

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

T.D. 9452, page 1.

Final regulations under section 904 of the Code provide guidance relating to the application of section 904 to dividends paid by a foreign corporation that is a noncontrolled section 902 corporation as defined in section 904(d)(2)(E). The regulations also provide rules under section 964 for the election, adoption, or change of a method of accounting or taxable year on behalf of a foreign corporation by its controlling domestic shareholders.

Rev. Proc. 2009-31, page 107.

This procedure provides guidance regarding the granting or revocation of consent to treat intercompany transactions on a separate entity basis under regulations section 1.1502-13(e)(3). Rev. Proc. 97-49 modified and superseded.

EMPLOYEE PLANS

Rev. Rul. 2009-18, page 1.

Tax-sheltered annuity contracts. This ruling notes that a number of guidance documents had become outdated due to numerous intervening statutory revisions enacted in section 403(b) of the Code. Final regulations under sections 1.403(b)-1 thru 11 have been issued. Since these regulations include and modify much of the IRS guidance relating to section 403(b) issued between 1964 and 2004, the guidance documents listed in this revenue ruling are obsolete or superseded in their entirety, with one partial exception (Notice 89-23).

ADMINISTRATIVE

Rev. Proc. 2009-30, page 27.

Electronic filing; 2009 form specifications. This procedure contains updates and changes to Publication 1220, *Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically* (revised 7-2009). Rev. Proc. 2008-38 superseded.

Finding Lists begin on page ii.



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 compiled 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 last 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 last Bulletin of each semiannual period.

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

Section 403.—Taxation of Employee Annuities

26 CFR 1.403(b)-1 thru -11: Section 403(b) tax-sheltered annuity contracts.

Tax-sheltered annuity contracts. This ruling notes that a number of guidance documents had become outdated due to numerous intervening statutory revisions enacted in section 403(b) of the Code. Final regulations under sections 1.403(b)-1 thru 11 have been issued. Since these regulations include and modify much of the IRS guidance relating to section 403(b) issued between 1964 and 2004, the guidance documents listed in this revenue ruling are obsolete or superseded in their entirety, with one partial exception (Notice 89-23).

Rev. Rul. 2009-18

Treasury Decision 9340, published in the Federal Register for July 26, 2007, (T.D. 9340, 2007-2 C.B. 487 [72 FR 41128]), includes comprehensive final regulations (under §§ 1.403(b)-1 thru -11 of the *Income Tax Regulations*) regarding the exclusion provided under § 403(b) for employer contributions to certain annuity contracts (as defined in § 1.403(b)-2(b)(2)). These regulations generally apply after December 31, 2008. See § 1.403(b)-11.

In the “Effect of These Regulations on Other Guidance” section of its preamble, T.D. 9340 notes that since the prior set of section 403(b) regulations were issued in 1964, a number of guidance documents had become outdated due to numerous intervening statutory revisions enacted in section 403(b). In this section, the Internal Revenue Service (IRS) listed a number of documents that it proposed to obsolete after these regulations became final. The IRS received no comments regarding this prior notice to obsolete these documents.

The revenue rulings listed below are obsolete.

Rev. Rul. 64-333 (1964-2 C.B. 114)
Rev. Rul. 65-200 (1965-2 C.B. 141)
Rev. Rul. 66-254 (1966-2 C.B. 125)
Rev. Rul. 66-312 (1966-2 C.B. 127)
Rev. Rul. 67-69 (1967-1 C.B. 93)
Rev. Rul. 67-78 (1967-1 C.B. 94)

Rev. Rul. 67-361 (1967-2 C.B. 153)
Rev. Rul. 67-387 (1967-2 C.B. 153)
Rev. Rul. 67-388 (1967-2 C.B. 153)
Rev. Rul. 68-179 (1968-1 C.B. 179)
Rev. Rul. 68-482 (1968-2 C.B. 186)
Rev. Rul. 68-487 (1968-2 C.B. 187)
Rev. Rul. 68-488 (1968-2 C.B. 188)
Rev. Rul. 69-629 (1969-2 C.B. 101)
Rev. Rul. 70-243 (1970-1 C.B. 107)
Rev. Rul. 87-114 (1987-2 C.B. 116)
Rev. Rul. 90-24 (1990-1 C.B. 97)

The notices listed below are obsolete, except to the extent described.

Notice 90-73 (1990-2 C.B. 353)

Notice 92-36 (1992-2 C.B. 364)

Notice 89-23 (1989-1 C.B. 654) (except to the extent described in the last paragraph of the “Treatment of Controlled Groups that Include Tax-Exempt Entities” section of the preamble to Treasury Decision 9340 at 72 FR 41138, and 2007-2 C.B. 499)

The announcement listed below is obsolete.

Announcement 95-48 (1995-23 I.R.B. 13)

DRAFTING INFORMATION

The principal author of this revenue ruling is Robert Architect of the Office of Division Commissioner (TE/GE). For further information regarding this revenue ruling, please contact the Employee Plans taxpayer assistance answering service at 1-877-829-5500 (a toll free-number) or e-mail Mr. Architect at RetirementPlanQuestions@irs.gov.

Section 904.—Limitation on Credit

26 CFR 1.904-5: Look-through rules as applied to controlled foreign corporations and other entities.

T.D. 9452

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Parts 1 and 602

Application of Separate Limitations to Dividends from

Noncontrolled Section 902 Corporations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations, temporary regulations, and removal of temporary regulations.

SUMMARY: This document contains final regulations regarding the application of separate foreign tax credit limitations to dividends received from noncontrolled section 902 corporations. The American Jobs Creation Act of 2004 (AJCA) modified the treatment of such dividends effective for taxable years beginning after December 31, 2002. The Gulf Opportunity Zone Act of 2005 (GOZA) permits taxpayers to elect to defer the effective date of the AJCA amendments until taxable years beginning after December 31, 2004. The final regulations provide guidance needed to comply with these changes and affect corporations claiming foreign tax credits.

DATES: Effective Date: These regulations are effective on June 11, 2009.

Applicability Dates: For dates of applicability, see §§1.861-9(k), 1.861-12(c)(5), 1.902-1(g), 1.904-2(h)(1) and (2), 1.904-4(n), 1.904-5(o)(2), 1.904-7(f)(10), 1.904(f)-12(g)(5), and 1.964-1(d).

FOR FURTHER INFORMATION CONTACT: Richard Chewning at (202) 622-3850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collections of information contained in the final regulations have been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork and Reduction Act (44 U.S.C. 3507(d)) under control number 1545-2014. The collections of information in the final regulations are in §§1.904-7(f)(9)(ii)(C) and 1.964-1(c)(3). This information is required, with respect to §1.904-7(f)(9)(ii)(C), to notify the IRS that taxpayer has made the election to

defer the applicability of the provisions of section 403 of the AJCA. With respect to §1.964-1(c)(3), this information is required to notify the IRS and domestic shareholders of a foreign corporation of elections made to adopt or change a method of accounting or taxable year of the foreign corporation.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number.

Books or records relating to these collections of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

On April 20, 2006, a notice of proposed rulemaking by cross-reference to temporary regulations (REG-144784-02, 2006-1 C.B. 1036) under sections 861, 902, 904, and 964 of the Code and temporary regulations (T.D. 9260, 2006-1 C.B. 1001) (the 2006 temporary regulations) were filed with the Office of the **Federal Register**. On April 25, 2006, the notice of proposed rulemaking by cross-reference to temporary regulations and the 2006 temporary regulations were published in the **Federal Register** (REG-144784-02, 2006-1 C.B. 1036 [71 FR 24543] and T.D. 9260, 2006-1 C.B. 1001 [71 FR 24516], respectively). Corrections to the 2006 temporary regulations were published on August 21, 2006, and December 26, 2006, in the **Federal Register** (Ann 2006-67, 2006-2 C.B. 509 [71 FR 48474] and Ann 2007-12, 2007-1 C.B. 465 [71 FR 77264] respectively). Comments were received. A public hearing was not requested and none was held. After consideration of the comments, the proposed regulations are adopted as amended by this Treasury decision.

Explanation and Summary of Comments

The IRS and the Treasury Department received written comments on the 2006 temporary regulations. Those comments are discussed in this preamble. These new regulations make several changes to the

2006 temporary regulations to take into account comments received, while adopting without amendment most of the temporary regulations. The significant comments and revisions are described in this preamble.

I. Interest Expense Apportionment

A. Interest Expense of a 10/50 Corporation

Section 904(d)(4)(A), as amended by the AJCA, provides that any dividend paid by a noncontrolled section 902 corporation (10/50 corporation) shall be treated as income in a separate category based on the separate category of the underlying earnings and profits being distributed (look-through treatment), effective for taxable years beginning after December 31, 2002 (post-2002 taxable years), without regard to when the distributed earnings were accumulated. For purposes of apportioning interest expense of a 10/50 corporation in order to apply the dividend look-through rule, §1.861-9T(f)(4) of the 2006 temporary regulations generally applies the same principles as §1.861-9T(f)(3) (apportionment of interest expense of a controlled foreign corporation). Under these rules, interest expense of a 10/50 corporation may be apportioned using either the asset method or the modified gross income method. Regardless of the interest expense apportionment methods used by its majority domestic corporate shareholders, the 10/50 corporation (or the majority domestic corporate shareholders on behalf of the 10/50 corporation) may elect to use any of the methods described in §1.861-9T or §1.861-9 (that is, the modified gross income, tax book value, alternative tax book value or fair market value method) to apportion the 10/50 corporation's interest expense.

Section 1.861-9T(j)(1) provides a rule for "tiering up" the income of tiers of controlled foreign corporations (CFCs) that use the modified gross income method to apportion interest expense. Under that rule, the lowest-tier CFC's interest expense is allocated and apportioned based on its gross income, and its gross income reduced by such allocated and apportioned interest expense is then treated as gross income of the next-higher-tier CFC for purposes of apportioning the higher-tier CFC's interest expense. These steps are then essentially repeated, moving up the

tiers. A commenter requested that the IRS and the Treasury Department clarify the mechanics of apportioning interest expense when tiered corporations elect different apportionment methods. This commenter raises issues that are beyond the scope of this regulation project and therefore are not addressed in this document.

B. Definition of "10 Percent Owned Corporation"

Prior to revision by the 2006 temporary regulations, §1.861-12T(c)(2) required an affiliated group using the tax book value method in apportioning its interest expense to adjust the basis of stock in any "10 percent owned corporation" that is held directly by members of the group to reflect each member's pro rata share of such 10 percent owned corporation's earnings and profits (or deficit in earnings and profits). The rule, as revised by the 2006 temporary regulations, applies to stock of a 10 percent owned corporation not only where its stock is held directly by members of the affiliated group, but also where its stock is held indirectly through a partnership or other pass-through entity. The revision was effective on April 25, 2006, and applied prospectively. The IRS and the Treasury Department stated in the preamble to the 2006 temporary regulations that the revision was a clarification.

A commenter questioned why the regulations include a prospective, rather than a retroactive, effective date, if the revision clarified existing law. The IRS and the Treasury Department maintain that the revision is a clarification of existing law but continue to believe a prospective effective date is appropriate because the prior regulations were ambiguous.

II. Carryover of unused foreign taxes under section 904(c)

In the case of unused foreign taxes attributable to dividends from a 10/50 corporation with respect to which the taxpayer was no longer a qualifying shareholder as of the first day of the taxpayer's first taxable year ending after the first day of the 10/50 corporation's first post-2002 taxable year, §1.904-2T(h)(1) provides that the unused foreign taxes are allocated among the taxpayer's separate categories

in the same percentages as the earnings in the 10/50 corporation's non-look-through pool or pre-1987 accumulated profits "would have been assigned had they been distributed in the last taxable year in which the taxpayer was a domestic shareholder in such corporation." In response to a comment, §1.904-2(h)(1) of the final regulations clarifies that such taxes will be allocated as if look-through treatment applied in the year of the hypothetical distribution.

III. Look-through Rules as Applied to 10/50 Corporations

A. General Application of Look-through

With respect to applying the look-through rule to any dividend paid by a 10/50 corporation in a post-2002 taxable year, §1.904-5T(c)(4)(iii) of the 2006 temporary regulations provides that any dividends paid in a post-2002 taxable year to a domestic corporation by a 10/50 corporation with respect to which the domestic corporation meets the stock ownership requirements of section 902(a) are treated as income in a separate category in proportion to the ratio of the portion of earnings and profits of the 10/50 corporation attributable to income in such category to the total amount of earnings and profits of the 10/50 corporation.

A commenter expressed concern that in some cases, where a domestic shareholder meets the stock ownership requirements of section 902(a) but has a relatively small ownership interest, the administrative burden on both the taxpayer and the IRS of applying look-through to earnings and foreign taxes in a 10/50 corporation's look-through pools could be significant. The commenter asserted that the process of obtaining and analyzing multiple years of historical financial data to ascertain the exact portion of distributions that relate to specific categories of income can be challenging, particularly where distributions relate to earnings from certain historical periods (for example, those during which the taxpayer did not own stock in the 10/50 corporation). The commenter indicated that the reconstruction and safe harbor methods provided in §1.904-7T(f)(4)(i) and (ii) of the 2006 temporary regulations, respectively, reduce difficulties in reconstructing historical accumulated

earnings and taxes accounts of a 10/50 corporation, but those rules apply only to undistributed earnings and taxes accumulated in non-look-through periods and do not apply to distributions of earnings accumulated in look-through pools. The commenter suggested that the IRS and the Treasury Department consider providing an elective safe harbor approach for domestic shareholders who own a relatively small interest, such as 15 percent or less, in the 10/50 corporation, which would characterize a dividend paid by a 10/50 corporation as income in a separate category by reference to the gross revenue of the 10/50 corporation for the last three years or a similar abbreviated period, with anti-abuse rules to address distortions.

The IRS and the Treasury Department recognize that in some circumstances a domestic shareholder of a 10/50 corporation (as well as a noncontrolling shareholder of a controlled foreign corporation (CFC)) may face difficulties in substantiating accumulated earnings and taxes accounts of the 10/50 corporation (or CFC) on a look-through basis. However, the IRS and the Treasury Department believe use of a safe harbor is appropriate only as a limited rule for reconstructing earnings and taxes accumulated during prior year periods when the look-through rules did not apply to dividends from 10/50 corporations. An ongoing safe harbor is not appropriate because the statutory look-through rules, which apply to all domestic shareholders meeting the stock ownership requirements of section 902(a) (that is, 10 percent), generally require substantiation, and if the look-through treatment of a dividend from a 10/50 corporation has not been adequately substantiated, section 904(d)(4)(C)(ii) requires that such dividend be treated as passive income. See also §1.904-5T(c)(4)(iii) of the 2006 temporary regulations.

B. Substantiation of Look-through Treatment

Section 1.904-5T(c)(4)(iii) of the 2006 temporary regulations provides that a dividend from a 10/50 corporation is treated as passive income if the look-through characterization of the dividend is not substantiated to the satisfaction of the Commissioner.

A commenter expressed concern that if a 10/50 corporation has high-taxed income

outside the general and passive categories a taxpayer may intentionally fail to substantiate the look-through characterization of a dividend from the 10/50 corporation in order to achieve cross-crediting. The commenter suggested that the final regulations include an anti-abuse rule for situations where the Commissioner determines that a taxpayer deliberately failed to substantiate the look-through characterization of the dividend. The commenter suggested that the anti-abuse rule could provide that in such a situation the earnings and associated taxes would be placed in a separate sub-basket to prevent cross-crediting. Alternatively, the commenter suggested that the final regulations could apply rules similar to the rules of section 907. Finally, the commenter suggested that the inadequate substantiation rule in §1.904-5T(c)(4)(iii) should be revised to conform to the rule in §1.904-7T(f)(4)(iii), which provides that the Commissioner will allocate the undistributed earnings and taxes in the non-look-through pools to the foreign corporation's passive category only if the Commissioner determines that the look-through characterization of such earnings and taxes cannot reasonably be determined based on the available information. The IRS and the Treasury Department agree with this latter suggestion, and the rule in §1.904-5(c)(4)(iii) of the final regulations adopts this comment.

C. Application of Section 904(h) to 10/50 Corporations

For purposes of the section 904 foreign tax credit limitation, section 904(h) (section 904(g) prior to redesignation in the AJCA) provides that certain income derived from a United States-owned foreign corporation which would be treated as foreign source income under other Code provisions is treated as U.S. source income. This resourcing rule applies to certain payments of interest and dividends by a United States-owned foreign corporation as well as inclusions in gross income under sections 951(a) and 1293 to the extent the payments or inclusions are attributable to income of the United States-owned foreign corporation from sources within the United States. Section 904(h)(6) generally defines a United States-owned foreign corporation as any foreign corporation if United States persons (as defined in sec-

tion 7701(a)(30)) hold 50 percent or more of either the total combined voting power of all classes of voting stock or the total value of the stock.

Section 1.904-5(m) provides rules for the resourcing of certain amounts received or accrued (or treated as received or accrued) by a United States shareholder (as defined in section 951(b)) from a United States-owned foreign corporation. Section 1.904-5T(m)(1) of the 2006 temporary regulations clarified that the resourcing rule applies not only to CFCs but also to 10/50 corporations that meet the definition of a United States-owned foreign corporation, and §1.904-5T(m)(2)(ii) and (4) provide rules for resourcing interest and dividend payments from 10/50 corporations.

In the preamble to the 2006 temporary regulations, the IRS and the Treasury Department stated that this revision clarified that the rules for resourcing interest and dividends also apply to a 10/50 corporation that meets the definition of a United States-owned foreign corporation.

A commenter suggested that the inclusion of 10/50 corporations within the resourcing rule of §1.904-5T(m) was not simply a clarification and that the combination of referring to this provision as only a clarification and the prospective application of the rule is confusing. In addition, the commenter requested guidance on the appropriate treatment of dividends from 10/50 corporations for 2003 through 2006 under section 904(h) (section 904(g) as applicable for those years). The commenter suggested that §1.904-5T(m) be made retroactive to 2003 (or 2005 for taxpayers electing to apply the pre-AJCA section 904(d) rules to assign dividends paid by 10/50 corporations in their 2003 and 2004 taxable years to a single separate category for dividends from all 10/50 corporations) to match the retroactive effective date of the statutory changes to the look-through rules for 10/50 corporations and of the §1.904-7T rules for reconstructing non-look-through pools.

This comment is not adopted. The IRS and the Treasury Department continue to believe that the revision is a clarification of existing law. A retroactive effective date is unnecessary, however, because the statute provides the applicable rule.

A commenter suggested that, because section 904(h) applies exactly the same

rule to both section 951(a) and section 1293 inclusions, §1.904-5(m)(5) (other than the special rules for related person interest expense which are incorporated by cross-reference) should also reference section 1293 inclusions from United States-owned 10/50 corporations. The IRS and the Treasury Department agree, and §1.904-5(m)(5) of the final regulations adopts this comment.

D. Treatment of Earnings and Taxes Accumulated During a Non-look-through Period

i. Reconstruction method

Section 1.904-7T(f)(2) of the 2006 temporary regulations provides that any undistributed earnings and foreign income taxes in the non-look-through pools of a 10/50 corporation that were accumulated and paid as of the end of the 10/50 corporation's last pre-2003 taxable year are treated as if they were accumulated and paid during a period in which a distribution would have been eligible for look-through treatment. Section 1.904-7T(f)(4)(i) of the 2006 temporary regulations provides that in order to substantiate the look-through characterization of the earnings and taxes in the non-look-through pools, the taxpayer must make a reasonable, good-faith effort to reconstruct the non-look-through pools of earnings and taxes for each year in the non-look-through period, beginning with the first year in which earnings were accumulated in the non-look-through pool. Section 1.904-7T(f)(4)(i) further provides that reconstruction will be based on reasonably available books and records and other relevant information, and must take into account earnings distributed and taxes deemed paid in the non-look-through period as if they were distributed and deemed paid pro rata from the amounts that were added to the non-look-through pools during the non-look-through period.

