must** use **Codes A-V** (see the *2003 Instructions for Forms W-2 and W-3*).

.16 If an employer has employees in any of the three categories in box 13, all checkboxes must be shown and the proper checkmark made when applicable.

.17 Employers may use box 14 for any other information that they wish to give to their employees. Each item must be labeled. (See the instructions for box 14 in the *2003 Instructions for Forms W-2 and W-3*.)

.18 The front of Copy C of a substitute Form W-2 must contain the note “This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.”

.19 Instructions similar to those contained on the back of Copies B and C of the official IRS Form W-2 **must** be provided to each employee. An employer may modify or delete instructions (*i.e.*, removing Railroad Retirement Tier 1 and Tier 2 compensation information for nonrailroad employees or information about dependent care benefits that the employer does not provide) that do not apply to its employees.

.20 Employers **must** notify their employees who have no income tax withheld that they may be able to claim a tax refund because of the earned income credit (EIC). They will meet this notification requirement if they furnish a substitute Form W-2 with the EIC notice on the back of Copy B, **IRS Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC)**, or on their own statement containing the same wording. They may also change the font on Copy C so that the EIC notification and Form W-2 instructions fit entirely on the back. For more information about notification requirements, see **Notice 1015, Have You Told Your Employees About the Earned Income Credit (EIC)?**

Part C. Additional Instructions

Section 1. Additional Instructions for Form Printers

.01 If magnetic or electronic media is not used for filing with the SSA, the substitute copies of Forms W-2 (either red-ink or laser-printed) should be assembled in the same order as the official IRS Forms W-2. Copy A should be first, followed sequentially by perforated sets (Copies 1, B, C, 2, and D).

.02 The substitute form to be filed by the employer with the SSA must carry the designation “Copy A.”

Note: *Magnetic media/electronic filers do not submit paper Copy A (red-ink or laser-printed) of Form W-2 or Form W-3 (red-ink or laser-printed) to the SSA.*

.03 Substitute forms (red-ink or laser-printed) do not require a copy to be retained by employers (Copy D). However, employers **must** be prepared to verify or duplicate the information if it is requested by the IRS or the SSA. Paper filers who do not keep a Copy D should be able to generate a facsimile of Copy A in case of loss.

.04 Except for copies in the official assembly, no additional copies that may be prepared by employers should be placed ahead of Form W-2 (Copy C) “For EMPLOYEE’S RECORDS.”

.05 Instructions similar to those contained on the back of **Copies B and C** of the official IRS Form W-2 **must** be provided to each employee. These instructions may be printed on the back of the substitute Copies B and C or may be provided to employees on a separate statement. **Do not** print these instructions on the back of Copy 1 or 2 that is to be filed with the employee’s state, city, or local income tax return. Any Forms W-2 (Copy A) and W-3 that are filed with the SSA **must** have no printing on the reverse side. Instructions similar to those provided as part of the IRS official forms **must** be provided as part of any substitute Form W-2 (Copy A) or Form W-3.

Section 2. Instructions For Employers

.01 Only originals of Form W-2 (Copy A) and Form W-3 may be filed with the SSA. **Carbon copies and photocopies are unacceptable.**

.02 Employers should type or machine-print data entries on non laser-generated forms whenever possible. Ensure good quality by using a high-quality type face, inserting data in the middle of blocks that are well separated from other printing and guidelines, and taking any other measures that will guarantee clear, sharp images. Black ink **must** be used with no script type, inverted font, italics or dual-case alpha characters.

Note: *12-point Courier font is preferred by the SSA.*

.03 Form W-2 (Copy A) requires decimal entries for wage data. Dollar signs are preformatted on **red-ink** Forms W-2 (Copy A) and W-3 and should not be entered as part of money amounts. **Dollar signs should not be printed with money amounts on the black-and-white laser-printed Forms W-2 (Copy A) and W-3.**

.04 The employer must provide a machine-scannable Form W-2 (Copy A). The employer must also provide payee copies (Copies B, C, and 2) that are legible and able to be photocopied (by the employee). Refrain from printing any data in the top margin of the forms.

.05 Any printing in box a (Control number) on Forms W-2 or W-3 may not touch any vertical or horizontal lines and should be centered in the box.

.06 The filer's employer identification number (EIN) **must** be entered in box b of Form W-2 and box e of Form W-3.

Note: *The EIN entered on Form(s) W-2 (box b) and Form W-3 (box e) must be the same as on Forms 941, 943, CT-1, Schedule H (Form 1040), or any other corresponding forms filed with the IRS.*

.07 The employer's name, address, and EIN may be preprinted.

.08 Employers should use the official IRS-preprinted Form W-3 that they received with Pub. 393 or Pub. 2184, if available, when filing red-ink Forms W-2 (Copy A) with the SSA.

Section 3. OMB Requirements for Both Red-Ink and Laser-Printed Substitute Forms

.01 The Paperwork Reduction Act (the Act) of 1995 (Public Law 104-13) requires that:

- The OMB approves all IRS tax forms that are subject to the Act.
- Each IRS form contains (in or near the upper right corner) the OMB approval number, if any. (The official OMB numbers may be found on the official IRS printed forms and are also shown on the forms in Exhibits A, B, E, and F.)
- Each IRS form (or its instructions) states:
 1. Why the IRS needs the information,
 2. How it will be used, and
 3. Whether or not the information is required to be furnished to the IRS.

This information must be provided to any users of official or substitute IRS forms or instructions.

.02 The OMB requirements for substitute IRS forms are:

- Any substitute form or substitute statement to a recipient must show the OMB number as it appears on the official IRS form.
- For Form W-2 (Copy A) and Form W-3, the OMB number must appear exactly as shown on the official IRS form.
- For any copy of Form W-2 other than Copy A, the OMB number must use one of the following formats.
 1. OMB No. XXXX-XXXX (preferred) or
 2. OMB # XXXX-XXXX (acceptable).

.03 Any substitute Form W-2 (Copy A only) must state "For Privacy Act and Paperwork Reduction Act Notice, see separate instructions." Any substitute Form W-3 must state "For Privacy Act and Paperwork Reduction Act Notice, see the 2003 Instructions for Forms W-2 and W-3." If no instructions are provided to users of your forms, you must furnish them with the exact text of the Privacy Act and Paperwork Reduction Act Notice.

Section 4. Copies of Forms

.01 You can obtain official IRS forms and information copies of federal tax materials at local offices or by calling the IRS Distribution Center at **1-800-829-3676**. Other ways to get federal tax material include:

- The Internet at www.irs.gov.
- IRS Fax Forms at 703-368-9694.
- CD-ROM.

Note: *Many IRS forms are provided electronically by fax, on the IRS web site, and on the Federal Tax Forms CD-ROM. But copies of Form W-2 (Copy A) and Form W-3 cannot be used for filing with the IRS when obtained this way because the forms do not meet the specific printing specifications as described in this publication. Copies of Forms W-2 and W-3 obtained from these sources are for information purposes only.*

.02 You can access the IRS via the Internet by File Transfer Protocol (FTP) using [ftp.irs.gov](ftp://ftp.irs.gov) or by the World Wide Web using www.irs.gov.

.03 The IRS also offers an alternative to downloading electronic files and provides current and prior-year access to tax forms and instructions through its Federal Tax Forms CD-ROM. The CD will be available for the upcoming filing season. Order Pub. 1796, *IRS Federal Tax Products CD-ROM*, by using the IRS's Internet web site at www.irs.gov/cdorders or by calling 1-877-CDFORMS (1-877-233-6767).

Section 5. Effect On Other Documents

.01 Rev. Proc. 2002-53, 2002-31 I.R.B. 253, dated August 5, 2002 (reprinted as Publication 1141, Revised 8-2002), is superseded.

List of Exhibits

- Exhibit A — Form W-2 (Copy A) (Red-Ink)
- Exhibit B — Form W-3 (Red-Ink)
- Exhibit C — Form W-2 (Copy B)
- Exhibit D — Form W-2 (Alternative Employee Copies) (Illustrating Horizontal and Vertical Formats)
- Exhibit E — Form W-2 (Copy A) (Laser-Printed)
- Exhibit F — Form W-3 (Laser-Printed)

**Exhibit
A
Form
W-2
(Copy A)**
(Red Ink)

a Control number 1.6" ← 22222 → .94" ↑		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008 4.82" →		.375" ↑	
b Employer identification number 4.4" →		1 Wages, tips, other compensation \$		2 Federal income tax withheld \$.2" →	
c Employer's name, address, and ZIP code 4.4" →		3 Social security wages \$		4 Social security tax withheld \$			
		5 Medicare wages and tips \$		6 Medicare tax withheld \$		1.8" →	
		7 Social security tips \$		8 Allocated tips \$			
d Employee's social security number		9 Advance EIC payment \$		10 Dependent care benefits \$			
e Employee's first name and initial Last name 4.94" →		11 Nonqualified plans \$		12a See instructions for box 12 \$		4.56" →	
		13 Statutory employees .2" →		Retirement plan .36" →		Third-party sick pay .36" →	
		14 Other .36" →				.46" →	
						.14" →	
f Employee's address and ZIP code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local wages, tips, etc. \$	19 Local income tax \$	20 Locality name	

Form **W-2 Wage and Tax Statement**

2003

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

Exhibit B
Form W-3
(Red Ink)

DO NOT STAPLE OR FOLD

a Control number 33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 Military .36" 943 .36" 943 .46" Third-party sick pay .36" CT-1 .14" Ashid. emp. .14" Medicare gov. emp.	1 Wages, tips, other compensation \$	2 Federal income tax withheld \$
c Total number of Forms W-2 1.6"	3 Social security wages \$	4 Social security tax withheld \$
d Establishment number 1.9"	5 Medicare wages and tips \$	6 Medicare tax withheld \$
e Employer identification number 3.5"	7 Social security tips \$	8 Allocated tips \$
f Employer's name 8.0"	9 Advance EIC payments \$	10 Dependent care benefits \$
	11 Nonqualified plans \$	12 Deferred compensation \$
	13 For third-party sick pay use only \$	
g Employer's address and ZIP code	14 Income tax withheld by payer of third-party sick pay \$	
h Other EIN used this year		
15 State Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$
	18 Local wages, tips, etc. \$	19 Local income tax \$
Contact person	Telephone number ()	For Official Use Only
E-mail address	Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

Form **W-3 Transmittal of Wage and Tax Statements** **2003** Department of the Treasury Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

An Item To Note

Separate instructions. See the separate **2003 Instructions for Forms W-2 and W-3** for information on completing this form.

Purpose of Form

Use this form to transmit Copy A of **Form(s) W-2**, Wage and Tax Statement. Make a copy of Form W-3, and keep it with Copy D (For Employer) of Form(s) W-2 for your records. Use Form W-3 for the correct year. **File Form W-3 even if only one Form W-2 is being filed.** If you are filing Form(s) W-2 on magnetic media or electronically, **do not** file Form W-3.

When To File

File Form W-3 with Copy A of Form(s) W-2 by March 1, 2004.

Where To File

Send this entire page with the entire Copy A page of Form(s) W-2 to:

**Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001**


Note: If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See **Circular E, Employer's Tax Guide (Pub. 15)**, for a list of IRS approved private delivery services.

Do not send magnetic media to the address shown above.

For Privacy Act and Paperwork Reduction Act Notice, see the 2003 Instructions for Forms W-2 and W-3.