In recognition of the difficulty in reconstructing the pools, the IRS and the Treasury Department stated in the preamble to the 2006 temporary regulations that a reasonable approximation of the amounts properly included in the look-through pools, based on available records obtained through reasonable, good-faith efforts by the taxpayer, will adequately substantiate the reconstruction required by the statute.

A commenter suggested that clarification of what constitutes other relevant information would be helpful. The IRS and the Treasury Department do not adopt this comment because the substantiation requirement requires evaluation of the facts and circumstances of each situation.

With respect to earnings accumulated and foreign taxes paid in the 2003 through 2006 taxable years, a commenter suggested that the rules in the 2006 temporary regulations concerning the look-through characterization and reconstruction of earnings and taxes in the non-look-through pools need to be clarified to provide that taxpayers are required to determine the sub-characterization of earnings and taxes, if relevant. As an example, the commenter stated that if a 10/50 corporation conducts a financing business but does not itself qualify as a financial services entity within the meaning of §1.904-4(e)(3)(i), a qualifying shareholder of the 10/50 corporation must (if the shareholder does not elect the safe harbor method) determine what portion of the non-look-through earnings qualify as active financing income as defined in §1.904-4(e)(2)(i). Such a determination would be necessary in order to determine whether the income would be placed in the separate category for financial services income upon distribution to an upper-tier financial services entity. The IRS and the Treasury Department agree with this comment that sub-characterization of earnings and taxes is required, if relevant, in determining the look-through characterization of earnings and taxes in the non-look-through pools and in reconstructing such pools. However, the IRS and the Treasury Department believe that the 2006 temporary regulations already require reconstruction as if look-through applied for all section 904 purposes, including any relevant sub-characterization of the earnings and taxes pools. Accordingly, the final regulations adopt the rule in the 2006 temporary regulations without change.

ii. Safe harbor

Section 1.904-7T(f)(4)(ii) of the 2006 temporary regulations provides a safe harbor in reconstructing the non-look-through pools under which a taxpayer may allocate the earnings and taxes in the non-look-through pools ratably to the

look-through pools on the first day of the 10/50 corporation's first post-2002 taxable year in the same percentages as the taxpayer (or the qualified group member that owns the 10/50 corporation) properly characterizes the stock of the 10/50 corporation in the separate categories for purposes of apportioning the taxpayer's (or qualified group member's) interest expense in its first taxable year ending after the first day of the 10/50 corporation's first post-2002 taxable year. If a taxpayer elects to use the safe harbor method with respect to a 10/50 corporation that uses the modified gross income method to apportion interest expense for the 10/50 corporation's first post-2002 taxable year, earnings and taxes in the non-look-through pools are allocated to the look-through pools based on an average of the 10/50 corporation's modified gross income ratios for its taxable years beginning in 2003 and 2004. The IRS and the Treasury Department stated in the preamble to the 2006 temporary regulations that the two-year base period rule is necessary to avoid potential distortions associated with allocating earnings and taxes from the non-look-through pool to the look-through pools based on the 10/50 corporation's modified gross income for just one taxable year.

A commenter suggested that other potential distortions are not addressed in §1.904-7T(f)(4)(ii), such as instances in which a material change in the foreign corporation's operations (or asset composition) would distort the characterization of the non-look-through earnings and taxes under the safe harbor method. The commenter suggested that conditioning the use of the safe harbor method on the lack of any material change in the foreign corporation's operations, structure, assets or income from the non-look-through period would reduce the likelihood of a distortion.

The IRS and the Treasury Department acknowledge that the safe harbor method does not address all potential distortions. However, the purpose of the safe harbor method is to provide certainty and to minimize administrative burdens. The IRS and the Treasury Department believe that revising the safe harbor method to reflect the commenter's suggestion would diminish these benefits of the safe harbor method.

A commenter also suggested that the regulations should include guidance on

how the safe harbor method election is to be made and the time frame for making the election. The commenter suggested that taxpayers should be allowed to elect the safe harbor method retroactively, on an amended return or during audit.

The IRS and the Treasury Department agree with this comment. The final regulations provide that taxpayers may choose to use the safe harbor method on either timely filed or amended tax returns or during audit. However, if a taxpayer chooses to use the safe harbor method on an amended return or in the course of an audit, the taxpayer must make appropriate adjustments to eliminate any duplicate benefits arising from application of the safe harbor method to taxable years that are not open for assessment. A taxpayer's choice to use the safe harbor method is evidenced by simply employing the method. No separate statement need be filed.

In addition, the final regulations clarify that the safe harbor method is only available as a transition rule for taxpayers who were required to characterize the stock of the foreign corporation for purposes of apportioning interest expense in the taxpayer's first taxable year ending after the first day of the foreign corporation's first post-2002 taxable year. The safe harbor is not available to determine the look-through treatment of earnings accumulated by a foreign corporation that did not have a shareholder that was entitled to look-through treatment in such a year.

iii. Treatment of a Deficit Accumulated in a Non-look-through Period

Section 1.904-7T(f)(5) of the 2006 temporary regulations provides that if there is an accumulated deficit in the non-look-through pool of a 10/50 corporation or a CFC as of the end of the foreign corporation's last pre-2003 taxable year, the deficit and associated taxes, if any, are treated as if they had been accumulated and paid during a look-through period. The earnings and deficits in earnings making up the accumulated deficit are assigned to the look-through pools based on where the foreign corporation's income and expenses or losses would have been assigned had they been incurred during a look-through period, or, if the taxpayer uses the safe harbor method, the deficit is allocated based on how the stock of the

foreign corporation is properly characterized for interest expense apportionment purposes.

A commenter suggested that the regulations should clarify that, for shareholders not using the safe harbor method, one or more separate income categories could have positive earnings, while one or more separate income categories could have a greater deficit. Thus, for example, if a 10/50 corporation had a \$100 deficit accumulated in its non-look-through pool as of the end of its last pre-2003 taxable year, the deficit could consist of a \$200 deficit in general limitation income and \$100 earnings in the separate category for shipping income.

The IRS and the Treasury Department believe that §1.904-7T(f)(5) of the 2006 temporary regulations is clear that, as part of reconstruction of a non-look-through pool that contains an accumulated deficit, one or more separate income categories could have positive earnings, while one or more separate income categories could have a greater deficit, and that therefore, the rule does not need to be revised to reflect the comment.

iv. Section 952(c) Recapture Accounts

In response to a comment, §1.904-7(f)(7) of the final regulations provides that section 952(c)(2) recapture accounts maintained by a CFC with respect to dividends received from a 10/50 corporation that were subject to the earnings and profits limitation of section 952(c)(1) are allocated to separate categories in the same manner as the associated post-1986 undistributed earnings.

v. GOZA Election

Conforming changes are made to the transition rules at §1.904-7(f)(9) for taxpayers electing to defer the applicability of the look-through rules for two years to reflect changes in response to comments made with respect to the general transition rules of §1.904-7(f)(7).

E. Pre-acquisition E&P

Section 904(d)(4)(C)(i)(II), as amended by the AJCA, provides that the Secretary may prescribe regulations regarding the treatment of distributions out of earnings

and profits of a 10/50 corporation for periods before the taxpayer's acquisition of the stock to which the distributions relate (pre-acquisition E&P). Such distributions may be out of post-1986 undistributed earnings accumulated by a 10/50 corporation before the specific shareholder acquired its stock or out of pre-1987 accumulated profits accumulated before the 10/50 corporation had any qualifying shareholder. The 2006 temporary regulations extend look-through treatment to dividends out of earnings and profits accumulated in non-look-through periods during which a 10/50 corporation or a CFC had no qualifying shareholder and do not restrict look-through treatment of dividends paid to a new qualifying shareholder of an existing 10/50 corporation. The preamble to the 2006 temporary regulations stated that the IRS and the Treasury Department believe that look-through treatment of pre-acquisition earnings is the more appropriate policy result than passive category treatment, if look-through characterization can be adequately substantiated under §§1.904-5T(c)(4)(iii) and 1.904-7T(f)(4).

A commenter suggested that the extension of look-through treatment to pre-acquisition E&P is inappropriate because the liberalized cross-crediting of foreign taxes permitted by this treatment may encourage tax-motivated acquisitions in order to traffic in excess foreign taxes. The commenter suggested that the IRS and the Treasury Department exercise the regulatory authority under section 904(d)(4)(C)(i)(II) to create new separate categories for pre-acquisition earnings and profits.

This comment is not adopted. The IRS and the Treasury Department continue to believe that look-through treatment of pre-acquisition earnings, where the earnings and taxes are substantiated, is the more appropriate policy result. Moreover, denying look-through treatment to dividends of earnings of a 10/50 corporation accumulated prior to a specific shareholder's acquisition of stock entails unacceptable administrative complexity associated with maintaining multiple sets of look-through pools starting on different dates for different shareholders. Accordingly, the final regulations adopt the rule in the 2006 temporary regulations without change.

IV. Recapture of an Overall Foreign Loss or Separate Limitation Loss Incurred in a Separate Category for Dividends from a 10/50 Corporation

Section 1.904(f)-12T(g)(1) of the 2006 temporary regulations provides that where a taxpayer had an overall foreign loss (OFL) or separate limitation loss (SLL) in a separate category for dividends from a 10/50 corporation, the OFL or SLL account is recaptured in subsequent taxable years out of income in the same separate categories in which the stock of the 10/50 corporation is properly characterized for purposes of apportioning the taxpayer's interest expense in its first taxable year in which dividends from the 10/50 corporation are eligible for look-through treatment (that is, its first taxable year ending after the first day of the 10/50 corporation's first post-2002 taxable year).

A commenter suggested that a rule providing for recapture of the OFL or SLL from the other separate categories in the same proportions that post-OFL or SLL dividends from the 10/50 corporation would have been assigned to such other separate categories had look-through applied would be more consistent with §1.904-2T(h)(1) and (2) (carryovers of excess foreign taxes from 10/50 baskets) and §1.904-7T(f)(2) and (3) (characterization of non-look-through pools as if look-through had applied) that generally take the approach of following the consequences that would have applied if look-through had always been in effect. This comment is not adopted. The IRS and the Treasury Department stated in the preamble to the 2006 temporary regulations and continue to believe that recapturing losses from income earned in subsequent years is a forward-looking concept, and that reallocating OFL and SLL accounts based on the interest expense apportionment ratio (as opposed to, for example, reallocating losses based on reconstructed non-look-through pools) is consistent with that concept.

V. Regulations under Section 964

A. Tax Elections, Adoptions of Method of Accounting or Taxable Year, and Changes in Method of Accounting or Taxable

Year Made on Behalf of a CFC or 10/50 Corporation

The 2006 temporary regulations at §1.964-1T(c)(2) and (3) provide rules allowing the majority domestic corporate shareholders of a 10/50 corporation to make an election, adopt a method of accounting or taxable year, or change a method of accounting or taxable year on behalf of the 10/50 corporation. The 2006 temporary regulations also allow the controlling United States shareholders of a CFC to make an election, adopt a method of accounting or taxable year, or change a method of accounting or taxable year on behalf of the CFC. Section 1.964-1T(c)(2) provides that for the first taxable year of a foreign corporation beginning after April 25, 2006, in which such foreign corporation first qualifies as a CFC or 10/50 corporation, any method of accounting or taxable year allowable under this section may be adopted or elected by such foreign corporation or on its behalf notwithstanding that, in previous years, its books or financial statements were prepared on a different basis, and notwithstanding that such election is required by the Code or regulations to be made in a prior taxable year. Section 1.964-1T(c)(6) further provides that such actions may be deferred until the first year in which the computation of the foreign corporation's earnings and profits is significant for U.S. tax purposes, and includes a nonexclusive list of significant events for taxable years beginning after April 25, 2006.

Section 1.964-1T(c)(4) of the 2006 temporary regulations acknowledges that a 10/50 corporation may have had a significant event in taxable years beginning on or before April 25, 2006, such as a distribution with respect to which the corporation's shareholder could claim a deemed-paid foreign tax credit under section 902. In order to determine the allowable foreign tax credit, at the time of the distribution the 10/50 corporation's domestic corporate shareholder would have had to compute the 10/50 corporation's earnings and profits, even though no procedure was then available for the controlling domestic shareholders to adopt or elect accounting methods on the 10/50 corporation's behalf. Section 1.964-1T(c)(4) provides that in this situation the 10/50 corporation's earnings and profits shall

be computed as if no accounting method elections were made and any permissible accounting method not requiring an election and reflected in the books of account regularly maintained by the 10/50 corporation for purposes of accounting to its shareholders had been adopted. Thereafter, in taxable years beginning after April 25, 2006, the 10/50 corporation, or its controlling domestic shareholders, must obtain the consent of the Commissioner in order to change a particular accounting method or methods (or its taxable year) pursuant to the applicable revenue procedure. A commenter suggested that in post-2006 years the controlling domestic shareholders of a 10/50 corporation should be permitted to change accounting methods on its behalf without obtaining the consent of the Commissioner or making adjustments to the 10/50 corporation's earnings and profits under the principles of section 481 to prevent the duplication or omission of amounts attributable to previous years. This comment is not adopted. The IRS and the Treasury Department believe that it would be inappropriate to give the controlling domestic shareholders of a 10/50 corporation this type of "fresh start."

A commenter recommended simplifying the procedures in §1.964-1T(c)(3) of the 2006 temporary regulations by which controlling domestic shareholders may make an election or adopt or change a method of accounting or taxable year on behalf of a foreign corporation. Specifically, the commenter suggested that §1.964-1T(c)(3)(i) and (ii) be revised to provide that where a United States shareholder changes a method of accounting on behalf of a CFC of which it is the sole shareholder, such shareholder need file only the original Form 3115 with its tax return, and need not file the statement (described in §1.964-1T(c)(3)(ii)) that is required to be filed with each controlling domestic shareholder's tax return. The IRS and the Treasury Department agree with the comment and believe it is equally applicable to changes in the taxable year of the CFC. Accordingly, §1.964-1(c)(3)(ii) of the final regulations provides that in the case of a controlling domestic shareholder that is the sole shareholder of a CFC, no separate statement need be filed if the information described in §1.964-1(c)(3)(ii) is included on Form 5471 (*Information*

Return of U.S. Persons With Respect To Certain Foreign Corporations) and Form 3115 (*Application for Change in Accounting Method*) or Form 1128 (*Application to Adopt, Change, or Retain a Tax Year*), as applicable, filed with respect to the CFC with the shareholder's return for such taxable year.

B. Section 481(a) Adjustments

Prior to its expiration, §1.964-1T(g)(5) provided that adjustments to the appropriate separate category of earnings and profits and income of the controlled foreign corporation was required using the principles of section 481(a) to prevent any duplication or omission of amounts attributable to previous years that would otherwise result from any election or adoption of a method of accounting. This provision was cross-referenced in §1.964-1T(c)(4) of the 2006 temporary regulations. Commenters requested clarification regarding the mechanics of making the adjustments according to the principles of section 481(a), such as the period over which the section 481(a) adjustment is spread and whether a correlative section 481(a) adjustment should be made at the domestic shareholder level in order to capture an increased subpart F inclusion that would have been generated had earnings and profits initially been determined using the method subsequently elected or adopted. One commenter suggested that the regulations state specifically that the applicable domestic principles should apply so that the section 481 adjustment would be taken into account in determining the current earnings and profits of the CFC or 10/50 corporation beginning with the year of change and for the same period as the adjustment is taken into account for purposes of computing taxable income.

In response to the comment, §1.964-1(c)(2) of the final regulations provides that adjustments to the appropriate separate category (as defined in §1.904-5(a)(1)) of earnings and profits and income of the foreign corporation shall be required under section 481 to prevent any duplication or omission of amounts attributable to previous years that would otherwise result from any change in a method of accounting. The details concerning the section 481 adjustment are addressed in applicable revenue pro-

cedures. See, for example, Rev. Proc. 2008-52, 2008-36 I.R.B. 587.

C. Miscellaneous cross-references

The 2006 temporary regulations included in §1.964-1T(c)(4) cross references to expired §1.964-1T(g) that are updated in the final regulations. In addition, §1.964-1(c)(2) of the final regulations adds cross-references to §§1.985-5, 1.985-6, and 1.986-7, which provide that a qualified business unit must make adjustments to its earnings and profits when it changes its functional currency or begins to use the dollar approximate separate transactions method of accounting.

Section 1.964-1(b)(1)(v) includes a cross-reference to "paragraph (d) of this section." Because of revisions to §1.964-1, that cross-reference and a similar cross-reference in §1.989(b)-1 were no longer effective. The final regulations replace the cross-references to paragraph (d) with the appropriate cross-reference to section 988 and the regulations under that section.

Special Analyses

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

Drafting Information

The principal authors of the final regulations are Richard Chewning and Jeffrey Parry of the Office of Associate Chief Counsel (International). However, other personnel from the Treasury Department and the IRS participated in their development.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 602 are amended as follows:

PART 1—INCOME TAXES

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

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

Par. 2. Section 1.861-9 is amended by removing paragraphs (h)(5)(iii) and (i)(4), revising paragraphs (a), (b), (c), (d), (e), (f), and (g)(1)(i), and adding paragraph (k), to read as follows:

§1.861-9 Allocation and apportionment of interest expense.

(a) through (f)(3)(i) [Reserved]. For further guidance, see §1.861-9T(a) through (f)(3)(i).

(f)(3)(ii) *Manner of election.* The election shall be made by filing the statement and providing the written notice described in §1.964-1(c)(3)(ii) and (iii), respectively, at the time and in the manner described therein. For further guidance, see §1.861-9T(f)(3)(ii).

(f)(3)(iii) and (iv) [Reserved]. For further guidance, see §1.861-9T(f)(3)(iii) and (iv).

(4) *Noncontrolled section 902 corporations—(i) In general.* For purposes of computing earnings and profits of a noncontrolled section 902 corporation (as defined in section 904(d)(2)(E)) for federal tax purposes, the interest expense of a noncontrolled section 902 corporation may be apportioned using either the asset method described in §1.861-9T(g) or the modified gross income method described in §1.861-9T(j). A noncontrolled section 902 corporation that is not a controlled foreign corporation may elect to use a different method of apportionment than that elected by one or more of its shareholders. A noncontrolled section 902 corporation must use the same method of apportionment with respect to all its domestic corporate shareholders.

(ii) *Manner of election.* The election to use the asset method described in §1.861-9T(g) or the modified gross income method described in §1.861-9T(j) may be made either by the noncontrolled

section 902 corporation or by the majority domestic corporate shareholders (as defined in §1.964-1(c)(5)(ii)) on behalf of the noncontrolled section 902 corporation. The election shall be made by filing the statement and providing the written notice described in §1.964-1(c)(3)(ii) and (iii), respectively, at the time and in the manner described therein. For further guidance, see §1.861-9T(f)(4)(ii).

(iii) *Stock characterization.* In general, the stock of a noncontrolled section 902 corporation shall be characterized in the hands of any domestic corporation that meets the ownership requirements of section 902(a) with respect to the noncontrolled section 902 corporation, or in the hands of any member of the same qualified group as defined in section 902(b)(2), using the same method that the noncontrolled section 902 corporation uses to apportion its interest expense. Stock in a noncontrolled section 902 corporation shall be characterized as a passive category asset in the hands of any such shareholder that fails to meet the substantiation requirements of §1.904-5(c)(4)(iii), or in the hands of any shareholder that is not eligible to compute an amount of foreign taxes deemed paid with respect to a dividend from the noncontrolled section 902 corporation for the taxable year. See §1.861-12(c)(4).

(f)(5) through (g)(1)(i) [Reserved]. For further guidance, see §1.861-9T(f)(5) through (g)(1)(i).

* * * * *

(k) *Effective/applicability date.* Paragraph (h)(5) of this section applies to taxable years beginning after December 31, 1989. Paragraph (i) of this section applies to taxable years beginning on or after March 26, 2004. Paragraphs (f)(3)(ii) and (4) of this section apply to taxable years of shareholders ending on or after April 20, 2009. See 26 CFR §1.861-9T(f)(3)(ii)(last sentence) and (4) (revised as of April 1, 2009) for rules applicable to taxable years of shareholders ending after the first day of the first taxable year of the noncontrolled section 902 corporation beginning after December 31, 2002, and ending before April 20, 2009.

Par. 3. Section 1.861-9T is amended as follows:

1. Remove paragraph (b)(6)(viii).

2. Revise the last sentence of paragraph (f)(3)(ii) and paragraph (f)(4).

3. Add paragraph (k).

The revisions and additions read as follows:

§1.861-9T Allocation and apportionment of interest expense (temporary).

* * * * *

(f) * * *

(3) * * *

(ii) * * * For guidance relating to the time and manner of this election, see

§1.861-9(f)(3)(ii).

* * * * *

(4) * * * For further guidance, see §1.861-9(f)(4).

* * * * *

(k) *Effective/applicability dates.* Paragraph (b)(6) of this section applies to losses on any transaction described in paragraph (b)(6)(i) of this section that was entered into after September 14, 1988. Paragraph (b)(6) of this section also applies to any gain that was realized on any transaction described in paragraph (b)(6)(i) of this section that was entered into after August 11, 1989. Taxpayers may also apply paragraph (b)(6) of this section to any gain that was realized on any transaction described in paragraph (b)(6)(i) of this section that was entered into after September 14, 1988, and on or before August 11, 1989, if the taxpayer can demonstrate to the satisfaction of the Commissioner that substantially all of the arrangements described in paragraph (b)(6)(i) of this section to which the taxpayer became a party during that interim period were identified on the taxpayer's books and records with the liabilities of the taxpayer in a substantially contemporaneous manner and that all losses and expenses that are subject to the rules of paragraph (b)(6) of this section were treated in the same manner as interest expense. For this purpose, arrangements that were identified in a substantially contemporaneous manner with the taxpayer's assets shall be ignored. For further guidance, see §1.861-9(k).

Par. 4. Section 1.861-12 is added as follows:

§1.861-12 *Characterization rules and adjustments for certain assets.*

(a) through (c)(1) [Reserved]. For further guidance, see §1.861-12T(a) through (c)(1).

(2) *Basis adjustment for stock in nonaffiliated 10 percent owned corporations—*
(i) *Taxpayers using the tax book value method—*(A) *General rule.* For purposes of apportioning expenses on the basis of the tax book value of assets, the adjusted basis of any stock in a 10 percent owned corporation owned by the taxpayer either directly or, for taxable years beginning after April 25, 2006, indirectly through a partnership or other pass-through entity shall be—

(1) Increased by the amount of the earnings and profits of such corporation (and of lower-tier 10 percent owned corporations) attributable to such stock and accumulated during the period the taxpayer or other members of its affiliated group held 10 percent or more of such stock; or

(2) Reduced (but not below zero) by any deficit in earnings and profits of such corporation (and of lower-tier 10 percent owned corporations) attributable to such stock for such period.

(c)(2)(i)(B) through (c)(3) [Reserved] For further guidance, see §1.861-12T(c)(2)(i)(B) through (c)(3).

(4) *Characterization of stock of noncontrolled section 902 corporations—*(i) *General rule.* The principles of §1.861-12T(c)(3) shall apply to stock in a noncontrolled section 902 corporation (as defined in section 904(d)(2)(E)). Accordingly, stock in a noncontrolled section 902 corporation shall be characterized as an asset in the various separate limitation categories on the basis of either the asset method described in §1.861-12T(c)(3)(ii) or the modified gross income method described in §1.861-12T(c)(3)(iii). Stock in a noncontrolled section 902 corporation the interest expense of which is apportioned on the basis of assets shall be characterized in the hands of its domestic shareholders (as defined in §1.902-1(a)(1)) under the asset method described in §1.861-12T(c)(3)(ii). Stock in a noncontrolled section 902 corporation the interest expense of which is apportioned on the basis of gross income shall be characterized in the hands of its domestic shareholders under

the gross income method described in §1.861-12T(c)(3)(iii).

(ii) *Nonqualifying shareholders.* Stock in a noncontrolled section 902 corporation shall be characterized as a passive category asset in the hands of a shareholder that is not eligible to compute an amount of foreign taxes deemed paid with respect to a dividend from the noncontrolled section 902 corporation for the taxable year, and in the hands of any shareholder with respect to whom look-through treatment is not substantiated. See §1.904-5(c)(4)(iii).

(5) *Effective/applicability date.* Paragraphs (c)(2)(i)(A) and (4) of this section apply to taxable years of shareholders ending on or after April 20, 2009. See 26 CFR §1.861-12T(c)(2)(i) introductory text, (2)(i)(A), (2)(i)(B), and (4) (revised as of April 1, 2009) for rules applicable to taxable years of shareholders ending after the first day of the first taxable year of the noncontrolled section 902 corporation beginning after December 31, 2002, and ending before April 20, 2009.

(d) through (j) [Reserved]. For further guidance, see §1.861-12T(d) through (j).

Par. 5. Section 1.861-12T is amended as follows:

1. Paragraph (c)(2)(i) introductory text is removed.

2. Paragraph (c)(2)(i)(A) is revised.

3. Paragraph (c)(2)(i)(B) is removed.

4. A paragraph heading is added to the undesignated text following paragraph (c)(2), which is designated as new paragraph (c)(2)(i)(B).

5. Paragraph (c)(4) is revised.

6. A new paragraph (c)(5) is added.

The revisions and additions read as follows:

§1.861-12T *Characterization rules and adjustments for certain assets (temporary).*

* * * * *

(c) * * *

(2)(i)(A) [Reserved]. For further guidance, see §1.861-12(c)(2)(i)(A).

(B) *Computational rules.* * * *

(4) [Reserved]. For further guidance, see §1.861-12(c)(4).

(5) [Reserved]. For further guidance, see §1.861-12(c)(5).

* * * * *

Par. 6. Section 1.902-1 is amended by revising paragraphs (a)(4)(ii), (a)(6),

(a)(7), (a)(8)(i), (c)(8), (d)(1), (d)(2)(i), and (g) to read as follows:

§1.902-1 *Credit for domestic corporate shareholder of a foreign corporation for foreign income taxes paid by the foreign corporation.*

(a) * * *

(4) * * *

(ii) *Fourth-, fifth-, or sixth-tier corporation.* In the case of dividends paid to a third-, fourth-, or fifth-tier corporation by a foreign corporation in a taxable year beginning after August 5, 1997, the foreign corporation is a fourth-, fifth-, or sixth-tier corporation, respectively, if at the time the dividend is paid, the corporation receiving the dividend owns at least 10 percent of the foreign corporation's voting stock, the chain of foreign corporations that includes the foreign corporation is connected through stock ownership of at least 10 percent of their voting stock, the domestic shareholder in the first-tier corporation in such chain indirectly owns at least 5 percent of the voting stock of the foreign corporation through such chain, such corporation is a controlled foreign corporation (as defined in section 957) and the domestic shareholder is a United States shareholder (as defined in section 951(b)) in the foreign corporation. Taxes paid by a fourth-, fifth-, or sixth-tier corporation shall be taken into account in determining post-1986 foreign income taxes only if such taxes are paid with respect to taxable years beginning after August 5, 1997, in which the corporation was a controlled foreign corporation.

* * * * *

(6) *Upper- and lower-tier corporations.* In the case of a sixth-tier corporation, the term *upper-tier corporation* means a first-, second-, third-, fourth-, or fifth-tier corporation. In the case of a fifth-tier corporation, the term *upper-tier corporation* means a first-, second-, third-, or fourth-tier corporation. In the case of a fourth-tier corporation, the term *upper-tier corporation* means a first-, second-, or third-tier corporation. In the case of a third-tier corporation, the term *upper-tier corporation* means a first- or second-tier corporation. In the case of a second-tier corporation, the term *upper-tier corporation* means a first-tier corporation. In the case of a first-tier corporation, the term *lower-tier corporation* means a second-, third-, fourth-, fifth-,

or sixth-tier corporation. In the case of a second-tier corporation, the term lower-tier corporation means a third-, fourth-, fifth-, or sixth-tier corporation. In the case of a third-tier corporation, the term lower-tier corporation means a fourth-, fifth-, or sixth-tier corporation. In the case of a fourth-tier corporation, the term lower-tier corporation means a fifth- or sixth-tier corporation. In the case of a fifth-tier corporation, the term lower-tier corporation means a sixth-tier corporation.

(7) *Foreign income taxes.* The term *foreign income taxes* means income, war profits, and excess profits taxes as defined in §1.901-2(a), and taxes included in the term income, war profits, and excess profits taxes by reason of section 903, that are imposed by a foreign country or a possession of the United States, including any such taxes deemed paid by a foreign corporation under this section. Foreign income, war profits, and excess profits taxes shall not include amounts excluded from the definition of those taxes pursuant to section 901 and the regulations under that section. See section 901(f) and (i) and paragraph (c)(5) of this section. Foreign income, war profits, and excess profits taxes also shall not include taxes for which a credit is disallowed under section 901 and the regulations under section 901. See section 901(j), (k), and (l), and paragraphs (c)(4) and (8) of this section.

(8) *Post-1986 foreign income taxes—(i) In general.* Except as provided in paragraphs (a)(10) and (13) of this section, the term *post-1986 foreign income taxes* of a foreign corporation means the sum of the foreign income taxes paid, accrued, or deemed paid in the taxable year of the foreign corporation in which it distributes a dividend plus the foreign income taxes paid, accrued, or deemed paid in the foreign corporation's prior taxable years beginning after December 31, 1986, to the extent the foreign taxes were not attributable to dividends distributed to, or earnings otherwise included (for example, under section 304, 367(b), 551, 951(a), 1248, or 1293) in the income of, a foreign or domestic shareholder in prior taxable years. Except as provided in paragraph (b)(4) of this section, foreign taxes paid or deemed paid by the foreign corporation on or with respect to earnings that were distributed or otherwise removed from post-1986 undistributed earnings in prior post-1986 tax-

able years shall be removed from post-1986 foreign income taxes regardless of whether the shareholder is eligible to compute an amount of foreign taxes deemed paid under section 902, and regardless of whether the shareholder in fact chose to credit foreign income taxes under section 901 for the year of the distribution or inclusion. Thus, if an amount is distributed or deemed distributed by a foreign corporation to a United States person that is not a domestic shareholder within the meaning of paragraph (a)(1) of this section (for example, an individual or a corporation that owns less than 10% of the foreign corporation's voting stock), or to a foreign person that does not meet the definition of an upper-tier corporation under paragraph (a)(6) of this section, then although no foreign income taxes shall be deemed paid under section 902, foreign income taxes attributable to the distribution or deemed distribution that would have been deemed paid had the shareholder met the ownership requirements of paragraphs (a)(1) through (4) of this section shall be removed from post-1986 foreign income taxes. Further, if a domestic shareholder chooses to deduct foreign taxes paid or accrued for the taxable year of the distribution or inclusion, it shall nonetheless be deemed to have paid a proportionate share of the foreign corporation's post-1986 foreign income taxes under section 902(a), and the foreign income taxes deemed paid must be removed from post-1986 foreign income taxes. In the case of a foreign corporation the foreign income taxes of which are determined based on an accounting period of less than one year, the term *year* means that accounting period. See sections 441(b)(3) and 443.

* * * * *

(c) * * *

(8) *Effect of certain liquidations, reorganizations, or similar transactions on certain foreign taxes paid or accrued in taxable years beginning on or before August 5, 1997—(i) General rule.* Notwithstanding the effect of any liquidation, reorganization, or similar transaction, foreign taxes paid or accrued by a member of a qualified group (as defined in section 902(b)(2)) shall not be eligible to be deemed paid if they were paid or accrued in a taxable year beginning on or before August 5, 1997, by a corporation that was a

fourth-, fifth- or sixth-tier corporation with respect to the taxpayer on the first day of the corporation's first taxable year beginning after August 5, 1997.

(ii) *Example.* The following examples illustrate the application of this paragraph (c)(8):

Example. P, a domestic corporation, has owned 100 percent of the voting stock of foreign corporation S at all times since January 1, 1987. Until June 30, 2002, S owned 100 percent of the voting stock of foreign corporation T, T owned 100 percent of the voting stock of foreign corporation U, and U owned 100 percent of the voting stock of foreign corporation V. P, S, T, U, and V each use the calendar year as their U.S. taxable year. Thus, beginning in 1998 V was a fourth-tier controlled foreign corporation, and its foreign taxes paid or accrued in 1998 and later taxable years were eligible to be deemed paid. On June 30, 2002, T was liquidated, causing S to acquire 100 percent of the stock of U. As a result, V became a third-tier controlled foreign corporation. In 2003, V paid a dividend to U. Under paragraph (c)(8) of this section, foreign taxes paid by V in taxable years beginning before 1998 are not taken into account in computing the foreign taxes deemed paid with respect to the dividend paid by V to U.

(d) *Dividends from controlled foreign corporations and noncontrolled section 902 corporations—(1) General rule.* If a dividend is described in paragraphs (d)(1)(i) through (iv) of this section, the following rules apply. If a dividend is paid out of post-1986 undistributed earnings or pre-1987 accumulated profits of a foreign corporation attributable to more than one separate category, the amount of foreign income taxes deemed paid by the domestic shareholder or the upper-tier corporation under section 902 and paragraph (b) of this section shall be computed separately with respect to the post-1986 undistributed earnings or pre-1987 accumulated profits in each separate category out of which the dividend is paid. See §1.904-5(c)(4) and (i), and paragraph (d)(2) of this section. The separately computed deemed-paid taxes shall be added to other taxes paid by the domestic shareholder or upper-tier corporation with respect to income in the appropriate separate category. The rules of this paragraph (d)(1) apply to dividends received by —

(i) A domestic shareholder that is a United States shareholder (as defined in section 951(b) or section 953(c)) from a first-tier corporation that is a controlled foreign corporation;

(ii) A domestic shareholder from a first-tier corporation that is a noncontrolled section 902 corporation;

(iii) An upper-tier controlled foreign corporation from a lower-tier controlled foreign corporation if the corporations are related look-through entities within the meaning of §1.904-5(i) (see §1.904-5(i)(3)); or

(iv) A foreign corporation that is eligible to compute an amount of foreign taxes deemed paid under section 902(b)(1), from a controlled foreign corporation or a non-controlled section 902 corporation (that is, both the payor and payee corporations are

members of the same qualified group as defined in section 902(b)(2) (see §1.904-5(i)(4)).

(2) *Look-through*—(i) *Dividends*. Any dividend distribution by a controlled foreign corporation or noncontrolled section 902 corporation to a domestic shareholder or a foreign corporation that is eligible to compute an amount of foreign taxes deemed paid under section 902(b)(1) shall be deemed paid *pro rata* out of each separate category of income. Any dividend

distribution by a controlled foreign corporation to a controlled foreign corporation that is a related look-through entity within the meaning of §1.904-5(i)(3) shall also be deemed to be paid *pro rata* out of each separate category of income. See §§1.904-5(c)(4) and (i), and 1.904-7. The portion of the foreign income taxes attributable to a particular separate category that shall be deemed paid by the domestic shareholder or upper-tier corporation must be computed under the following formula:

Foreign taxes deemed paid by domestic shareholder or upper-tier corporation with respect to a separate category	=	Post-1986 foreign income taxes of first-tier or lower-tier corporation allocated and apportioned to the separate category under §1.904-6	x	$\frac{\text{Dividend amount attributable to the separate category}}{\text{Post-1986 undistributed earnings of first-tier or lower-tier corporation in the separate category}}$
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(g) *Effective/applicability dates*. This section applies to any distribution made in and after a foreign corporation's first taxable year beginning on or after January 1, 1987, except that the provisions of paragraphs (a)(4)(ii), (a)(6), (a)(7), (a)(8)(i), and (c)(8) of this section and, except as provided in §1.904-7(f)(9), the provisions of paragraph (d) of this section apply to distributions made in taxable years of foreign corporations ending on or after April 20, 2009. See 26 CFR §1.902-1T(a)(4)(ii), (a)(6), (a)(7), (a)(8)(i), and (c)(8) (revised as of April 1, 2009) for rules applicable to distributions made in taxable years of foreign corporations beginning after April 25, 2006, and ending before April 20, 2009, and 26 CFR §1.902-1T(d), except as provided in 26 CFR §1.904-7T(f)(9) (revised as of April 1, 2009), for rules applicable to distributions made in taxable years of foreign corporations beginning after December 31, 2002, and ending before April 20, 2009.

§1.902-1T [Removed]

Par. 7. Section 1.902-1T is removed.

Par. 8. Section 1.904-0 is amended by revising the section heading and the entries for §§1.904-5(m), (m)(5), and (n), and 1.904-7(f) to read as follows:

§1.904-0 Outline of regulation provisions for section 904.

§1.904-5 Look-through rules as applied to controlled foreign corporations and other entities.

(m) Application of section 904(h).

(5) *Treatment of inclusions under sections 951(a)(1)(A) and 1293.*

(n) Order of application of sections 904(d) and (h).

§1.904-7 Transition rules.

(f) *****

(1) Definition of non-look-through pools.

(2) Treatment of non-look-through pools of a noncontrolled section 902 corporation.

(3) Treatment of non-look-through pools of a controlled foreign corporation.

(4) Substantiation of look-through character of undistributed earnings and taxes in a non-look-through pool.

(i) Reconstruction of earnings and taxes pools.

(ii) Safe harbor method.

(iii) Inadequate substantiation.

(iv) Examples.

(5) Treatment of a deficit accumulated in a non-look-through pool.

(6) Treatment of pre-1987 accumulated profits.

(7) Treatment of post-1986 undistributed earnings or a deficit of a controlled foreign corporation attributable to dividends from a noncontrolled section 902 corporation paid in taxable years beginning before January 1, 2003.

(i) Look-through treatment of post-1986 undistributed earnings at controlled foreign corporation level.

(ii) Look-through treatment of deficit in post-1986 undistributed earnings at controlled foreign corporation level.

(iii) Substantiation required for look-through treatment.

(8) Treatment of distributions received by an upper-tier corporation from a lower-tier noncontrolled section 902 corporation, including when the corporations do not have the same taxable years.

(i) Rule.

(ii) Example.

(9) Election to apply pre-AJCA rules to 2003 and 2004 taxable years.

(i) Definition.

(ii) Time, manner, and form of election.

(iii) Treatment of non-look-through pools in taxable years beginning after December 31, 2004.

(iv) Carryover of unused foreign tax.

(v) Carryback of unused foreign tax.

(vi) Recapture of overall foreign loss or separate limitation loss in the single category for dividends from all noncontrolled section 902 corporations.

(vii) Recapture of separate limitation losses in other separate categories.

(viii) Treatment of undistributed earnings in an upper-tier corporation-level single category for dividends from lower-tier noncontrolled section 902 corporations.