Cat. No. 10159Y
Printed on recycled paper

**Exhibit
C
Form
W-2
(Copy B)**

a Control number		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS Web Site at www.irs.gov .					
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld					
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld					
				5 Medicare wages and tips		6 Medicare tax withheld					
				7 Social security tips		8 Allocated tips					
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits					
e Employee's first name and initial Last name				11 Nonqualified plans		12a See instructions for box 12					
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b					
				14 Other		12c					
						12d					
f Employee's address and ZIP code											
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	
-----		-----		-----		-----		-----		-----	

Form **W-2** Wage and Tax Statement

2003

Department of the Treasury—Internal Revenue Service

Copy B To Be Filed with Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Exhibit D Form W-2 Alternative Employee Copies

(Illustrating Horizontal and Vertical Formats)

		1 Wages, tips, other compensation		2 Federal income tax withheld		
		3 Social security wages		4 Social security tax withheld		
		5 Medicare wages and tips		6 Medicare tax withheld		
15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

▲
Horizontal Format

1 Wages, tips, other compensation		2 Federal income tax withheld	
3 Social security wages		4 Social security tax withheld	
5 Medicare wages and tips		6 Medicare tax withheld	
15 State	Employer's state I.D. no.	16 State wages, tips, etc.	
17 State income tax		18 Local wages, tips, etc.	
19 Local income tax		20 Locality name	

▲
Vertical Format

Note: Exhibit D provides examples of employee copies of Form W-2 only. Copy A, which is sent to SSA, MUST conform to the dimensions in Exhibit A or Exhibit E.

The core data boxes are 1 through 6 and, if applicable, 15 through 20. The core data must be similarly positioned, exactly numbered, and exactly titled as shown for each format. Other data may be placed in unoccupied areas based upon the employer's needs. Form identification may be placed before or after the core data. However, the employer's non-core elements may be positioned only between the sections of core data.

**Exhibit E
Form W-2
(Copy A)**

(Laser-Printed)

This form may be subject to change.

a Control number 22222		Void	For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number		1 Wages, tips, other compensation		2 Federal income tax withheld
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld
4.1"		5 Medicare wages and tips		6 Medicare tax withheld
		7 Social security tips		8 Allocated tips
d Employee's social security number		9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial		Last name		11 Nonqualified plans
1.9"		2.2"		12a See instructions for box 12
7.5"		13 Statutory employee, Retirement plan, Third-party sick pay		12b
		14 Other		12c
f Employee's address and ZIP code				12d
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.
1.4"	1.8"	1.2"	1.1"	1.2"
				19 Local income tax
				20 Locality name
				1.1"
				.7"

Form **W-2 Wage and Tax Statement** **2003** Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable. **0000**
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Do Not Cut, Fold, or Staple Forms on This Page

a Control number 22222		Void	For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number		1 Wages, tips, other compensation		2 Federal income tax withheld
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld
		5 Medicare wages and tips		6 Medicare tax withheld
		7 Social security tips		8 Allocated tips
d Employee's social security number		9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial		Last name		11 Nonqualified plans
				12a See instructions for box 12
		13 Statutory employee, Retirement plan, Third-party sick pay		12b
		14 Other		12c
f Employee's address and ZIP code				12d
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.
				19 Local income tax
				20 Locality name

Form **W-2 Wage and Tax Statement** **2003** Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable. **0000**
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Exhibit F Form W-3

(Laser-Printed)

This form may be subject to change.

a Control number 33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 Military 943 CT-1 Hshld. emp. Medicare govt. emp. Third-party sick pay		1 Wages, tips, other compensation	2 Federal income tax withheld
c Total number of Forms W-2 1.6"		3 Social security wages	4 Social security tax withheld
d Establishment number 1.6"		5 Medicare wages and tips	6 Medicare tax withheld
e Employer identification number 3.2"		7 Social security tips 2.15"	8 Allocated tips 2.15"
f Employer's name 7.5"		9 Advance EIC payments	10 Dependent care benefits
		11 Nonqualified plans	12 Deferred compensation
		13 For third-party sick pay use only	
		14 Income tax withheld by payer of third-party sick pay	
g Employer's address and ZIP code			
h Other EIN used this year			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	19 Local income tax
Contact person		Telephone number	For Official Use Only 0000
E-mail address		Fax number	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

Form W-3 Transmittal of Wage and Tax Statements 2003

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

An Item To Note

Separate instructions. See the separate **2003 Instructions for Forms W-2 and W-3** for information on completing this form.

Purpose of Form

Use this form to transmit Copy A of **Form(s) W-2**, Wage and Tax Statement. Make a copy of Form W-3, and keep it with Copy D (For Employer) of Form(s) W-2 for your records. Use Form W-3 for the correct year. **File Form W-3 even if only one Form W-2 is being filed.** If you are filing Form(s) W-2 on magnetic media or electronically, **do not** file Form W-3.

When To File

File Form W-3 with Copy A of Form(s) W-2 by March 1, 2004.

Where To File

Send this entire page with the entire Copy A page of Form(s) W-2 to:

**Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001**

Note: If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See **Circular E, Employer's Tax Guide (Pub. 15)**, for a list of IRS approved private delivery services.

Do not send magnetic media to the address shown above.

For Privacy Act and Paperwork Reduction Act Notice, see the 2003 Instructions for Forms W-2 and W-3.

Note: This revenue procedure will be reprinted as the next revision of IRS Publication 1223, *General Rules and Specifications for Substitute Forms W-2c and W-3c*.

Rev. Proc. 2003-31

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Section 1 — Purpose

.01 The purpose of this revenue procedure is to state the requirements of the Internal Revenue Service (IRS) and the Social Security Administration (SSA) relating to substitute forms for **Form W-2c**, *Corrected Wage and Tax Statement*, and **Form W-3c**, *Transmittal of Corrected Wage and Tax Statements*, for:

- Preparing acceptable substitutes of the official IRS forms for filing returns with the IRS and SSA, and
- Using official or acceptable substitute forms to furnish information to recipients.

.02 The official IRS Form W-2c is a six-part form and the official IRS Form W-3c is a one-part form. **Paper substitutes conforming to the specifications contained in this document may be privately-printed without the prior approval of the IRS or the SSA.**

Note: *Both paper substitute forms filed with the SSA, and those furnished to employees, that do not totally conform to these specifications are not acceptable. Forms W-2c (Copy A) and Forms W-3c that do not conform may be returned. In addition, penalties may be assessed.*

.03 **Forms should NOT be submitted to either the IRS or the SSA for specific approval.** If you are uncertain of any specification and want it clarified, you may submit a letter citing the specification, state your understanding and interpretation of the specification, and enclose an example of the form (if appropriate) to:

Internal Revenue Service
Attn: Substitute Forms Program
W:CAR:MP:T:T:SP
Room 6411
1111 Constitution Ave., NW
Washington, DC 20224

You may also contact the Substitute Forms Program Unit via e-mail at **taxforms@irs.gov*. Please enter “Substitute Forms” on the Subject Line.