(ix) Treatment of a deficit in the single category for dividends from lower-tier noncontrolled section 902 corporations.

(10) Effective/applicability dates.

Par. 9. Section 1.904-2 is amended by revising paragraphs (a) and (h) to read as follows:

§1.904-2 Carryback and carryover of unused foreign tax.

(a) *Credit for foreign tax carryback or carryover.* A taxpayer who chooses to claim a credit under section 901 for a taxable year is allowed a credit under that section not only for taxes otherwise allowable as a credit but also for taxes deemed paid or accrued in that year as a result of a carryback or carryover of an unused foreign tax under section 904(c). However, the taxes so deemed paid or accrued shall not be allowed as a deduction under section 164(a). Paragraphs (b) through (g) of this section and §1.904-3, providing rules for the computation of carryovers and carrybacks, do not reflect a number of intervening statutory amendments, including the redesignation of section 904(d) as section 904(c) for taxable years beginning after 1975, amendments to sections 904(d) and (f) regarding the application of separate limitations in taxable years beginning after 1986, the limitation of the carryback period to one year for unused foreign taxes arising in taxable years beginning after October 22, 2004, and the extension of the carryover period to ten years for unused foreign taxes that may be carried to any taxable year ending after October 22, 2004. However, the principles of paragraphs (b) through (g) of this section and §1.904-3(b) through (g) shall apply in determining carrybacks and carryovers of unused foreign taxes, modified so as to take into account the effect of statutory amendments. For transition rules relating to the carryover and carryback of unused foreign tax paid with respect to divi-

dends from noncontrolled section 902 corporations, see paragraph (h) of this section. For special rules regarding these computations in case of taxes paid, accrued, or deemed paid with respect to foreign oil and gas extraction income or foreign oil related income, see section 907(f) and the regulations under that section.

* * * * *

(h) *Transition rules for carryovers and carrybacks of pre-2003 and post-2002 unused foreign tax paid or accrued with respect to dividends from noncontrolled section 902 corporations—*(1) *Carryover of unused foreign tax.* Except as provided in §§1.904-7(f)(9)(iv) and 1.904(f)-12(g)(3), the rules of this paragraph (h)(1) apply to reallocate to the taxpayer's other separate categories any unused foreign taxes (as defined in paragraph (b)(2) of this section) that were paid or accrued or deemed paid under section 902 with respect to a dividend from a noncontrolled section 902 corporation paid in a taxable year of the noncontrolled section 902 corporation beginning before January 1, 2003, which taxes were subject to a separate limitation for dividends from that noncontrolled section 902 corporation. To the extent any such unused foreign taxes are carried forward to a taxable year of a domestic shareholder beginning on or after the first day of the noncontrolled section 902 corporation's first taxable year beginning after December 31, 2002, such taxes shall be allocated among the taxpayer's separate categories in the same proportions as the related dividend would have been assigned had such dividend been eligible for look-through treatment when paid. Accordingly, the taxes shall be allocated in the same percentages as the reconstructed earnings in the noncontrolled section 902 corporation's non-look-through pool and pre-1987 accumulated profits that were accumulated in taxable years beginning before January 1, 2003, out of which the dividend was paid, in accordance with the rules of §1.904-7(f), or, if the taxpayer uses the safe harbor method of §1.904-7(f)(4)(ii), in the same percentages as the taxpayer properly characterizes the stock of the noncontrolled section 902 corporation for purposes of apportioning its interest expense in its first taxable year ending after the first day of the noncontrolled section

902 corporation's first taxable year beginning after December 31, 2002. See §1.904-7(f)(2) and (4). In the case of unused foreign taxes allocable to dividends from a noncontrolled section 902 corporation with respect to which the taxpayer was no longer a domestic shareholder (as defined in §1.902-1(a)) as of the first day of such taxable year, such taxes shall be allocated among the taxpayer's separate categories in the same percentages as the earnings in the noncontrolled section 902 corporation's non-look-through pool or pre-1987 accumulated profits would have been assigned had they been distributed and eligible for look-through treatment in the last taxable year in which the taxpayer was a domestic shareholder in such corporation. The unused foreign taxes that are carried forward shall be treated as allocable to general limitation income to the extent that such taxes would otherwise have been allocable to passive income, either on a look-through basis or as a result of inadequate substantiation under the rules of §1.904-7(f)(4).

(2) *Carryback of unused foreign tax.* The rules of this paragraph (h)(2) apply to any unused foreign taxes that were paid or accrued or deemed paid under section 902 with respect to a dividend from a noncontrolled section 902 corporation paid in a taxable year of the noncontrolled section 902 corporation ending on or after April 20, 2009, which dividends were eligible for look-through treatment. See 26 CFR §1.904-2T(h)(2) (revised as of April 1, 2009) for rules applicable to such unused foreign taxes with respect to a dividend from a noncontrolled section 902 corporation paid in a taxable year of the noncontrolled section 902 corporation beginning after December 31, 2002 and ending before April 20, 2009, which dividends were eligible for look-through treatment. To the extent any such unused foreign taxes are carried back to a prior taxable year of a domestic shareholder, a credit for such taxes shall be allowed only to the extent of the excess limitation in the same separate category or categories to which the related look-through dividend was assigned and not in any separate category for dividends from noncontrolled section 902 corporations.

* * * * *

Par. 10. Section 1.904-2T is amended by revising paragraphs (a), (b), (c), (d), (e), (f), (g), and (h) to read as follows:

§1.904-2T Carryback and carryover of unused foreign tax (temporary).

(a) through (h) [Reserved]. For further guidance, see §1.904-2(a) through (h).

* * * * *

Par. 11. Section 1.904-4 is amended as follows:

1. Remove paragraph (c)(2)(i).
2. Redesignate paragraphs (c)(2)(ii)(A) and (c)(2)(ii)(B) as paragraphs (c)(2)(i) and (c)(2)(ii), respectively.
3. Remove the language “§1.904-6(a)(iii)” from the second sentence in newly-designated paragraph (c)(2)(i) and add the language “§1.904-6(a)(1)(iii)” in its place.
4. Remove the language “paragraph (c)(2)(ii)(B)” from the last sentence in newly-designated paragraph (c)(2)(i) and add the language “paragraph (c)(2)(ii)” in its place.
5. Remove the language “paragraph (c)(2)(ii)(A)” from the first sentence in newly-designated paragraph (c)(2)(ii) and add the language “paragraph (c)(2)(i)” in its place.
6. Revise paragraphs (c)(3) and (c)(4) introductory text.
7. Add paragraph (n).

The revisions and addition read as follows:

§1.904-4 Separate application of section 904 with respect to certain categories of income.

* * * * *

(c) * * *
(3) *Amounts received or accrued by United States persons.* Except as otherwise provided in paragraph (c)(5) of this section, all passive income received by a United States person shall be subject to the rules of this paragraph (c)(3). However, subpart F inclusions that are passive income, dividends from a controlled foreign corporation or noncontrolled section 902 corporation that are passive income, and income that is earned by a United States person through a foreign QBU that is passive income shall be subject to the rules of this paragraph only to the extent provided in paragraph (c)(4) of this

section. For purposes of this section, a foreign QBU is a qualified business unit (as defined in section 989(a)), other than a controlled foreign corporation or noncontrolled section 902 corporation, that has its principal place of business outside the United States. These rules shall apply whether the income is received from a controlled foreign corporation of which the United States person is a United States shareholder, from a noncontrolled section 902 corporation of which the United States person is a domestic corporation meeting the stock ownership requirements of section 902(a), or from any other person. For purposes of determining whether passive income is high-taxed income, the following rules apply:

(i) All passive income received during the taxable year that is subject to a withholding tax of fifteen percent or greater shall be treated as one item of income.

(ii) All passive income received during the taxable year that is subject to a withholding tax of less than fifteen percent (but greater than zero) shall be treated as one item of income.

(iii) All passive income received during the taxable year that is subject to no withholding tax or other foreign tax shall be treated as one item of income.

(iv) All passive income received during the taxable year that is subject to no withholding tax but is subject to a foreign tax other than a withholding tax shall be treated as one item of income.

(4) *Dividends and inclusions from controlled foreign corporations, dividends from noncontrolled section 902 corporations, and income of foreign QBUs.* Except as provided in paragraph (c)(5) of this section, all dividends and all amounts included in gross income of a United States shareholder under section 951(a)(1) with respect to the foreign corporation that (after application of the look-through rules of section 904(d)(3) and §1.904-5) are attributable to passive income received or accrued by a controlled foreign corporation, all dividends from a noncontrolled section 902 corporation that are received or accrued by a domestic corporate shareholder meeting the stock ownership requirements of section 902(a) that (after application of the look-through rules of section 904(d)(4) and §1.904-5) are treated as passive income, and all amounts of passive income received or

accrued by a United States person through a foreign QBU shall be subject to the rules of this paragraph (c)(4). This paragraph (c)(4) shall be applied separately to dividends and inclusions with respect to each controlled foreign corporation of which the taxpayer is a United States shareholder and to dividends with respect to each noncontrolled section 902 corporation of which the taxpayer is a domestic corporate shareholder meeting the stock ownership requirements of section 902(a). This paragraph (c)(4) also shall be applied separately to income attributable to each foreign QBU of a controlled foreign corporation, noncontrolled section 902 corporation, or any other look-through entity as defined in §1.904-5(i), except that if the entity subject to the look-through rules is a United States person, then this paragraph (c)(4) shall be applied separately only to each foreign QBU of that United States person.

* * * * *

(n) *Effective/applicability dates.* For purposes of determining whether passive income is high-taxed income, the grouping rules of paragraphs (c)(3) and (4) of this section apply in taxable years ending on or after April 20, 2009. See 26 CFR §1.904-4T(c)(3) and (4) (revised as of April 1, 2009) for grouping rules applicable to taxable years beginning after December 31, 2002, and ending before April 20, 2009. For corresponding rules applicable to taxable years beginning before January 1, 2003, see 26 CFR §1.904-4(c)(2)(i) (revised as of April 1, 2006).

Par. 12. Section 1.904-4T is amended by revising paragraphs (c), (d), (e), (f), (g), (h)(1), and (h)(2) to read as follows:

§1.904-4T Separate application of section 904 with respect to certain categories of income (temporary).

* * * * *

(c) through (h)(2) [Reserved]. For further guidance, see §1.904-4(c) through (h)(2).

* * * * *

Par. 13. Section 1.904-5 is amended by revising paragraphs (a) introductory text, (a)(1), (a)(4), (b), (c)(2)(iii), (c)(4)(iii), (i)(1), (i)(3), (i)(4), (i)(5) *Examples 4* and

5, (m)(1), (m)(2)(ii), (m)(4)(i), (m)(5)(i), (n), and (o)(2) to read as follows:

§1.904-5 Look-through rules as applied to controlled foreign corporations and other entities.

(a) *Definitions.* For purposes of section 904(d)(3) and (4) and the regulations under section 904, the following definitions apply:

(1) The term *separate category* means, as the context requires, any category of income described in section 904(d)(1)(A) and (B) (or section 904(d)(1)(A), (B), (C), (D), (F), (G), (H), or (I) for taxable years beginning before January 1, 2007) and in §1.904-4T(b) (or §1.904-4(e) for taxable years beginning before January 1, 2007)), any category of income described in §1.904-4(m), or any category of earnings and profits to which income described in such provisions is attributable.

(4) The term *noncontrolled section 902 corporation* means any foreign corporation with respect to which the taxpayer meets the stock ownership requirements of section 902(a), or, with respect to a lower-tier foreign corporation, the taxpayer meets the requirements of section 902(b). Except as provided in section 902 and the regulations under that section and paragraphs (i)(3) and (i)(4) of this section, a controlled foreign corporation shall not be treated as a noncontrolled section 902 corporation with respect to any distributions out of its earnings and profits for periods during which it was a controlled foreign corporation. In the case of a partnership owning a foreign corporation, the determination of whether a taxpayer meets the ownership requirements of section 902(a) or (b) will be made with respect to the taxpayer's indirect ownership, and not the partnership's direct ownership, in the foreign corporation. See section 902(c)(7).

(b) *In general.* Except as otherwise provided in section 904(d)(3) and (4) and this section, dividends, interest, rents, and royalties received or accrued by a taxpayer from a controlled foreign corporation in which the taxpayer is a United States shareholder shall be treated as general category income. See paragraph (c)(4)(iii) of this section for the treatment of dividends received by a domestic corporation from a

noncontrolled section 902 corporation in which the domestic corporation meets the stock ownership requirements of section 902(a).

(c) * * *

(2) * * *

(iii) *Allocating and apportioning expenses of a noncontrolled section 902 corporation.* Expenses of a noncontrolled section 902 corporation shall be allocated and apportioned in the same manner as expenses of a controlled foreign corporation under paragraph (c)(2)(ii) of this section, except that the related person interest rule of paragraphs (c)(2)(ii)(C) and (D) of this section shall not apply.

(4) * * *

(iii) *Look-through rule for dividends from noncontrolled section 902 corporations.* Except as otherwise provided in this paragraph (c)(4)(iii), any dividend that is distributed by a noncontrolled section 902 corporation and received or accrued by a domestic corporation that meets the stock ownership requirements of section 902(a) shall be treated as income in a separate category in proportion to the ratio of the portion of earnings and profits attributable to income in such category to the total amount of earnings and profits of the noncontrolled section 902 corporation. A dividend distributed by a noncontrolled section 902 corporation shall be treated as passive income if the Commissioner determines that the look-through characterization of such dividend cannot reasonably be determined based on the available information, or if such dividend is received or accrued by a shareholder that is neither a domestic corporation meeting the stock ownership requirements of section 902(a) nor a foreign corporation meeting the requirements of section 902(b). See paragraph (i)(4) of this section. See §1.904-7 for transition rules concerning the treatment of undistributed earnings (or a deficit) of a noncontrolled section 902 corporation that were accumulated in taxable years beginning before January 1, 2003.

(i) *Application of look-through rules to related entities—(1) In general.* Except as provided in paragraphs (i)(2), (3), and (4) of this section, the principles of this section shall apply to distributions and payments

that are subject to the look-through rules of section 904(d)(3) and this section from a controlled foreign corporation or other entity otherwise entitled to look-through treatment (a "look-through entity") under this section to a related look-through entity. A noncontrolled section 902 corporation shall be considered a look-through entity only to the extent provided in paragraph (i)(4) of this section. Two look-through entities shall be considered to be related to each other if one owns, directly or indirectly, stock possessing more than 50 percent of the total voting power of all classes of voting stock of the other entity or more than 50 percent of the total value of such entity. In addition, two look-through entities are related if the same United States shareholders own, directly or indirectly, stock possessing more than 50 percent of the total voting power of all voting classes of stock (in the case of a corporation) or more than 50 percent of the total value of each look-through entity. In the case of a corporation, value shall be determined by taking into account all classes of stock. In the case of a partnership, value shall be determined under the rules in paragraph (h)(4) of this section. For purposes of this section, indirect ownership shall be determined under section 318 and the regulations under that section.

(3) *Special rule for dividends between controlled foreign corporations.* Solely for purposes of dividend payments between controlled foreign corporations, two controlled foreign corporations shall be considered related look-through entities if the same United States shareholder owns, directly or indirectly, at least 10 percent of the total voting power of all classes of stock of each foreign corporation. If two controlled foreign corporations are not considered related look-through entities for purposes of this section because a United States shareholder does not satisfy the ownership requirement set forth in this paragraph (i)(3), the dividend payment will be characterized under the look-through rules of section 904(d)(4) and this section if the requirements set forth in paragraph (i)(4) of this section are satisfied.

(4) *Payor and recipient of dividend are members of the same qualified group.* Solely for purposes of dividend payments

in taxable years beginning after December 31, 2002, between controlled foreign corporations, noncontrolled section 902 corporations, or a controlled foreign corporation and a noncontrolled section 902 corporation, the payor and recipient corporations shall be considered related look-through entities if the corporations are members of the same qualified group as defined in section 902(b)(2) and the recipient corporation is eligible to compute foreign taxes deemed paid with respect to the dividend under section 902(b)(1).

(5) * * *

Example 4. P, a domestic corporation, owns all of the voting stock of S, a controlled foreign corporation. S owns 5 percent of the voting stock of T, a controlled foreign corporation. The remaining 95 percent of the stock of T is owned by P. In 2006, T pays a \$50 dividend to S and a \$950 dividend to P. The dividend to S is not eligible for look-through treatment under paragraph (i)(4) of this section, and S is not eligible to compute an amount of foreign taxes deemed paid with respect to the dividend from T, because S and T are not members of the same qualified group (S owns less than 10 percent of the voting stock of T). See section 902(b) and §1.902-1(a)(3). However, the dividend is eligible for look-through treatment under paragraph (i)(3) of this section because P owns at least 10 percent of the voting power of all classes of stock of both S and T. The dividend is subpart F income of S that is taxable to P.

Example 5. P, a domestic corporation, owns 50 percent of the voting stock of S, a controlled foreign corporation. S owns 10 percent of the voting stock of T, a controlled foreign corporation. The remaining 50 percent of the stock of S and the remaining 90 percent of the stock of T are owned, respectively, by X and Y. X and Y are each United States shareholders of T but are not related to P, S, or each other. In 2006, T pays a \$100 dividend to S. The dividend is not eligible for look-through treatment under paragraph (i)(3) of this section because no United States shareholder owns at least 10 percent of the voting power of all classes of stock of both S and T (P and X each own only 5 percent of T). However, the dividend is eligible for look-through treatment under paragraph (i)(4) of this section, and S is eligible to compute an amount of foreign taxes deemed paid with respect to the dividend from T, because S and T are members of the same qualified group. See section 902(b) and §1.902-1(a)(3). The dividend is subpart F income of S that is taxable to P and X.

* * * * *

(m) *Application of section 904(h)—(1) In general.* This paragraph (m) applies to certain amounts derived from controlled foreign corporations and noncontrolled section 902 corporations that are treated as United States-owned foreign corporations as defined in section 904(h)(6). For purposes of determining the portion of an interest payment that is allocable to income earned or accrued by a controlled

foreign corporation or noncontrolled section 902 corporation from sources within the United States under section 904(h)(3), the rules in paragraph (m)(2) of this section apply. For purposes of determining the portion of a dividend (or amount treated as a dividend, including amounts described in section 951(a)(1)(B)) paid or accrued by a controlled foreign corporation or noncontrolled section 902 corporation that is treated as from sources within the United States under section 904(h)(4), the rules in paragraph (m)(4) of this section apply. For purposes of determining the portion of an amount included in gross income under section 951(a)(1)(A) or 1293 that is attributable to income of the controlled foreign corporation or noncontrolled section 902 corporation from sources within the United States under section 904(h)(2), the rules in paragraph (m)(5) of this section apply. In order to determine whether section 904(h) applies, section 904(h)(5) (exception if a United States-owned foreign corporation has a *de minimis* amount of United States source income) shall be applied to the total amount of earnings and profits of a controlled foreign corporation or noncontrolled section 902 corporation for a taxable year without regard to the characterization of those earnings under section 904(d).

(2) * * *

(ii) *Interest payments from noncontrolled section 902 corporations.* If interest is received or accrued by a shareholder from a noncontrolled section 902 corporation (where the shareholder is a domestic corporation that meets the stock ownership requirements of section 902(a)), the rules of paragraph (m)(2)(i) of this section apply in determining the portion of the interest payment that is from sources within the United States, except that the related party interest rules of paragraph (c)(2)(ii)(C) of this section shall not apply.