Note: *Allow at least 45 days for the IRS to respond.*

.04 The following publications provide more detailed filing procedures for certain information returns:

- *2003 Instructions for Forms W-2 and W-3*,
- *Instructions for Forms W-2c and W-3c (Rev. December 2002)*, and
- **Pub 1141**, *General Rules and Specifications for Substitute Forms W-2 and W-3*.

Section 2 — Nature of Changes

.01 We are revising this Revenue Procedure, which will be reprinted as Publication 1223, *General Rules and Specifications for Substitute Forms W-2c and W-3c*, because **Forms W-2c and W-3c** were revised in December 2002. Several changes have been made to **Forms W-2c and W-3c** since they were previously revised in December 2001. The major changes are:

- **Form W-3c** and **Copy A** of **Form W-2c** are now required to be printed in red drop-out ink, and
- **Form W-2c** is expanded to one per page.
- The Social Security Administration is developing laser-print versions of **Forms W-2c and W-3c** that will be available in pdf or Excel format. You may use the format of Copy A of the red-ink forms as an initial template. You may contact the SSA via e-mail at laserforms@SSA.gov for more information. See Section 5.

.02 The following changes have been made since the last revision (August 2002) of Publication 1223:

- We revised **Form W-2c, Corrected Wage and Tax Statement**, to provide boxes for the correction of state and local tax information. We also added other federal boxes that appear on **Form W-2, Wage and Tax Statement**.
- As a result of the additions to the form, Form W-2c (Copy A) is now printed one per page instead of two per page.
- We revised **Form W-3c, Transmittal of Corrected Wage and Tax Statements**, by adding a new box (box 14) “Inc. tax W/H by 3rd party sick pay payer.” Use box 14 to correct the amount reported in box 14 of **Form W-3, Transmittal of Wage and Tax Statements**.
- Form W-2c (Copy A) and Form W-3c are now printed in red dropout ink to enhance their scanning capabilities.
- Forms W-2c and W-3c now contain four (4) bold, black corner register marks.
- Although substitute Copy 1 of Form W-2c can be printed in black instead of the red drop-out ink, it should conform as closely as possible to Copy A of the official IRS form in content, format, and layout in order to satisfy state and local reporting requirements.
- The Web address for the Social Security Administration has changed to www.socialsecurity.gov.
- After June 30, 2003, **do not** use prior versions of Forms W-2c and W-3c.
- If you are required to file 250 or more Forms W-2c during a calendar year, you must file them on magnetic media or electronically unless the IRS granted you a waiver. You may be charged a penalty if you fail to file on magnetic media or electronically when required.
- For purposes of the magnetic media/electronic requirement, only Forms W-2c for the immediate prior year are taken into account. Also, if an employer, for example, must file 200 Forms W-2c for the immediate prior year in March and then discovers that another 100 Forms W-2c for the **same year** must be filed in August, only the 100 Forms W-2c that are filed in August must be filed on magnetic media or electronically.
- You may request a waiver on **Form 8508, Request for Waiver From Filing Information Returns Magnetically**. Submit Form 8508 to the IRS at least 45 days before you file Forms W-2c. See Form 8508 for filing information.
- At this time, laser-print versions of Forms W-2c and W-3c are being developed by the SSA and will be available in pdf or Excel format. As a result, we added a new Section 5 to this procedure. You may first contact the SSA at laserforms@SSA.gov to get more information.
- Throughout this revenue procedure, we differentiate between the two types of forms by using the following terms:
 - The official, IRS-printed red drop-out ink Forms W-2c (Copy A) and W-3c and their exact substitutes are referred to as “**red-ink.**”
 - The laser-printed, black-and-white Forms W-2c (Copy A) and W-3c that the SSA is developing will be referred to as “**laser-printed.**”

Section 3 — Filing Forms W-2c and W-3c on Magnetic Media or Electronically

.01 Employers **must** use magnetic media or file electronically with the SSA if they file 250 or more Forms W-2c (Copy A) during a calendar year unless the IRS granted you a waiver. See Section 2.02 for details.

.02 To submit Forms W-2c on magnetic media or electronically, contact the Employer Service Liaison Officer (ESLO) for your state. Call 1-800-772-6270 for your ESLO’s phone number. Specifications for filing Form W-2c on magnetic media or electronically are contained in SSA’s **MMREF-2, Magnetic Media Reporting and Electronic Filing of W-2c Information**. As noted above, employers filing less than 250 Forms W-2c are not required to file on magnetic media or electronically. However, doing so will enhance the timeliness and accuracy of forms processing.

.03 You can also get information from the SSA’s Business Services Online (BSO). You can access BSO by visiting the SSA employer web site at www.socialsecurity.gov/employer. Call the SSA at 1-888-772-2970 if you experience problems using BSO. Information available includes Forms W-2c magnetic media filing instructions, information on electronic filing, selected IRS and SSA forms and publications, and general topics about information reporting. BSO can also be used to ask questions about those same items.

.04 Employers with less than 250 Forms W-2 to be corrected are encouraged to file electronically or to use magnetic media for filing Forms W-2c (Copy A) with the SSA. Doing so will enhance the timeliness and accuracy of forms processing.

Section 4 — General Requirements for Substitute Paper Copies of “Red-Ink” Forms W-2c (Copy A) and W-3c That Payers Submit to SSA

- .01** Include the OMB Number on Forms W-2c (Copy A) and Form W-3c in the same location as on the official form.
- .02** The words “For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.” **must** be printed on all Forms W-2c (Copy A) and Form W-3c.
- .03** The Government Printing Office (GPO) symbol **must not** be printed on substitute Forms W-2c (Copy A) and Form W-3c.
- .04** The Catalog Number (Cat. No.) shown on the forms is used for IRS distribution purposes and should not be printed on any substitute forms.
- .05** The SSA addresses must be printed on the front of Form W-3c below the body of the form (see Exhibit B). They are:
If you use the **U.S. Postal Service**:
- Social Security Administration
Data Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18767-3333.
- If you use a **carrier other than the U.S. Postal Service**:
- Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997.
- .06** All printing of substitute Forms W-2c (Copy A) and W-3c **must** be in Flint red OCR dropout ink **except** as specified below. The following **must** be printed in **nonreflective black ink**:
- Identifying number “44444” or “55555” at the top of the forms.
 - **The four (4) corner register marks on the forms.**
 - All text including “Form W-3c” below the bottom two corner register marks of Form W-3c.
- .07** The sequence for assembling the copies of Form W-2c is:
- Copy A — For Social Security Administration
Copy 1 — State, City, or Local Tax Department
Copy B — To Be Filed With Employee’s FEDERAL Tax Return
Copy C — For EMPLOYEE’S RECORDS
Copy 2 — To Be Filed With Employee’s State, City, or Local Income Tax Return
Copy D — For Employer
- .08** Substitute form printers are **required** to include their Employer Identification Numbers (EINs) to the left of “Department of the Treasury” in the lower right of Forms W-2c and W-3c in place of “Cat. No.”
- .09** Employers may file privately-printed Forms W-2c (Copy A) and Form W-3c with the SSA. Any substitute form must be an **exact** replica of the IRS-printed form with respect to layout and content.
- .10** The back of substitute Forms W-2c (Copy A) and Form W-3c must be free of all printing.
- .11** In addition:
- Hot wax and cold carbon spots are not permitted on any of the internal form plies.
 - Color and paper quality for Copy A (cut sheets and continuous pinfed forms) as specified by JCP Code 0-25, dated November 29, 1978, must be white 100% bleached chemical wood, optical character recognition (OCR) bond.
Note: *Reclaimed fiber in any percentage is permitted provided the requirements of this standard are met.*
 - Chemical transfer paper is permitted for Copy A only if:
 - (a) chemically-**backed**;
 - (b) you do not use carbon-coated forms; and
 - (c) chemically-transferred images are black.
 - All copies must be **clearly legible**. **Interleaved carbon** should be black and must be of good quality to assure legibility on all copies and to avoid smudging. Fading must be minimized to assure legibility.
 - All copies should be legible and able to be photocopied.
 - The contractor must initiate or have a quality control program to assure OCR ink density.
- .12** Type must be substantially identical in size and shape to the official form. All rules are either ½-point or ¾-point. Rules must be identical to those on the official IRS form.
- Note:** *The identifying number must be nonreflective carbon-based black ink in OCR-A font.*
- .13** One official Form W-2c or W-3c is contained on a single page that is 8.5 inches wide (exclusive of any snap stubs) by 11 inches deep. The width of a substitute form must be 7.5 inches. See Exhibits A and B.
- .14** Forms W-2c (Copy A) of privately-printed, continuous substitute forms must be perforated at each 11-inch page depth.

Section 5 — “Laser-Printed” Substitute Forms W-2c (Copy A) and W-3c That Will Be Filed With the SSA

.01 The SSA is in the process of developing laser-printed versions of Forms W-2c and W-3c. You may contact the SSA via e-mail at laser.forms@ssa.gov for more information. After the forms are developed, you will obtain a template in pdf or Excel format and the SSA will provide further approval instructions. You may use the format of Copy A of the red-ink forms as an initial template. You may also contact the SSA at the following address:

Social Security Administration
Data Operations Center
Attn: Laser Forms Approval, Room 359
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

You will be asked to send your sample forms via private mail carrier or certified mail in order to verify their receipt.

.02 Specifications for the laser-printed black-and-white Forms W-2c (Copy A) and W-3c should be similar to the red-ink forms (Section 4) except for certain items and actual form dimensions.

.03 You will be asked to submit samples of your laser-printed substitute forms to the SSA. Only laser-printed, black-and-white substitute Forms W-2c (Copy A) and W-3c will be accepted for approval by the SSA. **Questions regarding other forms (i.e., Forms 1098, 1099 series, 1096, etc.) must be directed to the IRS.**

.04 You will be required to preprint a 4-digit vendor code preceded by four zeros and a slash (0000/) on the sample, laser-printed substitute forms. **Forms not containing a vendor code will be rejected and will not be submitted for testing or approval.** If you do not have a vendor code, you may contact the National Association of Computerized Tax Processors via e-mail at president@nactp.org.

Section 6 — Requirements for Substitute Privately-Printed Forms W-2c (Copies B, C, and 2) Furnished to Employees

.01 All employers (including those who file on magnetic media or electronically) must furnish employees with at least two copies of Form W-2c (three or more for employees required to file a state, city, or local income tax return).

Note: *Although substitute Copy 1 of Form W-2c can be printed in black instead of the red drop-out ink, it should conform as closely as possible to Copy A of the official IRS form in content, format, and layout in order to satisfy state and local reporting requirements.*

.02 The paper for all copies **must** be white and printed in black ink. The substitute Copy B (or its equal), which employees are instructed to attach to their federal income tax returns, must be at least 12-pound paper (basis 17 x 22–500). Other copies furnished to the employee must be on at least 9-pound paper (basis 17 x 22–500).

.03 Interleaved carbon and chemical transfer paper for employee copies **must** be clearly legible, have the capability to be photocopied, and not fade to such a degree as to preclude legibility and the ability to photocopy.

.04 Type must be substantially identical in size and shape to that on the official form.

.05 Substitute forms for employees need to contain only the payment boxes and captions that are applicable. These boxes, box numbers, and box titles **must**, when applicable, match the IRS-printed form. In all cases, the employee name, address, and SSN must be present.

.06 The dimensions of these copies (Copies B, C, and 2), but not Copy A, may be expanded from the dimensions of the official form to allow space for conveying additional information. Also, on these copies (Copies B, C, and 2), the size of the boxes may be adjusted. This may permit the employer to eliminate other statements or notices that would otherwise be furnished to employees.