* * * * *

(4) *Treatment of dividend payments—(i) Rule.* Any dividend or distribution treated as a dividend under this section (including an amount included in gross income under section 951(a)(1)(B)) that is received or accrued by a United States shareholder from a controlled foreign corporation, or any dividend that is received or accrued by a domestic corporate shareholder meeting the stock

ownership requirements of section 902(a) from a noncontrolled section 902 corporation, shall be treated as income in a separate category derived from sources within the United States in proportion to the ratio of the portion of the earnings and profits of the controlled foreign corporation or noncontrolled section 902 corporation in the corresponding separate category from United States sources to the total amount of earnings and profits of the controlled foreign corporation or noncontrolled section 902 corporation in that separate category.

* * * * *

(5) *Treatment of inclusions under sections 951(a)(1)(A) and 1293—(i) Rule.* Any amount included in the gross income of a United States shareholder of a controlled foreign corporation under section 951(a)(1)(A) or in the gross income of domestic corporate shareholders that meet the stock ownership requirements of section 902(a) with respect to a noncontrolled section 902 corporation that is a qualified electing fund under section 1293 shall be treated as income subject to a separate limitation that is derived from sources within the United States to the extent such amount is attributable to income of the controlled foreign corporation or qualified electing fund, respectively, in the corresponding category of income from sources within the United States. In order to determine a controlled foreign corporation's taxable income and earnings and profits from sources within the United States in each separate category, the principles of paragraph (m)(4)(ii) of this section shall apply. In order to determine a qualified electing fund's earnings and profits from sources within the United States in each separate category, the principles of paragraph (m)(4)(ii) of this section shall apply, except that the related person interest rule of paragraph (m)(2) of this section shall not apply.

* * * * *

(n) *Order of application of section 904(d) and (h).* In order to apply the rules of this section, section 904(d)(1) shall first be applied to the controlled foreign corporation or noncontrolled section 902 corporation to determine the amount of income and earnings and profits derived by the controlled foreign corporation or noncontrolled section 902 corporation in each

separate category. The income and earnings and profits in each separate category that are from United States sources shall then be determined. Section 904(d)(3), (d)(4), and (h), and this section shall then be applied for purposes of characterizing and sourcing income received, accrued, or included by a United States shareholder in the controlled foreign corporation or a domestic corporate shareholder that meets the stock ownership requirements of section 902(a) with respect to a noncontrolled section 902 corporation that is attributable or allocable to income or earnings and profits of the foreign corporation.

(o) * * *

(2) *Rules for noncontrolled section 902 corporations.* Paragraphs (a), (a)(1), (a)(4), (b), (c)(2)(iii), (c)(4)(iii), (i)(1), (i)(3), (i)(4), (i)(5), *Examples 4 and 5*, (m)(1), (m)(2)(ii), (m)(4)(i), (m)(5)(i), and (n) of this section apply to distributions from a noncontrolled section 902 corporation that are paid in taxable years of the noncontrolled section 902 corporation ending on or after April 20, 2009. See 26 CFR §1.904-5T(a), (a)(1), (a)(4), (b), (c)(2)(iii), (c)(4)(iii), (i)(1), (i)(3), (i)(4), (i)(5), *Examples 4 and 5*, and 26 CFR §1.904-7T(f)(9) (revised as of April 1, 2009) for rules applicable to distributions from a noncontrolled section 902 corporation that are paid in taxable years of the noncontrolled section 902 corporation beginning after December 31, 2002, and ending before April 20, 2009. See 26 CFR §1.904-5T(m)(1), (m)(2)(ii), (m)(4)(i), and (n) (revised as of April 1, 2009) for rules applicable to distributions from a noncontrolled section 902 corporation paid in taxable years of such corporation beginning after April 25, 2006, and ending before April 20, 2009. For corresponding rules applicable to taxable years beginning before January 1, 2003, see 26 CFR §1.904-5 (revised as of April 1, 2006).

Par. 14. Section 1.904-5T is amended by revising paragraphs (a), (b), (c), (d), (e), (f), (g), (h)(1), (h)(2), (i), (j), (k), (l), (m), (n), (o)(1), and (o)(2) to read as follows:

§1.904-5T Look-through rules as applied to controlled foreign corporations and other entities (temporary).

(a) through (h)(2) [Reserved]. For further guidance, see §1.904-5(a) through (h)(2).

* * * * *

(i) through (o)(2). [Reserved]. For further guidance, see §1.904-5(i) through (o)(2).

* * * * *

Par. 15. Section 1.904-7 is amended by revising paragraph (f) to read as follows:

§1.904-7 Transition rules.

* * * * *

(f) *Treatment of non-look-through pools of a noncontrolled section 902 corporation or a controlled foreign corporation in post-2002 taxable years—(1) Definition of non-look-through pools.* The term *non-look-through pools* means the pools of post-1986 undistributed earnings (as defined in §1.902-1(a)(9)) that were accumulated, and post-1986 foreign income taxes (as defined in §1.902-1(a)(8)) paid, accrued, or deemed paid, in and after the first taxable year in which the foreign corporation had a domestic shareholder (as defined in §1.902-1(a)(1)) but before any such shareholder was eligible for look-through treatment with respect to dividends from the foreign corporation.

(2) *Treatment of non-look-through pools of a noncontrolled section 902 corporation.* Any undistributed earnings in the non-look-through pool that were accumulated in taxable years beginning before January 1, 2003, by a noncontrolled section 902 corporation as of the last day of the corporation's last taxable year beginning before January 1, 2003, shall be treated in taxable years beginning after December 31, 2002, as if they were accumulated during a period when a dividend paid by the noncontrolled section 902 corporation to a domestic shareholder would have been eligible for look-through treatment under section 904(d)(4) and §1.904-5. Post-1986 foreign income taxes paid, accrued or deemed paid with respect to such earnings shall be treated as if they were paid, accrued or deemed paid during a period when the related earnings were eligible for look-through treatment. Any such earnings and taxes in the non-look-through pools shall constitute the opening balance of the noncontrolled section 902 corporation's pools of post-1986 undistributed earnings and post-1986 foreign income taxes on the first day of the foreign corporation's first taxable year beginning after December

31, 2002, in accordance with the rules of paragraph (f)(4) of this section.

(3) *Treatment of non-look-through pools of a controlled foreign corporation.* A controlled foreign corporation may have non-look-through pools of post-1986 undistributed earnings and post-1986 foreign income taxes that were accumulated and paid in a taxable year beginning before January 1, 2003, in which it was a noncontrolled section 902 corporation. Any such undistributed earnings in the non-look-through pool as of the last day of the controlled foreign corporation's last taxable year beginning before January 1, 2003, shall be treated in taxable years beginning on or after January 1, 2003, as if they were accumulated during a period when a dividend paid by the controlled foreign corporation out of such earnings, or an amount included in the gross income of a United States shareholder under section 951 that is attributable to such earnings, would have been eligible for look-through treatment. Any post-1986 foreign income taxes paid, accrued, or deemed paid with respect to such earnings shall be treated in taxable years beginning on or after January 1, 2003, as if they were paid, accrued, or deemed paid during a period when a dividend or inclusion out of such earnings would have been eligible for look-through treatment. Any such undistributed earnings and taxes in the non-look-through pools shall be added to the pools of post-1986 undistributed earnings and post-1986 foreign income taxes of the controlled foreign corporation in the appropriate separate categories on the first day of the controlled foreign corporation's first taxable year beginning after December 31, 2002, in accordance with the rules of paragraph (f)(4) of this section. Similar rules shall apply to characterize any previously-taxed earnings and profits described in section 959(c)(1)(A) that are attributable to earnings in the non-look-through pool.

(4) *Substantiation of look-through character of undistributed earnings and taxes in a non-look-through pool—(i) Reconstruction of earnings and taxes pools.* In order to substantiate the look-through characterization of undistributed earnings and taxes in a non-look-through pool under section 904(d)(4) and §1.904-5, the taxpayer shall make a reasonable, good-faith effort to reconstruct the non-look-through

pools of post-1986 undistributed earnings and post-1986 foreign income taxes (and previously-taxed earnings and profits, if any) on a look-through basis for each year in the non-look-through period, beginning with the first taxable year in which post-1986 undistributed earnings were accumulated in the non-look-through pool. Reconstruction shall be based on reasonably available books and records and other relevant information, and it must account for earnings distributed and taxes deemed paid in these years as if they were distributed and deemed paid pro rata from the amounts that were added to the non-look-through pools during the non-look-through period.

(ii) *Safe harbor method.* A taxpayer that was eligible for look-through treatment with respect to a distribution from the foreign corporation in the taxpayer's first taxable year ending after the first day of the foreign corporation's first taxable year beginning after December 31, 2002, may allocate the undistributed earnings and taxes in the non-look-through pools to the foreign corporation's look-through pools of post-1986 undistributed earnings and post-1986 foreign income taxes in other separate categories on the first day of the foreign corporation's first taxable year beginning after December 31, 2002, in the same percentages as the taxpayer properly characterizes the stock of the foreign corporation in the separate categories for purposes of apportioning the taxpayer's interest expense in its first taxable year ending after the first day of the foreign corporation's first taxable year beginning after December 31, 2002, under §1.861-12T(c)(3) or §1.861-12(c)(4), as the case may be. If the modified gross income method described in §1.861-9T(j) is used to apportion interest expense of the foreign corporation in its first taxable year beginning after December 31, 2002, the taxpayer must allocate the undistributed earnings and taxes in the non-look-through pools to the foreign corporation's look-through pools of post-1986 undistributed earnings and post-1986 foreign income taxes based on an average of the foreign corporation's modified gross income ratios for the foreign corporation's taxable years beginning in 2003 and 2004. A taxpayer may also use the safe harbor method described in this paragraph (f)(4)(ii) to allocate to separate categories

any previously-taxed earnings and profits described in section 959(c)(1)(A) that are attributable to the non-look-through pool. A taxpayer may choose to use the safe harbor method on either a timely filed or amended tax return or during an audit. However, a taxpayer that uses the safe harbor method on an amended return or in the course of an audit must make appropriate adjustments to eliminate any duplicate benefits arising from application of the safe harbor method to taxable years that are not open for assessment. A taxpayer's choice to use the safe harbor method is evidenced by employing the method. The taxpayer need not file any separate statement.

(iii) *Inadequate substantiation.* If a taxpayer does not use, or is ineligible to use, the safe harbor method described in paragraph (f)(4)(ii) of this section and the Commissioner determines that the look-through characterization of earnings and taxes in the non-look-through pools cannot reasonably be determined based on the available information, the Commissioner shall allocate the undistributed earnings and taxes in the non-look-through pools to the foreign corporation's passive category.

(iv) *Examples.* The following examples illustrate the application of this paragraph (f)(4):

Example 1. P, a domestic corporation, has owned 50 percent of the voting stock of S, a foreign corporation, at all times since January 1, 1987, and S has been a noncontrolled section 902 corporation with respect to P since that date. P and S use the calendar year as their U.S. taxable year. The first year in which post-1986 undistributed earnings were accumulated in the non-look-through pool of S was 1987. As of December 31, 2002, S had 200u of post-1986 undistributed earnings and \$100 of post-1986 foreign income taxes in its non-look-through pools. P does not use the safe harbor method under paragraph (f)(4)(ii) of this section to allocate the earnings and taxes in the non-look-through pools to S's other separate categories and does not attempt to substantiate the look-through characterization of S's non-look-through pools. The Commissioner, however, reasonably determines, based on information used to characterize S's stock for purposes of apportioning P's interest expense in P's 2003 and 2004 taxable years, that 100u of the earnings and all \$100 of the taxes in the non-look-through pools are properly assigned on a look-through basis to the general limitation category, and 100u of earnings and no taxes are properly assigned on a look-through basis to the passive category. Therefore, in accordance with the Commissioner's look-through characterization of the earnings and taxes in S's non-look-through pools, on January 1, 2003, S has 100u of post-1986 undistributed earnings and \$100 of post-1986 foreign income taxes in the general limitation category and 100u of post-1986

undistributed earnings and no post-1986 foreign income taxes in the passive category.

Example 2. The facts are the same as in *Example 1*, except that the Commissioner cannot reasonably determine, based on the available information, the proper look-through characterization of the 200u of undistributed earnings and \$100 of taxes in S's non-look-through pools. Accordingly, the Commissioner will assign such earnings and taxes to the passive category, so that as of January 1, 2003, S has 200u of post-1986 undistributed earnings and \$100 of post-1986 foreign income taxes in the passive category, and the Commissioner will treat S as a passive category asset for purposes of apportioning P's interest expense.

(5) *Treatment of a deficit accumulated in a non-look-through pool.* Any deficit in the non-look-through pool of a non-controlled section 902 corporation or a controlled foreign corporation as of the end of its last taxable year beginning before January 1, 2003, shall be treated in taxable years beginning after December 31, 2002, as if the deficit had been accumulated during a period in which a dividend paid by the foreign corporation would have been eligible for look-through treatment. In the case of a noncontrolled section 902 corporation, the deficit and taxes, if any, in the non-look-through pools shall constitute the opening balance of the look-through pools of post-1986 undistributed earnings and post-1986 foreign income taxes of the noncontrolled section 902 corporation in the appropriate separate categories on the first day of its first taxable year beginning after December 31, 2002. In the case of a controlled foreign corporation, the deficit and taxes, if any, in the non-look-through pools shall be added to the balance of the look-through pools of post-1986 undistributed earnings and post-1986 foreign income taxes of the controlled foreign corporation in the appropriate separate categories on the first day of its first taxable year beginning after December 31, 2002. The taxpayer must substantiate the look-through characterization of the deficit and taxes in accordance with the rules of paragraph (f)(4) of this section. If a taxpayer does not use the safe harbor method described in paragraph (f)(4)(ii) of this section and the Commissioner determines that the look-through characterization of the deficit and taxes cannot reasonably be determined based on the available information, the Commissioner shall allocate the deficit and taxes, if any, in the non-look-through pools to the foreign corporation's passive category. If,

as of the end of a taxable year beginning after December 31, 2002, in which it pays a dividend, the foreign corporation has zero or a deficit in post-1986 undistributed earnings (taking into account any earnings or a deficit accumulated in taxable years beginning before January 1, 2003), the deficit in post-1986 undistributed earnings shall be carried back to reduce pre-1987 accumulated profits, if any, on a last-in-first-out basis. See §1.902-2(a)(1). If, as of the end of a taxable year beginning after December 31, 2002, in which the foreign corporation pays a dividend out of current earnings and profits, it has zero or a deficit in post-1986 undistributed earnings (taking into account any earnings or a deficit accumulated in taxable years beginning before January 1, 2003), and the sum of current plus accumulated earnings and profits is zero or less than zero, no foreign taxes shall be deemed paid with respect to the dividend. See §1.902-1(b)(4).

(6) *Treatment of pre-1987 accumulated profits.* Any pre-1987 accumulated profits (as defined in §1.902-1(a)(10)) of a controlled foreign corporation or noncontrolled section 902 corporation shall be treated in taxable years beginning after December 31, 2002, as if they were accumulated during a period in which a dividend paid by the foreign corporation would have been eligible for look-through treatment. Any pre-1987 foreign income taxes (as defined in §1.902-1(a)(10)(iii)) shall be treated as if they were paid, accrued or deemed paid during a year when a dividend out of the related pre-1987 accumulated profits would have been eligible for look-through treatment. The taxpayer must substantiate the look-through characterization of the pre-1987 accumulated profits and pre-1987 foreign income taxes in accordance with the rules of paragraph (f)(4) of this section. If a taxpayer does not use, or is ineligible to use, the safe harbor method described in paragraph (f)(4)(ii) of this section and the Commissioner determines that the look-through characterization of the pre-1987 accumulated profits and pre-1987 foreign income taxes cannot reasonably be determined based on the available information, the pre-1987 accumulated profits and pre-1987 foreign income taxes shall be allocated to the foreign corporation's passive category.

(7) *Treatment of post-1986 undistributed earnings or a deficit of a con-*

trolled foreign corporation attributable to dividends from a noncontrolled section 902 corporation paid in taxable years beginning before January 1, 2003—(i) Look-through treatment of post-1986 undistributed earnings at controlled foreign corporation level. Dividends paid by a noncontrolled section 902 corporation to a controlled foreign corporation in post-1986 taxable years of the noncontrolled section 902 corporation beginning before January 1, 2003, were assigned to a separate category for dividends from that noncontrolled section 902 corporation. Beginning on the first day of the controlled foreign corporation's first taxable year beginning on or after the first day of the lower-tier corporation's first taxable year beginning after December 31, 2002, any post-1986 undistributed earnings, or previously-taxed earnings and profits described in section 959(c)(1) or (2), of the controlled foreign corporation in such a separate category shall be treated as if they were accumulated during a period when a dividend paid by the noncontrolled section 902 corporation would have been eligible for look-through treatment. Any post-1986 foreign income taxes in such a separate category shall also be treated as if they were paid, accrued or deemed paid during a period when such a dividend would have been eligible for look-through treatment. Any such post-1986 undistributed earnings and post-1986 foreign income taxes in a separate category for dividends from a noncontrolled section 902 corporation shall be added to the opening balance of the controlled foreign corporation's look-through pools of post-1986 undistributed earnings and post-1986 foreign income taxes in the appropriate separate categories on the first day of the controlled foreign corporation's first taxable year beginning on or after the first day of the lower-tier corporation's first taxable year beginning after December 31, 2002. Any section 952(c)(2) recapture account with respect to such a separate category shall be allocated in the same manner as the associated post-1986 undistributed earnings. The taxpayer must substantiate the look-through characterization of such earnings and taxes in accordance with the rules of paragraph (f)(7)(iii) of this section.

(ii) *Look-through treatment of deficit in post-1986 undistributed earnings at controlled foreign corporation level.* If a controlled foreign corporation has a deficit in a separate category for dividends from a lower-tier noncontrolled section 902 corporation that is a member of the controlled foreign corporation's qualified group as defined in section 902(b)(2), such deficit shall be treated in taxable years of the upper-tier corporation beginning on or after the first day of the lower-tier corporation's first taxable year beginning after December 31, 2002, as if the deficit had been accumulated during a period in which a dividend from the lower-tier corporation would have been eligible for look-through treatment. Any post-1986 foreign income taxes in the separate category for dividends from the noncontrolled section 902 corporation shall also be treated as if they were paid, accrued or deemed paid during a period when the dividends were eligible for look-through treatment. The deficit and related post-1986 foreign income taxes, if any, shall be added to the opening balance of the controlled foreign corporation's look-through pools of post-1986 undistributed earnings and post-1986 foreign income taxes in the appropriate separate categories on the first day of the controlled foreign corporation's first taxable year beginning on or after the first day of the lower-tier corporation's first taxable year beginning after December 31, 2002. The taxpayer must substantiate the look-through characterization of the deficit and taxes in accordance with the rules of paragraph (f)(7)(iii) of this section.