.07 The **maximum** allowable dimensions for employee copies of Form W-2c are no more than 11 inches deep by 8.5 inches wide. The **minimum** allowable dimensions for employee copies of Form W-2c are 2.67 inches deep by 4.25 inches wide.

Note: *These maximum and minimum size specifications are subject to future change.*

.08 Either horizontal or vertical format is permitted for substitute employee copies of Forms W-2c. That is, the width of the form may be either greater or less than the depth of the form.

.09 All copies of Form W-2c **must** clearly show the form number and the form title prominently displayed together in one area of the form. It is recommended (but not required) that this be located on the bottom left of Form W-2c. The reference to the “Department of the Treasury — Internal Revenue Service” **must** be on all copies of Form W-2c. It is recommended (but not required) that this be located on the bottom right of Form W-2c.

.10 If the substitute Forms W-2c are **not labeled** as to the disposition of the copies, then written notification **must** be provided to each employee as specified below:

- The first copy of Form W-2c (Copy B) is filed with the employee’s federal tax return.
- The second copy of Form W-2c (Copy C) is for the employee’s records.
- If applicable, the third copy (Copy 2) of Form W-2c is filed with the employee’s state, city, or local income tax return.

If the substitute Forms W-2c are **labeled**, the forms **must** contain the applicable description as stated on the official form.

.11 Instructions similar to those on the back of Form W-2c (Copy C) of the official form must be provided to each employee.

Section 7 — Instructions for Employers

.01 Privately-printed substitute Forms W-2c are not required to contain a copy to be retained by employers (Copy D). However, employers **must** be prepared to verify or duplicate this information if the IRS or the SSA requests it. Paper filers who do not keep Copy D of Form W-2c should be able to generate a facsimile of Form W-2c (Copy A) in case of loss.

.02 If Copy D is provided for the employer, instructions contained on the back of Copy D of the official form must appear on the back of the substitute form. If Copy D is not provided, these instructions must be furnished to the employer on a separate statement.

.03 Only originals or compliant substitute copies of Forms W-2c and Forms W-3c may be filed with the SSA. CARBON COPIES AND PHOTOCOPIES ARE NOT ACCEPTABLE.

.04 Employers should type or machine print entries on non-laser generated forms whenever possible and provide good quality data entries by using a high quality type face, inserting data in the middle of blocks that are well separated from other printing and guidelines, and taking any other measures that will guarantee clear, sharp images.

.05 Because employers must file a machine-scannable Form W-2c, they should be aware of the following requirements:

- Use 12-point Courier (SSA-preferred) font for data entries.
- Proportional-spaced fonts are unacceptable.
- Refrain from printing any data in the top margin of the forms.

.06 The employer must also furnish payee copies of Forms W-2c (Copies B, C, and 2) that are legible and capable of being photocopied (by the employee).

.07 When Forms W-2c or W-3c are typed, black ink **must** be used with no script type, inverted font, italics, or dual-case alpha characters.

.08 The filer's employer identification number (EIN) **must** be entered in box d of Form W-2c and box e of Form W-3c.

.09 The employer's name, address, EIN, and state ID number may be preprinted.

Section 8 — OMB Requirements for Substitute Forms

.01 The Paperwork Reduction Act (the Act) of 1995 (Public Law 104-13) requires that:

- The OMB approves all IRS tax forms that are subject to the Act.
- Each IRS form contains the OMB approval number, if any. (The official OMB numbers may be found on the official IRS printed forms and are also shown in the exhibits.)
- Each IRS form (or its instructions) states:
 1. Why the IRS needs the information,
 2. How it will be used, and
 3. Whether or not the information is required to be furnished to the IRS.

.02 This information must be provided to any users of official or substitute IRS forms or instructions.

.03 The OMB requirements for **substitute** IRS forms are:

- Any substitute form or substitute statement to a recipient must show the OMB number as it appears on the official IRS form.
- For Form W-3c and Copy A of Form W-2c, the OMB number must appear exactly as shown on the official IRS form.
- For any copy other than Copy A, the OMB number must use one of the following formats.
 1. OMB No. XXXX-XXXX (preferred) or
 2. OMB # XXXX-XXXX (acceptable).

.04 All substitute Forms W-3c and Copy A of Form W-2c must state "For Privacy Act and Paperwork Reduction Act Notice, see separate instructions." If no instructions are provided to users of your forms, you must furnish them the exact text of the Privacy Act and Paperwork Reduction Act Notice.

Section 9 — Reproducible Copies of Forms

.01 You can order official IRS forms and information copies of federal tax materials by calling the IRS Distribution Center at 1-800-829-3676. Other ways to get federal tax material include:

- The Internet.
- CD-ROM.
- GPO Superintendent of Documents Bookstores.

Note: Several IRS forms are provided electronically on the IRS web site and on the Federal Tax Forms CD-ROM, but Form W-3c and Copy A of Form W-2c downloaded from these sources cannot be used for filing because fileable forms must comply with specifications contained in this publication. These forms contain special scannable requirements.

.02 You can access the IRS web site on the Internet via:

- File Transfer Protocol (FTP) using *ftp.irs.gov* or
- World Wide Web by using *www.irs.gov*

.03 The IRS also offers an alternative to downloading electronic files and provides current and prior-year access to tax forms and instructions through its Federal Tax Forms CD-ROM. Order **Pub. 1796**, *IRS Federal Tax Products CD-ROM*, by using the IRS' Internet web site at www.irs.gov/cdorders or by calling 1-877-CDFORMS (1-877-233-6767).

Section 10 — Effect on Other Documents

.01 Revenue Procedure 2002-51, 2002-29 I.R.B. 175 (reprinted as Publication 1223, Rev 8-2002), is superseded.

Section 11 — Exhibits

Exhibit A

DO NOT CUT, FOLD, OR STAPLE THIS FORM

a Tax year/Form corrected / W-2	4 4 4 4 4	For Official Use Only ▶ OMB No. 1545-0008
b Employee's correct SSN	c Corrected name <input type="checkbox"/> (if checked enter correct name in box e and complete box i)	d Employer's Federal EIN
e Employee's first name and initial ----- Last name	g Employer's name, address, and ZIP code	
f Employee's address and ZIP code		h Employee's incorrect SSN
Complete boxes h and/or i only if incorrect on last form filed. ▶		i Employee's name (as incorrectly shown on previous form)

Note: Only complete money fields that are being corrected (except MQGE).