(iii) *Substantiation required for look-through treatment.* The taxpayer must substantiate the look-through characterization of post-1986 undistributed earnings, previously-taxed earnings and profits, or a deficit in post-1986 undistributed earnings in a separate category for dividends paid by a noncontrolled section 902 corporation in taxable years beginning before January 1, 2003, by making a reasonable, good-faith effort to reconstruct the earnings (or deficit) and taxes in the separate category at the level of the controlled foreign corporation on a look-through basis, in accordance with the principles of paragraph (f)(4)(i) of this section. Alternatively, the taxpayer may allocate the earnings (or deficit) and taxes to the controlled foreign corporation's look-through pools

under the safe harbor method described in paragraph (f)(4)(ii) of this section at the level of the controlled foreign corporation. If the taxpayer uses the safe harbor method, the earnings (or deficit) and taxes shall be allocated to the controlled foreign corporation's look-through pools in the appropriate separate categories on the first day of the controlled foreign corporation's first taxable year beginning on or after the first day of the lower-tier corporation's first taxable year beginning after December 31, 2002. The allocation shall be made in the same percentages as the controlled foreign corporation would properly characterize the stock of the lower-tier noncontrolled section 902 corporation in the separate categories for purposes of apportioning the controlled foreign corporation's interest expense in its first taxable year ending after the first day of the noncontrolled section 902 corporation's first taxable year beginning after December 31, 2002. Under §1.861-12T(c)(3), the apportionment ratios properly used by the controlled foreign corporation are in turn based on the apportionment ratios properly used by the noncontrolled section 902 corporation to apportion its interest expense in its first taxable year beginning after December 31, 2002. In the case of a taxpayer that uses the safe harbor method where the lower-tier noncontrolled section 902 corporation uses the modified gross income method described in §1.861-9T(j) to apportion interest expense for its first taxable year beginning after December 31, 2002, earnings (or a deficit) and taxes in the separate category for dividends from the noncontrolled section 902 corporation shall be allocated to the look-through pools based on the average of the noncontrolled section 902 corporation's modified gross income ratios for its taxable years beginning in 2003 and 2004. In the case of a controlled foreign corporation that has in its qualified group a chain of lower-tier noncontrolled section 902 corporations, the safe harbor applies first to characterize the stock of the third-tier corporation and then to characterize the stock of the second-tier corporation. Where a taxpayer uses the safe harbor method with respect to a lower-tier noncontrolled section 902 corporation with respect to which the taxpayer did not meet the requirements of section 902(a) as of the end of the upper-tier controlled foreign corporation's last taxable year beginning

before January 1, 2003, the earnings (or deficit) and taxes in the separate category for dividends from the lower-tier corporation shall be allocated to the upper-tier corporation's look-through pools in the separate categories in the same percentages as the stock of the lower-tier corporation would have been characterized for purposes of apportioning the upper-tier corporation's interest expense in the last year the taxpayer met the ownership requirements of section 902(a) with respect to the lower-tier corporation if the look-through rules had applied in that year. If a taxpayer does not use the safe harbor method described in this paragraph (f)(7)(iii), and the Commissioner determines that the look-through characterization of the earnings (or deficit) and taxes cannot reasonably be determined based on the available information, the Commissioner shall allocate the earnings (or deficit) and associated foreign income taxes to the controlled foreign corporation's passive category.

(8) *Treatment of distributions received by an upper-tier corporation from a lower-tier noncontrolled section 902 corporation, including when the corporations do not have the same taxable years*—(i) *Rule.* In the case of dividends paid by a lower-tier noncontrolled section 902 corporation to an upper-tier corporation where both are members of the same qualified group as defined in section 902(b)(2), the following rules apply. Dividends paid by the lower-tier corporation in taxable years beginning before January 1, 2003, are assigned to a separate category for dividends from that corporation, regardless of whether the corresponding taxable year of the recipient corporation began after December 31, 2002. Post-1986 undistributed earnings, previously-taxed earnings and profits, and post-1986 foreign income taxes in such a separate category shall be treated, beginning on the first day of the upper-tier corporation's first taxable year beginning on or after the first day of the lower-tier corporation's first taxable year beginning after December 31, 2002, as if they were accumulated during a period when a dividend paid by the lower-tier corporation would have been eligible for look-through treatment under section 904(d)(4) and §1.904-5. Dividends paid by a lower-tier corporation in taxable years beginning after December 31, 2002, are eligible for look-through

treatment when paid, without regard to whether the corresponding taxable year of the recipient upper-tier corporation began after December 31, 2002.

(ii) *Example.* The following example illustrates the application of paragraph (f) of this section:

Example. M, a domestic corporation, has directly owned 50 percent of the stock of foreign corporation X, and X has directly owned 50 percent of the stock of foreign corporation Y, at all times since X and Y were organized on January 1, 1990. Accordingly, X and Y are noncontrolled section 902 corporations with respect to M, and X and Y are members of the same qualified group. M and Y use the calendar year as their U.S. taxable year, and X uses a taxable year beginning on July 1. Under §1.904-4(g) and paragraph (f)(10) of this section, a dividend paid to M by X on January 15, 2003 (during X's last pre-2003 taxable year) is not eligible for look-through treatment in 2003. However, under §1.861-12(c)(4), M will characterize the stock of X on a look-through basis for purposes of interest expense apportionment in its 2003 taxable year. Under §1.904-2(h)(1), any unused foreign taxes in M's separate category for dividends from X will be carried over to M's other separate categories on a look-through basis for M's taxable years beginning on and after January 1, 2004. Under paragraph (f)(2) of this section, any undistributed earnings and taxes in X's non-look-through pools will be allocated to X's other separate categories on July 1, 2003. Under §1.904-5(i)(4) and paragraphs (f)(8)(i) and (f)(10) of this section, a dividend paid to X by Y on January 15, 2003 (during Y's first post-2002 taxable year) is eligible for look-through treatment when paid, notwithstanding that it is received in a pre-2003 taxable year of X.

(9) *Election to apply pre-AJCA rules to 2003 and 2004 taxable years*—(i) *Definition.* The term *single category for dividends from all noncontrolled section 902 corporations* means the separate category described in section 904(d)(1)(E) as in effect for taxable years beginning after December 31, 2002, and prior to its repeal by the American Jobs Creation Act (AJCA), Public Law 108-357, 118 Stat. 1418 (October 22, 2004).

(ii) *Time, manner, and form of election.* A taxpayer may elect not to apply the provisions of section 403 of the AJCA and to apply the rules of this paragraph (f)(9) to taxable years of noncontrolled section 902 corporations beginning after December 31, 2002, and before January 1, 2005, without regard to whether the corresponding taxable years of the taxpayer or any upper-tier corporation begin before or after such dates. A taxpayer shall be eligible to make such an election provided that—

(A) The taxpayer's tax liability as shown on an original or amended tax return for each of its affected taxable years

is consistent with the rules of this paragraph (f)(9), the guidance set forth in Notice 2003-5, 2003-1 C.B. 294, (see §601.601(d)(2) of this chapter), and the principles of §1.861-12(c)(4) for each such year for which the statute of limitations does not preclude the filing of an amended return;

(B) The taxpayer makes appropriate adjustments to eliminate any duplicate benefits arising from the application of this paragraph (f)(9) to taxable years that are not open for assessment; and

(C) The taxpayer attaches a statement to its next tax return for which the due date (with extensions) is more than 90 days after April 25, 2006, indicating that the taxpayer elects not to apply the provisions of section 403 of the AJCA to taxable years of its noncontrolled section 902 corporations beginning in 2003 and 2004, and that the taxpayer has filed original returns or will file amended returns reflecting tax liabilities for each affected year that satisfy the requirements described in this paragraph (f)(9)(ii).

(iii) *Treatment of non-look-through pools in taxable years beginning after December 31, 2004.* Undistributed earnings (or a deficit) and taxes in the non-look-through pools of a controlled foreign corporation or a noncontrolled section 902 corporation as of the end of its last taxable year beginning before January 1, 2005, shall be treated in taxable years beginning after December 31, 2004, as if they were accumulated and paid during a period in which a distribution out of earnings in the non-look-through pool would have been eligible for look-through treatment. Such earnings (or deficit) and taxes shall be added to the foreign corporation's pools of post-1986 undistributed earnings and post-1986 foreign income taxes in the appropriate separate categories on the first day of the foreign corporation's first taxable year beginning after December 31, 2004. In accordance with the principles of paragraph (f)(4) of this section, the taxpayer must reconstruct the non-look-through pools or, if the taxpayer chooses to use the safe harbor method, allocate the earnings and taxes in the non-look-through pools to the foreign corporation's look-through pools in the appropriate separate categories on the first day of the foreign corporation's first taxable year beginning after December 31,

2004. Under the safe harbor method, this allocation is made in the same percentages as the taxpayer properly characterized the stock of the foreign corporation for purposes of apportioning the taxpayer's interest expense in the taxpayer's first taxable year ending after the first day of the foreign corporation's first taxable year beginning after December 31, 2002. See §1.861-12T(c)(3) and §1.861-12(c)(4). If a taxpayer does not use the safe harbor method described in paragraph (f)(4)(ii) of this section and the Commissioner determines that the look-through characterization of the earnings (or deficit) and taxes cannot reasonably be determined based on the available information, the earnings (or deficit) and taxes shall be allocated to the foreign corporation's passive category.

(iv) *Carryover of unused foreign tax.* To the extent that a taxpayer has unused foreign taxes in the single category for dividends from all noncontrolled section 902 corporations, such taxes shall be carried forward to the appropriate separate categories in the taxpayer's taxable years beginning on or after the first day of the relevant noncontrolled section 902 corporation's first taxable year beginning after December 31, 2004. Such unused taxes shall be carried forward in the same manner as §1.904-2(h)(1) provides that unused foreign taxes in the separate categories for dividends from each noncontrolled section 902 corporation are carried over to taxable years beginning on or after the first day of the noncontrolled section 902 corporation's first taxable year beginning after December 31, 2002, in the case of a taxpayer that does not make the election under this paragraph (f)(9). The electing taxpayer shall determine which noncontrolled section 902 corporations paid the dividends to which the unused foreign taxes are attributable and assign the taxes to the appropriate separate categories as if such dividends had been eligible for look-through treatment when paid. Accordingly, the taxpayer must substantiate the look-through characterization of the unused foreign taxes in accordance with paragraph (f)(4) of this section by reconstructing the non-look-through pools or, if the taxpayer uses the safe harbor method, by allocating the unused foreign taxes to other separate categories in the same percentages as the taxpayer properly characterized the stock of the noncontrolled

section 902 corporation for purposes of apportioning the taxpayer's interest expense for its first taxable year ending after the first day of the noncontrolled section 902 corporation's first taxable year beginning after December 31, 2002. The rule described in this paragraph (f)(9)(iv) shall apply only to unused foreign taxes attributable to dividends out of earnings that were accumulated by noncontrolled section 902 corporations in taxable years of such corporations beginning before January 1, 2003, because only unused foreign taxes attributable to distributions out of pre-2003 earnings are included in the single category for dividends from all noncontrolled section 902 corporations. To the extent that unused foreign taxes carried forward to the single category for dividends from all noncontrolled section 902 corporations under the rules of Notice 2003-5 were either absorbed by low-taxed dividends paid by noncontrolled section 902 corporations out of the non-look-through pool in taxable years of such corporations beginning in 2003 or 2004, or expired unused, the amount of taxes carried forward to the separate categories on a look-through basis will be smaller than the aggregate amount of taxes initially carried forward to the single category for dividends from all noncontrolled section 902 corporations. In this case, the unused foreign taxes arising in each taxable year shall be deemed attributable to each noncontrolled section 902 corporation in the same ratio as the dividends included in the separate category that were paid by such corporation in such year bears to all such dividends paid by all noncontrolled section 902 corporations in such year. Unused foreign taxes carried forward from the separate categories for dividends from each noncontrolled section 902 corporation to the single category for dividends from all noncontrolled section 902 corporations will similarly be deemed to have been utilized on a pro rata basis. The remaining unused foreign taxes are then assigned to the appropriate separate categories under the rules of paragraph (f)(4) of this section. Unused foreign taxes shall be treated as allocable to general category income to the extent that such taxes would otherwise have been allocable to passive income (based on reconstructed pools or the safe harbor method), or to the extent that, under paragraph (f)(4)(iii) of

this section, the Commissioner determines that the look-through characterization cannot reasonably be determined based on the available information.

(v) *Carryback of unused foreign tax.* To the extent that a taxpayer has unused foreign taxes attributable to a dividend paid by a noncontrolled section 902 corporation that was eligible for look-through treatment under section 904(d)(4) and §1.904-5, any such unused foreign taxes shall be carried back to prior taxable years within the same separate category and not to the single category for dividends from all noncontrolled section 902 corporations or any separate category for dividends from a noncontrolled section 902 corporation. See Notice 2003-5 for rules relating to the carryback of unused foreign taxes in the single category for dividends from all noncontrolled section 902 corporations.

(vi) *Recapture of overall foreign loss or separate limitation loss in the single category for dividends from all noncontrolled section 902 corporations.* To the extent that a taxpayer has a balance in a separate limitation loss or overall foreign loss account in the single category for dividends from all noncontrolled section 902 corporations under section 904(d)(1)(E) (prior to its repeal by the AJCA), at the end of the taxpayer's last taxable year beginning before January 1, 2005 (or a later taxable year in which the taxpayer received a dividend subject to the separate limitation for dividends from all noncontrolled section 902 corporations), the amount of such balance shall be allocated on the first day of the taxpayer's next taxable year to the taxpayer's other separate categories. The amount of such balance that is attributable to each noncontrolled section 902 corporation shall be allocated in the same percentages as the taxpayer properly characterized the stock of such corporation for purposes of apportioning the taxpayer's interest expense for its first taxable year ending after the first day of such corporation's first taxable year beginning after December 31, 2002, under §1.861-12T(c)(3) or §1.861-12(c)(4), as the case may be. To the extent that a taxpayer has a balance in a separate limitation loss account for the single category for dividends from all noncontrolled section 902 corporations with respect to another separate category, and the separate limitation loss account would otherwise be assigned to that other cate-

gory under this paragraph (f)(9)(vi), such balance shall be eliminated.

(vii) *Recapture of separate limitation losses in other separate categories.* To the extent that a taxpayer has a balance in any separate limitation loss account in a separate category with respect to the single category for dividends from all noncontrolled section 902 corporations at the end of the taxpayer's last taxable year with or within which ends the last taxable year of the relevant noncontrolled section 902 corporation beginning before January 1, 2005, such loss shall be recaptured in subsequent taxable years as income in the appropriate separate category. The separate limitation loss account shall be deemed attributable on a pro rata basis to those noncontrolled section 902 corporations that paid dividends out of earnings accumulated in taxable years beginning before January 1, 2003, in the years in which the separate limitation loss in the other separate category arose. The ratable portions of the separate limitation loss account shall be recaptured as income in the taxpayer's separate categories in the same percentages as the taxpayer properly characterized the stock of the relevant noncontrolled section 902 corporation for purposes of apportioning the taxpayer's interest expense in its first taxable year ending after the first day of such corporation's first taxable year beginning after December 31, 2002, under §1.861-12T(c)(3) or §1.861-12(c)(4), as the case may be. To the extent that a taxpayer has a balance in any separate limitation loss account in any separate category that would have been recaptured as income in that same category under this paragraph (f)(9)(vii), such balance shall be eliminated.

(viii) *Treatment of undistributed earnings in an upper-tier corporation-level single category for dividends from lower-tier noncontrolled section 902 corporations.* Where a controlled foreign corporation or noncontrolled section 902 corporation has a single category for dividends from all noncontrolled section 902 corporations containing earnings attributable to dividends paid by one or more lower-tier corporations, the following rules apply. The post-1986 undistributed earnings, previously-taxed earnings and profits described in section 959(c)(1) or (2), if any, and associated post-1986 foreign income taxes shall be allocated to the upper-tier

corporation's other separate categories in the same manner as earnings and taxes in a separate category for dividends from each noncontrolled section 902 corporation maintained by the upper-tier corporation are allocated under paragraph (f)(7) of this section. Accordingly, post-1986 undistributed earnings, previously-taxed earnings and profits, if any, and post-1986 foreign income taxes in the single category for dividends from all noncontrolled section 902 corporations shall be treated as if they were accumulated and paid, accrued or deemed paid during a period when a dividend paid by each lower-tier corporation that paid dividends included in the single category would have been eligible for look-through treatment. If the taxpayer uses the safe harbor method described in paragraph (f)(7)(iii) of this section, the earnings and taxes shall be allocated based on the apportionment ratios properly used by the lower-tier corporation to apportion its interest expense for its first taxable year beginning after December 31, 2002. Any section 952(c)(2) recapture account with respect to the single category shall be allocated in the same manner as the associated post-1986 undistributed earnings. The taxpayer must substantiate the look-through characterization of the earnings and taxes in accordance with the rules of paragraph (f)(7)(iii) of this section. If the taxpayer does not use the safe harbor method and the Commissioner determines that the look-through characterization of the earnings cannot reasonably be determined based on the available information, the earnings and taxes shall be assigned to the upper-tier corporation's passive category.

(ix) *Treatment of a deficit in the single category for dividends from lower-tier noncontrolled section 902 corporations.* Where a controlled foreign corporation or noncontrolled section 902 corporation had an aggregate deficit in the single category for dividends from all noncontrolled section 902 corporations as of the end of the upper-tier corporation's last taxable year beginning before January 1, 2005, such deficit and the associated post-1986 foreign income taxes, if any, shall be allocated to the upper-tier corporation's other separate categories in the same percentages in which the non-look-through pools of each lower-tier corporation to which the deficit is attributable were assigned to such

corporation's other separate categories in its first taxable year beginning after December 31, 2002. If the taxpayer uses the safe harbor method described in paragraph (f)(7)(iii) of this section, the deficit and taxes shall be allocated based on how the taxpayer properly characterized the stock of the lower-tier noncontrolled section 902 corporation for purposes of apportioning the upper-tier corporation's interest expense for the upper-tier corporation's first taxable year ending after the first day of the lower-tier corporation's first taxable year beginning after December 31, 2002. The taxpayer must substantiate the look-through characterization of the deficit and taxes in accordance with the rules of paragraph (f)(7)(iii) of this section. If the taxpayer does not use the safe harbor method and the Commissioner determines that the look-through characterization of the deficit cannot reasonably be determined based on the available information, the deficit and taxes shall be assigned to the upper-tier corporation's passive category.

(10) *Effective/applicability dates.* This paragraph (f) shall apply to dividends from a noncontrolled section 902 corporation that are paid in taxable years of the noncontrolled section 902 corporation ending on or after April 20, 2009. See 26 CFR §1.904-7T(f) (revised as of April 1, 2009) for rules applicable, except in the case of a taxpayer that makes the election under paragraph (f)(9) of that section, to dividends from a noncontrolled section 902 corporation that are paid in taxable years of the noncontrolled section 902 corporation beginning after December 31, 2002, and ending before April 20, 2009. See 26 CFR §1.904-7T(f) (revised as of April 1, 2009) for rules applicable, in the case of a taxpayer that makes the election under paragraph (f)(9) of that section, to dividends from a noncontrolled section 902 corporation that are paid in taxable years of the noncontrolled section 902 corporation beginning after December 31, 2004, and ending before April 20, 2009. However, taxpayers may choose to apply paragraph (f) of this section in its entirety in lieu of 26 CFR §1.904-7T(f) to all dividends paid in periods covered by the temporary regulations, provided that appropriate adjustments are made to eliminate duplicate benefits arising from application of

paragraph (f) to taxable years that are not open for assessment.

Par. 16. Section 1.904-7T is amended by revising paragraphs (a), (b), (c), (d), (e), and (f) to read as follows:

§1.904-7T Transition rules (temporary).

(a) through (f) [Reserved]. For further guidance, see §1.904-7(a) through (f).

* * * * *

Par. 17. Section 1.904(f)-0 is amended by adding the entries for §1.904(f)-12(g)(1), (g)(2), (g)(3), (g)(4), and (g)(5) as follows:

§1.904(f)-0 Outline of regulation provisions.

* * * * *

§1.904(f)-12 Transition rules.

* * * * *

(g) * * *

(1) Recapture of separate limitation loss or overall foreign loss in a separate category for dividends from a noncontrolled section 902 corporation.

(2) Recapture of separate limitation loss in another separate category.

(3) Exception.

(4) Examples.

(5) Effective/applicability date.

* * * * *

Par. 18. Section 1.904(f)-12 is amended by revising paragraph (g) to read as follows:

§1.904(f)-12 Transition rules.

* * * * *

(g) *Recapture in years beginning after December 31, 2002, of separate limitation losses and overall foreign losses incurred in years beginning before January 1, 2003, with respect to the separate category for dividends from a noncontrolled section 902 corporation—*(1) *Recapture of separate limitation loss or overall foreign loss in a separate category for dividends from a noncontrolled section 902 corporation.* To the extent that a taxpayer has a balance in any separate limitation loss or overall foreign loss account in a separate category for dividends from a noncontrolled section 902 corporation under section 904(d)(1)(E) (prior to its repeal by Public Law 108-357, 118 Stat. 1418 (October

22, 2004)) at the end of the taxpayer's last taxable year beginning before January 1, 2003 (or a later taxable year in which the taxpayer received a dividend subject to a separate limitation for dividends from that noncontrolled section 902 corporation), the amount of such balance shall be allocated on the first day of the taxpayer's next taxable year to the taxpayer's other separate categories. The amount of such balance shall be allocated in the same percentages as the taxpayer properly characterized the stock of the noncontrolled section 902 corporation for purposes of apportioning the taxpayer's interest expense for its first taxable year ending after the first day of such corporation's first taxable year beginning after December 31, 2002, under §1.861-12T(c)(3) or §1.861-12T(c)(4), as the case may be. To the extent a taxpayer has a balance in any separate limitation loss account in a separate category for dividends from a noncontrolled section 902 corporation with respect to another separate category, and the separate limitation loss would otherwise be assigned to that other category under this paragraph (g)(1), such balance shall be eliminated.

(2) *Recapture of separate limitation loss in another separate category.* To the extent that a taxpayer has a balance in any separate limitation loss account in a separate category with respect to a separate category for dividends from a noncontrolled section 902 corporation under section 904(d)(1)(E) (prior to its repeal by Public Law 108-357, 118 Stat. 1418 (October 22, 2004)) at the end of the taxpayer's last taxable year with or within which ends the last taxable year of the noncontrolled section 902 corporation beginning before January 1, 2003, such loss shall be recaptured in subsequent taxable years as income in the appropriate separate categories. The separate limitation loss shall be recaptured as income in other separate categories in the same percentages as the taxpayer properly characterizes the stock of the noncontrolled section 902 corporation for purposes of apportioning the taxpayer's interest expense in its first taxable year ending after the first day of the foreign corporation's first taxable year beginning after December 31, 2002, under §1.861-12T(c)(3) or §1.861-12T(c)(4), as the case may be. To the extent a taxpayer has a balance in a separate limitation loss

account in a separate category that would have been recaptured as income in that same category under this paragraph (g)(2), such balance shall be eliminated.

(3) *Exception.* Where a taxpayer formerly met the stock ownership requirements of section 902(a) with respect to a foreign corporation, but did not meet the requirements of section 902(a) on December 20, 2002 (or on the first day of the taxpayer's first taxable year beginning after December 31, 2002, in the case of a transaction that was the subject of a binding contract in effect on December 20, 2002), if the taxpayer has a balance in any separate limitation loss or overall foreign loss account for a separate category for dividends from that foreign corporation under section 904(d)(1)(E) (prior to its repeal by Public Law 108-357, 118 Stat. 1418 (October 22, 2004)) at the end of the taxpayer's last taxable year beginning before January 1, 2003, then the amount of such balance shall not be subject to recapture under section 904(f) and this section. If a separate limitation loss or overall foreign loss account for such category is not subject to recapture under this paragraph (g)(3), the taxpayer cannot carry over any unused foreign taxes in such separate category to any other limitation category. However, a taxpayer may elect to recapture the balances of all separate limitation loss and overall foreign loss accounts for all separate categories for dividends from such formerly-owned noncontrolled section 902 corporations under the rules of paragraphs (g)(1) and (2) of this section. If a taxpayer so elects, it may carry over any unused foreign taxes in these separate categories to the appropriate separate categories as provided in §1.904-2(h).

(4) *Examples.* The following examples illustrate the application of this paragraph (g):

Example 1. X is a domestic corporation that meets the ownership requirements of section 902(a) with respect to Y, a foreign corporation the stock of which X owns 50 percent. Therefore, Y is a noncontrolled section 902 corporation with respect to X. Both X and Y use the calendar year as their taxable year. As of December 31, 2002, X had a \$100 balance in its separate limitation loss account for the separate category for dividends from Y, of which \$60 offset general limitation income and \$40 offset passive income. For purposes of apportioning X's interest expense for its 2003 taxable year, X properly characterized the stock of Y as a multiple category asset (80% general and 20% passive). Under paragraph (g)(1) of this section, on January 1,

2003, \$80 ($\$100 \times 80/100$) of the \$100 balance in the separate limitation loss account is assigned to the general limitation category. Of this \$80 balance, \$32 ($\$80 \times 40/100$) is with respect to the passive category, and \$48 ($\$80 \times 60/100$) is with respect to the general limitation category and therefore is eliminated. The remaining \$20 balance ($\$100 \times 20/100$) of the \$100 balance is assigned to the passive category. Of this \$20 balance, \$12 ($\$20 \times 60/100$) is with respect to the general limitation category, and \$8 ($\$20 \times 40/100$) is with respect to the passive category and therefore is eliminated.

Example 2. The facts are the same as in *Example 1*, except that as of December 31, 2002, X had a \$30 balance in its separate limitation loss account in the general limitation category, and a \$20 balance in its separate limitation loss account in the passive category, both of which offset income in the separate category for dividends from Y. Under paragraph (g)(2) of this section, the separate limitation loss accounts in the general limitation and passive categories with respect to the separate category for dividends from Y will be recaptured on and after January 1, 2003, from income in other separate categories, as follows. Of the \$30 balance in X's separate limitation loss account in the general category with respect to the separate category for dividends from Y, \$6 ($\$30 \times 20/100$) is with respect to the passive category, and \$24 ($\$30 \times 80/100$) is with respect to the general limitation category and therefore is eliminated. Of the \$20 balance in X's separate limitation loss account in the passive category with respect to the separate category for dividends from Y, \$16 ($\$20 \times 80/100$) will be recaptured out of general limitation income, and \$4 ($\$20 \times 20/100$) would otherwise be recaptured out of passive income and therefore is eliminated.

(5) *Effective/applicability date.* This paragraph (g) applies to taxable years ending on or after April 20, 2009. See 26 CFR §1.904(f)-12T(g) (revised as of April 1, 2009) for rules applicable to taxable years beginning after December 31, 2002, and ending before April 20, 2009.

Par. 19. Section 1.904(f)-12T is amended by revising paragraphs (a), (b), (c), (d), (e), (f), and (g) to read as follows:

§1.904(f)-12T Transition rules (temporary).

(a) through (g) [Reserved]. For further guidance, see §1.904(f)-12(a) through (g).

* * * * *

Par. 20. Section 1.964-1 is amended as follows:

1. Revise paragraph (a)(1).
2. Remove the last sentence of paragraph (a) (2).
3. Revise paragraphs (b)(1)(v), (c)(1)(v), (c)(2), (c)(3), (c)(4), (c)(5), (c)(6).
4. Remove and reserve (c) (8).
5. Add new paragraphs (a)(3) and (d).

6. Designate the undesignated text preceding paragraph (c)(1)(v) as paragraph (c)(1)(vi) and revise it.

The revisions and additions read as follows:

§1.964-1 Determination of the earnings and profits of a foreign corporation.

(a)(1) *In general.* For rules for determining the earnings and profits (or deficit in earnings and profits) of a foreign corporation for taxable years beginning before January 1, 1987, for purposes of sections 951 through 964, see 26 CFR §1.964-1(a) (revised as of April 1, 2006). For taxable years beginning after December 31, 1986, except as otherwise provided in the Code and regulations, the earnings and profits (or deficit in earnings and profits) of a foreign corporation for its taxable year shall be computed for all federal income tax purposes substantially as if such corporation were a domestic corporation by—

* * * * *

(3) *Translation into dollars.* In the case of a foreign corporation with a functional currency other than the United States dollar (dollar), see sections 986(b) and 989(b) for rules regarding the time and manner of translating distributions or inclusions of the foreign corporation's earnings and profits into dollars.

(b) * * *

(1) * * *

(v) *Foreign currency.* If transactions effected in a foreign currency other than that in which the books of the corporation are kept are translated into the foreign currency reflected in the books, such translation shall be made in a manner substantially similar to that as prescribed in section 988 and the regulations under that section for the translation of foreign currency amounts into United States dollars.

* * * * *

(c) * * *

(1) * * *

(v) *Taxable years.* The period for computation of taxable income and earnings and profits known as the taxable year shall reflect the provisions of section 441 and the regulations under that section.

(vi) *Applicable requirements.* Except as provided in paragraphs (c)(2) and (c) (3) of this section, any requirements imposed by

the Code or applicable regulations with respect to making an election or adopting or changing a method of accounting or taxable year must be satisfied by or on behalf of the foreign corporation just as though it were a domestic corporation if such election or such adoption or change of method or taxable year is to be taken into account in the computation of its earnings and profits.

(2) *Adoption or change of method or taxable year.* For the first taxable year of a foreign corporation beginning after April 25, 2006, in which such foreign corporation first qualifies as a controlled foreign corporation (as defined in section 957 or 953) or a noncontrolled section 902 corporation (as defined in section 904(d)(2)(E)), any method of accounting or taxable year allowable under this section may be adopted, and any election allowable under this section may be made, by such foreign corporation or on its behalf notwithstanding that, in previous years, its books or financial statements were prepared on a different basis, and notwithstanding that such election is required by the Code or regulations to be made in a prior taxable year. Any allowable methods adopted or elections made shall be reflected in the computation of the foreign corporation's earnings and profits for such taxable year, prior taxable years, and (unless the Commissioner consents to a change) subsequent taxable years. However, see section 898 for the rules regarding the taxable year of a specified foreign corporation as defined in section 898(b). Any allowable method of accounting or election that relates to events that first arise in a subsequent taxable year may be adopted or made by or on behalf of the foreign corporation for such year. Adjustments to the appropriate separate category (as defined in §1.904-5(a)(1)) of earnings and profits and income of the foreign corporation shall be required under section 481 to prevent any duplication or omission of amounts attributable to previous years that would otherwise result from any change in a method of accounting. See paragraph (c)(3) of this section for the manner in which a method of accounting or a taxable year may be adopted or changed on behalf of the foreign corporation. See paragraph (c)(4) of this section for applicable rules if the amount of the foreign corporation's earnings and profits became significant

for United States tax purposes before a method of accounting or taxable year was adopted by the foreign corporation or on its behalf in accordance with the rules of paragraph (c)(3) of this section. See paragraph (c)(6) of this section for special rules postponing the time for taking action by or on behalf of a foreign corporation until the amount of its earnings and profits becomes significant for U.S. tax purposes. See also §§1.985-5, 1.985-6, and 1.985-7 relating to adjustments to earnings and profits of a QBU required when the QBU changes its functional currency or begins to use the dollar approximate separate transactions method of accounting.

(3) *Action on behalf of corporation—(i) In general.* An election shall be deemed made, or an adoption or change in method of accounting or taxable year deemed effectuated, on behalf of the foreign corporation only if its controlling domestic shareholders (as defined in paragraph (c)(5) of this section)—

(A) Satisfy for such corporation any requirements imposed by the Internal Revenue Code or applicable regulations with respect to such election or such adoption or change in method or taxable year (including the provisions of sections 442 and 446 and the regulations under those sections, as well as any operative provisions), such as the filing of forms, the execution of consents, securing the permission of the Commissioner, or maintaining books and records in a particular manner. For purposes of this paragraph (c)(3)(i)(A), the books of the foreign corporation shall be considered to be maintained in a particular manner if the controlling domestic shareholders or the foreign corporation regularly keep the records and accounts required by section 964(c) and the regulations under that section in that manner;

(B) File the statement described in paragraph (c)(3)(ii) of this section, at the time and in the manner prescribed therein; and

(C) Provide the written notice required by paragraph (c)(3)(iii) of this section at the time and in the manner prescribed therein.

(ii) *Statement required to be filed with a tax return.* The statement required by this paragraph (c)(3)(ii) shall set forth the name, country of organization, and U.S. employer identification number (if applicable) of the foreign corporation, the name, address, stock interests, and U.S.

employer identification number of each controlling domestic shareholder (or, if applicable, the shareholder's common parent) approving the action, and the names, addresses, U.S. employer identification numbers, and stock interests of all other domestic shareholders notified of the action taken. Such statement shall describe the nature of the action taken on behalf of the foreign corporation and the taxable year for which made, and identify a designated shareholder who retains a jointly executed consent confirming that such action has been approved by all of the controlling domestic shareholders and containing the signature of a principal officer of each such shareholder (or its common parent). Each controlling domestic shareholder (or its common parent) shall file the statement with, and on or before the due date (including extensions) of, its own tax return (or information return, if applicable) for its taxable year with or within which ends the taxable year of the foreign corporation for which the election is made or for which the method of accounting or taxable year is adopted or changed. In the case of a controlling domestic shareholder that is the sole shareholder of a controlled foreign corporation, no separate statement need be filed if the information described in this paragraph (c)(3)(ii) is included on Form 5471 and Form 3115 or 1128, as applicable, filed with respect to the controlled foreign corporation with the shareholder's return for such taxable year.

(iii) *Notice.* On or before the filing date described in paragraph (c)(3)(ii) of this section, the controlling domestic shareholders shall provide written notice of the election made or the adoption or change of method or taxable year effected to all other persons known by them to be domestic shareholders who own (within the meaning of section 958(a)) stock of the foreign corporation. Such notice shall set forth the name, country of organization and U.S. employer identification number (if applicable) of the foreign corporation, and the names, addresses, and stock interests of the controlling domestic shareholders. Such notice shall describe the nature of the action taken on behalf of the foreign corporation and the taxable year for which made, and identify a designated shareholder who retains a jointly executed consent confirming that such action has been approved by all of the controlling

domestic shareholders and containing the signature of a principal officer of each such shareholder (or its common parent). However, the failure of the controlling domestic shareholders to provide such notice to a person required to be notified shall not invalidate the election made or the adoption or change of method or taxable year effected.

(4) *Effect of action or inaction by controlling domestic shareholders*—(i) *In general.* Any election, or adoption or change of method of accounting or taxable year made by the controlling domestic shareholders on behalf of the foreign corporation pursuant to paragraph (c)(3) of this section or any other provision of the regulations (for example, §1.985-2(c)(2) or (3)) shall be reflected in the computation of the earnings and profits of such corporation under this section to the extent that it bears upon the federal income tax liability of the domestic shareholders of the foreign corporation. Any such action shall bind both the foreign corporation and its domestic shareholders as to the computation of the foreign corporation's earnings and profits for the taxable year of the foreign corporation for which the election is made or for which the method of accounting or taxable year is adopted or changed and in subsequent taxable years unless the Commissioner consents to a change. The preceding sentence shall apply regardless of—

(A) When the action was taken;

(B) Whether the foreign corporation was a controlled foreign corporation or a noncontrolled section 902 corporation at the time the action was taken;

(C) When ownership was acquired; or

(D) Whether the domestic shareholder received the written notice required by paragraph (c)(3)(iii) of this section.

(ii) *Inaction or untimely action.* In the event that action by or on behalf of the foreign corporation is not undertaken by the time specified in paragraph (c)(6) of this section and such failure is shown to the satisfaction of the Commissioner to be due to reasonable cause, such action may be undertaken during any period of at least 30 days occurring after such showing is made which the Commissioner may specify as appropriate for this purpose. In the event that action by or on behalf of the foreign corporation is not undertaken by the time specified in paragraph (c)(6) of

this section and such failure is not shown to the satisfaction of the Commissioner to be due to reasonable cause, earnings and profits shall be computed as if no elections had been made and any permissible accounting methods not requiring an election and reflected in the books of account regularly maintained by the foreign corporation for the purpose of accounting to its shareholders had been adopted. Accordingly, if the earnings and profits of a noncontrolled section 902 corporation became significant for United States income tax purposes in a taxable year beginning on or before April 25, 2006, the corporation's earnings and profits shall be computed as if no elections had been made and any permissible accounting methods not requiring an election and reflected in the books of account regularly maintained by the foreign corporation for purposes of accounting to its shareholders had been adopted. Thereafter, any change in a particular accounting method or methods or taxable year may be made by, or on behalf of, the foreign corporation only with the Commissioner's consent.

(iii) *Computation of earnings and profits by a minority shareholder prior to majority election or significant event.* A shareholder of a foreign corporation may be required to compute the foreign corporation's earnings and profits before the foreign corporation or its controlling domestic shareholders make, or are required under this section to make, an election or adopt a method of accounting for federal income tax purposes. In such a case, the shareholder must compute earnings and profits in accordance with this section. Such computation shall be made as if no elections had been made and any permissible accounting methods not requiring an election and reflected in the books of account regularly maintained by the foreign corporation for the purpose of accounting to its shareholders had been adopted. However, a later, properly filed, and timely election or adoption of method by, or on behalf of, the foreign corporation shall not be treated as a change in accounting method.

(5) *Controlling domestic shareholders*—(i) *Controlled foreign corporations.* For purposes of this paragraph (c), the controlling domestic shareholders of a controlled foreign corporation shall be its controlling United States shareholders.

The controlling United States shareholders of a controlled foreign corporation shall be those United States shareholders (as defined in section 951(b) or 953(c)) who, in the aggregate, own (within the meaning of section 958(a)) more than 50 percent of the total combined voting power of all classes of the stock of such foreign corporation entitled to vote and who undertake to act on its behalf. In the event that the United States shareholders of the controlled foreign corporation do not, in the aggregate, own (within the meaning of section 958(a)) more than 50 percent of the total combined voting power of all classes of the stock of such foreign corporation entitled to vote, the controlling United States shareholders of the controlled foreign corporation shall be all those United States shareholders who own (within the meaning of section 958(a)) stock of such corporation.

(ii) *Noncontrolled section 902 corporations.* For purposes of this paragraph (c), the controlling domestic shareholders of a noncontrolled section 902 corporation that is not a controlled foreign corporation shall be its majority domestic corporate shareholders. The majority domestic corporate shareholders of a noncontrolled section 902 corporation shall be those domestic corporations that meet the ownership requirements of section 902(a) with respect to the noncontrolled section 902 corporation (or to a first-tier foreign corporation that is a member of the same qualified group (as defined in section 902(b)(2)) as the noncontrolled section 902 corporation) that, in the aggregate, own directly or indirectly more than 50 percent of the combined voting power of all of the voting stock of the noncontrolled section 902 corporation that is owned directly or indirectly by all domestic corporations that meet the ownership requirements of section 902(a) with respect to the noncontrolled section 902 corporation (or a relevant first-tier foreign corporation).

(6) *Action not required until significant.* Notwithstanding any other provision of this paragraph, action by or on behalf of a foreign corporation (other than a foreign corporation subject to tax under section 882) to make an election or to adopt a taxable year or method of accounting shall not be required until the due date (including extensions) of the return for a controlling domestic shareholder's first

taxable year with or within which ends the foreign corporation's first taxable year in which the computation of its earnings and profits is significant for United States tax purposes with respect to its controlling domestic shareholders (as defined in §1.964-1(c)(5)). The filing of the information return required by section 6038 shall not itself constitute a significant event. For taxable years beginning after April 25, 2006, events that cause a foreign corporation's earnings and profits to have United States tax significance include, without limitation:

(A) A distribution from the foreign corporation to its shareholders with respect to their stock.