Previously reported	Correct information	Previously reported	Correct information
1 Wages, tips, other compensation	1 Wages, tips, other compensation	2 Federal income tax withheld	2 Federal income tax withheld
3 Social security wages	3 Social security wages	4 Social security tax withheld	4 Social security tax withheld
5 Medicare wages and tips	5 Medicare wages and tips	6 Medicare tax withheld	6 Medicare tax withheld
7 Social security tips	7 Social security tips	8 Allocated tips	8 Allocated tips
9 Advance EIC payment	9 Advance EIC payment	10 Dependent care benefits	10 Dependent care benefits
11 Nonqualified plans	11 Nonqualified plans	12a See instructions for box 12	12a See instructions for box 12
13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b	12b
14 Other (see instructions)	14 Other (see instructions)	12c	12c
		12d	12d

State Correction Information

Previously reported	Correct information	Previously reported	Correct information
15 State	15 State	15 State	15 State
----- Employer's state ID number	----- Employer's state ID number	----- Employer's state ID number	----- Employer's state ID number
16 State wages, tips, etc.	16 State wages, tips, etc.	16 State wages, tips, etc.	16 State wages, tips, etc.
17 State income tax	17 State income tax	17 State income tax	17 State income tax

Locality Correction Information

18 Local wages, tips, etc.	18 Local wages, tips, etc.	18 Local wages, tips, etc.	18 Local wages, tips, etc.
19 Local income tax	19 Local income tax	19 Local income tax	19 Local income tax
20 Locality name	20 Locality name	20 Locality name	20 Locality name

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Form **W-2c** (Rev. 12-2002)

Copy A—For Social Security Administration

Department of the Treasury
Internal Revenue Service

Cat. No. 61437D

Corrected Wage and Tax Statement

Exhibit B

.5" 7.5"

DO NOT CUT, FOLD OR STAPLE

a Tax year/Form corrected / W-.....		55555	For Official Use Only ▶ OMB No. 1545-0008	
b Employer's name, address, and ZIP code		c Kind of Payer		
3.8"		941/941-SS <input type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>
		CT-1 <input type="checkbox"/>	Hshld. emp. <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>
		Sec. 218 <input type="checkbox"/>		
			Third-party sick pay <input type="checkbox"/>	
d Number of Forms W-2c	e Employer's Federal EIN	f Establishment number	g Employer's state ID number	
Complete boxes h, i, or j only if incorrect on last form filed.	h Employer's incorrect Federal EIN	i Incorrect establishment number	j Employer's incorrect state ID number	
Total of amounts previously reported as shown on enclosed Forms W-2c.	Total of corrected amounts as shown on enclosed Forms W-2c.	Total of amounts previously reported as shown on enclosed Forms W-2c.	Total of corrected amounts as shown on enclosed Forms W-2c.	
1 Wages, tips, other compensation	1 Wages, tips, other compensation	2 Federal income tax withheld	2 Federal income tax withheld	
3 Social security wages	3 Social security wages	4 Social security tax withheld	4 Social security tax withheld	
5 Medicare wages and tips	5 Medicare wages and tips	6 Medicare tax withheld	6 Medicare tax withheld	
7 Social security tips	7 Social security tips	8 Allocated tips	8 Allocated tips	
9 Advance EIC payments	9 Advance EIC payments	10 Dependent care benefits	10 Dependent care benefits	
11 Nonqualified plans	11 Nonqualified plans	12a-d (Coded items)	12a-d (Coded items)	
		1.9"	1.8"	
14 Inc. tax W/H by 3rd party sick pay payer	14 Inc. tax W/H by 3rd party sick pay payer			
16 State wages, tips, etc.	16 State wages, tips, etc.	17 State income tax	17 State income tax	
18 Local wages, tips, etc.	18 Local wages, tips, etc.	19 Local income tax	19 Local income tax	
Explain decreases here:				
Has an adjustment been made on an employment tax return filed with the Internal Revenue Service? <input type="checkbox"/> Yes <input type="checkbox"/> No				
If "Yes," give date the return was filed ▶				
Under penalties of perjury, I declare that I have examined this return, including accompanying documents, and, to the best of my knowledge and belief, it is true, correct, and complete.				
Signature ▶		Title ▶		Date ▶
Contact person		Telephone number ()		For Official Use Only
E-mail address		Fax number ()		

Purpose of Form

Use this form to transmit Copy A of **Form(s) W-2c**, Corrected Wage and Tax Statement (Rev. 12-2002). Make a copy of Form W-3c and keep it with Copy D (For Employer) of Forms W-2c for your records. File Form W-3c even if only one Form W-2c is being filed or if those Forms W-2c are being filed only to correct an employee's name or social security number (SSN). See the separate **Instructions for Forms W-2c and W-3c** (Rev. December 2002) for information on completing this form.

When To File

File this form and Copy A of Form(s) W-2c with the Social Security Administration as soon as possible after you discover an error on Forms W-2, W-2AS, W-2GU, W-2CM, or W-2VI. Also provide Copies B, C, and 2 of Form W-2c to your employees as soon as possible.

Where To File

If you use the U.S. Postal Service, send Forms W-2c and W-3c to the following address:

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Part IV. Items of General Interest

Dutch Agreement on Pension Funds

Announcement 2003–21

Following is a copy of the News Release issued by the Director International (U.S. Competent Authority) on March 21, 2003 (IR–2003–37).

U.S. AND NETHERLANDS REACH AGREEMENT ON PENSION FUNDS

WASHINGTON — The Competent Authorities of the United States and the Kingdom of the Netherlands have entered into a mutual agreement to clarify the entitlement of exempt pension funds to benefits under the Convention between the United States of America and the Kingdom of the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, signed on December 18, 1992, and amended by Protocol signed on October 13, 1993.

It has come to the attention of the Competent Authorities that pension funds of one Contracting State, that are otherwise entitled to benefits under Article 35 (Exempt Pension Trusts) of the Convention, may invest in the other Contracting State through an entity that is organized and treated as fiscally transparent in the other Contracting State, but treated as taxable by the first Contracting State. In order to ensure the application of Article 35, and pursuant to the authority of Article 29 (Mutual Agreement Procedure) of the Convention, the Competent Authorities agree that interest and dividends paid to and through such an entity for the benefit of a pension fund entitled to the benefits of Article 35 of the Convention shall be considered to be derived by a resident of the first Contracting State to the extent of the share the pension fund has in the interest and dividends described in Article 35 and paid to the entity. Further, this agreement is effective only for interest and dividends that would have been exempt from tax had they been derived directly by the pension fund. This agreement has effect only for payments of interest and dividends made on or after January 1, 2001.

For further information in the United States, contact David Kosterlitz at (202) 874–1748. For further information in the

Netherlands, contact Arnaud de Graaf at (31) 70–342–8171.

Cash Balance New Comparability Regulations

Announcement 2003–22

On December 11, 2002, Treasury and the IRS published proposed regulations under §§ 411(b)(1)(H) and 411(b)(2) of the Internal Revenue Code (the “Code”). *67 Fed. Reg.* 76123. These proposed regulations interpret the statutory age-discrimination rules for all qualified plans, including cash balance pension plans.

At the same time, Treasury and the IRS published proposed regulations under Code § 401(a)(4). The proposed § 401(a)(4) regulations provide that an “eligible cash balance plan” (as defined in the proposed § 411(b)(1)(H) regulations) may not demonstrate that the benefits under the plan do not discriminate in favor of highly compensated employees using the rules for defined benefit plans unless the plan complies with a modified version of the special § 401(a)(4) regulations related to cross-testing by defined contribution plans and certain arrangements involving combinations of defined contribution and defined benefits plans. This restriction on the use of inconsistent testing methods between §§ 411(b)(1)(H) and 401(a)(4) was intended to ensure that plan sponsors could not avoid the “new comparability” rules applicable to a defined contribution plan and those combination arrangements through the use of a cash balance plan (which has a benefit accrual pattern similar to that of a defined contribution plan).

However, comments submitted on the proposed § 401(a)(4) regulations have raised serious concerns about their effect on cash balance conversions. Specifically, comments have indicated that the proposed § 401(a)(4) regulations would make it difficult — or, in certain cases, impossible — for plan sponsors converting long-standing traditional pension plans to cash balance plans to provide different types of transition relief to plan participants. The practices that would be problematic under the proposed § 401(a)(4) regulations include, among others, providing plan participants

who meet certain age or service criteria with a “choice” whether to accrue future benefits under the traditional plan formula or the cash balance plan formula; providing such participants, at retirement, the greater of the benefit under the traditional plan formula or the benefit under the cash balance plan formula; “grandfathering” current plan participants under the traditional plan formula; and providing “transition credits” to certain plan participants.

These consequences for plan participants who receive and plan sponsors who provide transition relief in cash balance conversions were not intended. Therefore, Treasury and the IRS will withdraw the proposed § 401(a)(4) regulations.

Treasury and the IRS remain concerned about the potential for plan sponsors to avoid the requirements of the new comparability regulations through the use of a cash balance plan. Treasury and the IRS intend to issue new proposed regulations that will address this specific concern without creating impediments to conversion practices implemented in the interests of fairness to plan participants. Comments are requested on this issue.

Comments may be submitted on or before July 27, 2003, in writing, and should reference Announcement 2003–22. Comments may be submitted to CC:PA:RU (Announcement 2003–22), room 5226, Internal Revenue Service, POB 7604 Ben Franklin Station, Washington, DC 20044. In addition, comments may be hand delivered between the hours of 8 a.m. and 4 p.m. Monday to Friday to: CC:PA:RU (Announcement 2003–22), Courier’s Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, D.C. Alternatively, comments may be submitted via the Internet at Notice.Comments@irscounsel.treas.gov. All comments will be available for public inspection and copying.

Statutory Mergers and Consolidations; Hearing

Announcement 2003–25

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Change of location of public hearing.

SUMMARY: This document changes the location of the public hearing on proposed regulations (REG-126485-01, 2003-9 I.R.B. 542) relating to statutory mergers and consolidations under section 368 of the Internal Revenue Code.

DATES: The public hearing will be held on Wednesday, May 21, 2003, beginning at 10 a.m.

ADDRESSES: The public hearing originally scheduled in room 4718, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC, is changed to the auditorium, room 7218, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning submissions of comments, the hearing, and/or to be placed on

the building access list to attend the hearing, contact Guy R. Traynor of the Regulations Unit, Associate Chief Counsel (Procedure and Administration) at (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

A notice of proposed rulemaking and notice of public hearing appearing in the **Federal Register** on January 24, 2003 (68 FR 3477), announced that a public hearing on proposed regulations relating to statutory mergers and consolidations under section 368 of the Internal Revenue Code would be held on Wednesday, May 21, 2003, beginning at 10 a.m. in room 4718 of the Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

The location of the public hearing has changed. The hearing is scheduled for Wednesday, May 21, 2003, beginning at 10

a.m. in the auditorium, room 7218, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Because of controlled access restrictions, attendees are not admitted beyond the lobby of the Internal Revenue Building until 9:30 a.m. The IRS will prepare an agenda showing the scheduling of the speakers after the outlines are received from the persons testifying and make copies available free of charge at the hearing.

Cynthia E. Grigsby,
Chief, Regulations Unit,
Associate Chief Counsel
(Procedure & Administration).

(Filed by the Office of the Federal Register on April 10, 2003, 8:45 a.m., and published in the issue of the Federal Register for April 11, 2003, 68 F.R. 17759)

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

applies 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.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2002–26 through 2002–52 is in Internal Revenue Bulletin 2003–1, dated January 6, 2003.

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² A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2002–26 through 2002–52 is in Internal Revenue Bulletin 2003–1, dated January 6, 2003.