(B) An amount is includible in gross income with respect to such corporation under section 951(a).

(C) An amount is excluded from subpart F income of the foreign corporation or another foreign corporation by reason of section 952(c).

(D) Any event making the foreign corporation subject to tax under section 882.

(E) The use by the foreign corporation's controlling domestic shareholders of the tax book value (or alternative tax book value) method of allocating interest expense under section 864(e)(4).

(F) A sale or exchange of the foreign corporation's stock of the controlling domestic shareholders that results in the recharacterization of gain under section 1248.

* * * * *

(d) *Effective/applicability dates.* Paragraphs (c)(1)(v) through (c)(6) of this section apply to taxable years ending on or after April 20, 2009. See 26 CFR §1.964-1T(c)(1)(v) through (c)(6) (revised as of April 1, 2009) for rules applicable to taxable years beginning after April 25, 2006, and ending before April 20, 2009. However, taxpayers may choose to apply paragraphs (c)(1)(v) through (c)(6) of this section in their entirety in lieu of 26 CFR §1.964-1T(c)(1)(v) through (c)(6) for periods covered by the temporary regulations, provided that appropriate adjustments are made to eliminate duplicate benefits arising from the application of

paragraphs (c)(1)(v) through (c)(6) of this section to taxable years that are not open for assessment.

§1.964-1T [Removed]

Par. 21. Section 1.964-1T is removed.

§1.989 (b)-1 [Amended]

Par. 22. Section 1.989(b)-1 is amended by removing the language "within the meaning of §1.964-1(d)(5)" and adding the language "described in §1.988-1(d)(1)" in its place.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

Par. 23. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 24. In §602.101, paragraph (b) is amended by removing the entry for "§1.964-1T" and adding the following entries in numerical order to the table to read as follows:

CFR part or section where identified and described	Current OMB control No.
* * * * *	
1.904-7	1545-2104
* * * * *	
1.964-1	1545-2104
* * * * *	

Linda E. Stiff,
Deputy Commissioner for Services and Enforcement.

Bernard Knight,
Acting General Counsel of the Treasury.

(Filed by the Office of the Federal Register on June 10, 2009, 8:45 a.m., and published in the issue of the Federal Register for June 11, 2009, 74 F.R. 27867)

Approved March 24, 2009.

Part III. Administrative, Procedural, and Miscellaneous

Use this Revenue Procedure to prepare Tax Year 2009 and prior year information returns for submission to Internal Revenue Service (IRS) using electronic filing.

Caution to filers:

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

IMPORTANT NOTES:

IRS/ECC-MTB Internet connection is at <http://fire.irs.gov> for electronic filing. The Filing Information Returns Electronically (FIRE) System will be down from 2 p.m. EST Dec. 22, 2009, through Jan. 4, 2010 for upgrading. It is not operational during this time. *In addition, the FIRE System may be down every Wednesday 3:00 a.m. to 5:00 a.m. EST for maintenance.*

The FIRE System does not provide fill-in forms for information returns.

The Form 4419 is subject to review before the approval to transmit electronically is granted and may require additional documentation at the request of the IRS. If a determination is made concerning the validity of the documents transmitted electronically, IRS has the authority to revoke the Transmitter Control Code (TCC) and terminate the release of the files.

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Part A. General

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

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

Sec. 1. Purpose

.01 The purpose of this Revenue Procedure is to provide the specifications for filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G with IRS electronically through the IRS FIRE System. This Revenue Procedure must be used for the preparation of Tax Year 2009 information returns and information returns for tax years prior to 2009 filed *beginning January 1, 2010*. Specifications for filing the following forms are contained in this Revenue Procedure.

- (1) Form 1098, Mortgage Interest Statement
- (2) Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes
- (3) Form 1098-E, Student Loan Interest Statement
- (4) Form 1098-T, Tuition Statement
- (5) Form 1099-A, Acquisition or Abandonment of Secured Property
- (6) Form 1099-B, Proceeds From Broker and Barter Exchange Transactions
- (7) Form 1099-C, Cancellation of Debt
- (8) Form 1099-CAP, Changes in Corporate Control and Capital Structure
- (9) Form 1099-DIV, Dividends and Distributions
- (10) Form 1099-G, Certain Government Payments
- (11) Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments
- (12) Form 1099-INT, Interest Income
- (13) Form 1099-LTC, Long-Term Care and Accelerated Death Benefits
- (14) Form 1099-MISC, Miscellaneous Income
- (15) Form 1099-OID, Original Issue Discount
- (16) Form 1099-PATR, Taxable Distributions Received From Cooperatives
- (17) Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 & 530)
- (18) Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- (19) Form 1099-S, Proceeds From Real Estate Transactions
- (20) Form 1099-SA, Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
- (21) Form 3921, *Exercise of a Qualified Incentive Stock Option Under Section 442(b)*
- (22) Form 3922, *Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)*
- (23) Form 5498, IRA Contribution Information
- (24) Form 5498-ESA, Coverdell ESA Contribution Information
- (25) Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information
- (26) Form 8935, *Airline Payments Report*
- (27) Form W-2G, Certain Gambling Winnings

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

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

.04 IRS/ECC-MTB does **not** process Forms W-2. Paper **or** electronic filing of Forms W-2 must be sent to SSA. IRS/ECC-MTB does, however, process waiver requests (Form 8508) and extension of time to file requests (Form 8809) for Forms W-2 as well as requests for an extension of time to provide the employee copies of Forms W-2.

.05 Generally, the box numbers on the paper forms correspond with the amount codes used to file electronically; however, if discrepancies occur, the instructions in this Revenue Procedure must be followed.

.06 This Revenue Procedure also provides the requirements and specifications for electronic filing under the Combined Federal/State Filing Program.

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

- (a) 2009 *General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G* and individual form instructions.
- (b) Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 3921, 3922, 5498, 8935, W-2G, and 1042-S.
- (c) Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Electronically.
- (d) Publication 1187, Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Electronically.

.08 This Revenue Procedure supersedes Rev. Proc. 2008-30 published as Publication 1220 (Rev. 07/2008), Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically.

Sec. 2. Nature of Changes—Current Year (Tax Year 2009)

.01 In this publication, all pertinent changes for Tax Year 2009 are emphasized by the use of *italics*. Portions of text that require special attention are in boldface text. Filers are always encouraged to read the publication in its entirety.

a. General

- (1) Three new forms added. Forms 3921, 3922 and 8935. Form 3921, Exercise of a Qualified Incentive Stock Option Under Section 442(b), Form 3922, Transfer of Stock Acquired Through An Employee Stock Plan Under Section 423(c), and Form 8935, Airline Payments Report.
- (2) Form 1099-R renamed distribution code E to Distributions under Employee Plans Compliance System (EPCRS), formerly Excess Annual Additions under Section 415/Certain Excess Amounts Under Section 403(b) Plans.
- (3) See Part A, Sec. 8 for changes in correction procedures. Incorrect TIN, payee name and/or address requires a two step correction.
- (4) Technical security standards added to Part B, Sec. 7 .06 for the FIRE System.
- (5) Stricter edits to Combined Federal State Filing processing were put in place which could cause files to be rejected if not properly coded under the guidelines of Part A, Section 10. **Test files are recommended for all filers in the program.**
- (6) Form 4419 Application for Filing Information Returns Electronically (FIRE), Box 3 must contain an Employer Identification Number (EIN). IRS will no longer issue Transmitter Control Codes (TCC) to a social security number.

b. Programming Changes

- (1) For all Forms, Payment Year, Field Positions 2-5, for the Transmitter "T" Record, Payer "A" Record and Payee "B" Record must be incremented to update the four-digit reporting year (2008 to 2009), unless reporting prior year data.
- (2) In the Payee "B" Record, two amount fields added, Payment Amount F in field positions 223-234, and Payment Amount G in field positions 235-246.
- (3) In the End of Payer "C" Record and State Totals "K" Record, two amount fields added, Control Total F in field positions 268-285, and Control Total G in field positions 286-303.
- (4) For Form 3921 in the Payer "A" Record, added "N" to Type of Return codes to field position 27.
- (5) For Form 3921 in the Payer "A" Record, added Amount Code indicators "3" for Exercise price per share and "4" for Fair market value of share on exercise date in field positions 28-41.
- (6) For the Form 3921 in the Payee "B" Record, added Date Option Granted, field positions 547-554, formatted as YYYYMMDD, added Date Option Exercised field positions 555-562, formatted as YYYYMMDD, added Number of Shares Transferred field positions 563-570, right justify, zero fill, and added Other than Transferor Information field positions 575-614, right justify, blank fill.

- (7) For Form 3922 in the Payer "A" Record, added "Z" to Type of Return codes to field position 27.
- (8) For Form 3922 in the Payer "A" Record, added Amount Code indicators "3" for Fair market value per share on grant date, "4" for Fair market value per share on exercise date, and "5" for Exercise price per share in field positions 28–41.
- (9) For Form 3922 in the Payee "B" Record, added Date Option Granted to Transferor, field positions 547–554, formatted as YYYYMMDD, added Date Option Exercised by Transferor, field positions 555–562, formatted as YYYYMMDD, added Number of Shares Transferred, field positions 563–570, right-justify and zero fill, and added Date Legal Title Transferred by Transferor, field positions 571–578, formatted as YYYYMMDD.
- (10) For Form 8935 in the Payer "A" Record, added "U" to Type of Return codes to field position 27.
- (11) For Form 8935 in the Payer "A" Record, added Amount Code indicators "1" for Total amount reported, "2" for First year of reported payments, "3" for Second year of reported payments, "4" for Third year of reported payments, "5" for Fourth year of reported payments, and "6" for Fifth year of reported payments in field positions 28–41. Amounts reported for codes 2–6 should equal the amount reported for code "1".
- (12) For Form 8935 in the Payee "B" Record, added Year of First Payment, field positions 547–550, Year of Second Payment, field positions 551–554, Year of Third Payment, field positions 555–558, Year of Fourth Payment, field positions 559–562, Year of Fifth Payment, field positions 563–566. All years are formatted as YYYY.
- (13) For the Form 1099-C in the Payee "B" Record, added Personal Liability Indicator in field position 595. Use only a value of "1" if the borrower is personally liable for repayment or a blank if not personally liable.
- (14) For Form 1099-G in the Payer "A" Record, added Amount Code indicator "9" for Market gain commodity credit corp loans repaid on or after Jan. 1, 2007 in field positions 28–41.
- (15) For Form 1099-R in the Payee "B" Record field positions 545–546 added Distribution Code "U" for Distribution from an ESOP under Section 404(k). Code "U" can be paired with code "B."
- (16) For Form W-2G in the Payee "B" Record, changed Field Position 547 Type of Wager code "8" to Poker winnings and added code "9" for Any Other Type of Gambling Winnings.
- (17) For Form 5498 in the Payer "A" Record, added Amount Code indicator "B" for RMD amount, "C" for Postponed contribution, "D" for Repayments and "E" for Other contributions in field positions 28–41.
- (18) For Form 5498 in the Payee "B" Record changed field positions 552–555 to Year of Postponed Contribution formatted as YYYY, 556–557 to Postponed Contribution Code, 558–559 to Repayment Code, 560–561 to Bankruptcy Code and 562–569 to RMD Date.
- (19) For Form 1098-E in the Payee "B" Record change in field position 547 to enter a 1 if the amount reported in payment amount **does not** include loan origination fees and/or capitalized interest.

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

.01 All information returns filed electronically are processed at IRS/ECC-MTB. General inquiries concerning the filing of information returns should be sent to the following address:

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

.02 All requests for an extension of time to file information returns with IRS/ECC-MTB filed on Form 8809 or requests for an extension to provide recipient copies, and requests for undue hardship waivers filed on Form 8508 should be sent to the following address:

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

.03 The telephone numbers and web addresses for questions about specifications for electronic submissions are:

Information Reporting Program Customer Service Section

TOLL-FREE 1-866-455-7438 or outside the U.S. 1-304-263-8700

1-304-579-4827 — TDD
(Telecommunication Device for the Deaf)

Fax Machine
Toll-free within the U.S. — 1-877-477-0572
Outside the U.S. — 304-579-4105

Electronic Filing — FIRE system
<http://fire.irs.gov>

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

www.irs.gov — IRS website access to forms (See Note.)

Note: Because paper forms are scanned during processing, you cannot use forms printed from the IRS website to file Form 1096, and Copy A of Forms 1098, 1099, 3921, 3922 or 5498 with the IRS.

.04 The 2009 *General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G* are included in the Publication 1220 for your convenience. Form 1096 is used only to transmit Copy A of **paper** Forms 1099, 1098, 3921, 3922, 5498, and W-2G. If filing paper returns, follow the mailing instructions on Form 1096 and submit the paper returns to the appropriate IRS Service Center.

.05 Make requests for paper Forms 1096, 1098, 1099, 3921, 3922, 5498, and W-2G, and publications related to electronic filing by calling the IRS toll-free number **1-800-TAX-FORM (1-800-829-3676)** or **ordering online from the IRS website at www.irs.gov**.

.06 Questions pertaining to electronic filing of Forms W-2 **must** be directed to the Social Security Administration (SSA). Filers can call 1-800-772-6270 to obtain the telephone number of the SSA Employer Service Liaison Officer for their area.

.07 Payers **should not** contact IRS/ECC-MTB if they have received a penalty notice and need additional information or are requesting an abatement of the penalty. A penalty notice contains an IRS representative's name and/or telephone number for contact purposes; or the payer may be instructed to respond in writing to the address provided. IRS/ECC-MTB does **not** issue penalty notices and does **not** have the authority to abate penalties. For penalty information, refer to the Penalties section of the 2009 *General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G*.

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

.09 Electronic Products and Services Support, Information Reporting Branch, Customer Service Section (IRB/CSS), answers electronic, paper filing, and tax law questions from the payer community relating to the correct preparation and filing of business information returns (Forms 1096, 1098, 1099, 3921, 3922, 5498, 8027, 8935 and W-2G). IRB/CSS also answers questions about the electronic filing of Forms 1042-S and the tax law and paper filing instructions for Forms W-2 and W-3. Inquiries pertaining to Notices CP2100 and 972CG, backup withholding and reasonable cause requirements due to missing and incorrect taxpayer identification numbers (TINs) are also addressed by IRB/CSS. Assistance is available year-round to payers, transmitters, and employers nationwide, Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Standard Time, by calling toll-free **1-866-455-7438**. IRB/CSS also offers an e-mail address for transmitters and electronic filers of information returns. The address is mccirp@irs.gov. When sending e-mails concerning specific file information, you must include the company name and the electronic filename or Transmitter Control Code. Please **do not** submit TINs or attachments, because electronic mail is not secure and the information may be compromised. The Telecommunications Device for the Deaf (**TDD**) toll number is **1-304-579-4827**. Call as soon as questions arise to avoid the busy filing seasons at the end of January and February. Recipients of information returns (payees) should continue to contact 1-800-829-1040 with any questions on how to report the information returns data on their tax returns.

.10 IRB/CSS cannot advise filers where to send state copies of paper forms. Filers must contact the Tax Department in the state where the recipient resides to obtain the correct address and filing requirements.

.11 Form 4419, Application for Filing Information Returns Electronically, Form 8809, Application for Extension of Time to File Information Returns, and Form 8508, Request for Waiver From Filing Information Returns Electronically, may be faxed to IRS/ECC-MTB toll-free at **1-877-477-0572**.

Sec. 4. Filing Requirements

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

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

.02 All filing requirements that follow apply individually to each reporting entity as defined by its separate Taxpayer Identification Number (TIN). For example, if a corporation with several branches or locations uses the same EIN, the corporation must aggregate the total volume of returns to be filed for that EIN and apply the filing requirements to each type of return accordingly.

.03 The following requirements apply separately to both originals and corrections filed electronically:

1098	
1098-C	250 or more of any of these forms requires electronic filing with IRS. These are stand-alone documents and are not to be aggregated for purposes of determining the 250 threshold. For example, if you must file 100 Forms 1099-B and 300 Forms 1099-INT, Forms 1099-B need not be filed electronically since they do not meet the threshold of 250. However, Forms 1099-INT must be filed electronically since they meet the threshold of 250.
1098-E	
1098-T	
1099-A	
1099-B	
1099-C	
1099-CAP	
1099-DIV	
1099-G	
1099-H	
1099-INT	
1099-LTC	
1099-MISC	
1099-OID	
1099-PATR	
1099-Q	
1099-R	
1099-S	
1099-SA	
3921	
3922	
5498	
5498-ESA	
5498-SA	
W-2G	

.04 The above requirements do not apply if the payer establishes undue hardship (See Part D, Sec. 5).

Sec. 5. Vendor List

.01 IRS/ECC-MTB prepares a publication of vendors who support electronic filing. Publication 1582, Information Returns Vendor List, contains the names of service bureaus that will produce or submit files for electronic filing. It also contains the names of vendors who provide software packages for payers who wish to produce electronic files on their own computer systems. This list is compiled as a courtesy and in no way implies IRS/ECC-MTB approval or endorsement.

.02 If filers engage a service bureau to prepare files on their behalf, the filers must not also report this data, as it will create a duplicate filing situation which may cause penalty notices to be generated.

.03 The Vendor List, Publication 1582, is updated periodically. The most recent revision is available on the IRS website at www.irs.gov. For an additional list of software providers, log on to www.irs.gov and go to the *Business e-file Providers* link.

.04 A vendor, who offers a software package, or has the capability to electronically file information returns for customers, and who would like to be included in Publication 1582 must submit a letter or e-mail to IRS/ECC-MTB. The request should include:

- (a) Company name
- (b) Address (include city, state, and ZIP code)
- (c) Telephone and FAX number (include area code)
- (d) E-mail address
- (e) Contact person
- (f) Website
- (g) Type(s) of service provided (e.g., service bureau and/or software)

- (h) Method of filing (only electronic filing is acceptable)
- (i) Type(s) of return(s)

Sec. 6. Form 4419, Application for Filing Information Returns Electronically

.01 Transmitters are required to submit Form 4419, Application for Filing Information Returns Electronically, to request authorization to file information returns with IRS/ECC-MTB. A single Form 4419 should be filed no matter how many types of returns the transmitter will be submitting electronically. For example, if a transmitter plans to file Forms 1099-INT, one Form 4419 should be submitted. If, at a later date, another type of form (Forms 1098, 1099, 3921, 3922, 5498, 8935 and W-2G) will be filed, the transmitter should not submit a new Form 4419. The Form 4419 is subject to review before the approval to transmit electronically is granted and may require additional documentation at the request of the IRS. If a determination is made concerning the validity of the documents transmitted electronically, IRS has the authority to revoke the Transmitter Control Code (TCC) and terminate the release of files.

Note: EXCEPTIONS — An additional Form 4419 is required for filing each of the following types of returns: Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding and Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips. See the back of Form 4419 for detailed instructions.

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

.03 Upon approval, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned and included in an approval letter. The TCC **must** be coded in the Transmitter "T" Record. IRS/ECC-MTB uses the TCC to identify payers/transmitters and to track their files through the processing system.

.04 IRS/ECC-MTB encourages transmitters who file for multiple payers to submit one application and to use the assigned TCC for all payers. While not encouraged, multiple TCCs can be issued to payers with multiple TINs. Transmitters cannot use more than one TCC in a file. Each TCC must be reported in separate transmissions.

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

.06 Form 4419 may be submitted anytime during the year; however, it **must** be submitted to IRS/ECC-MTB at least 30 days before the due date of the return(s) for current year processing. This allows IRS/ECC-MTB the time necessary to process and respond to applications. Form 4419 may be faxed to IRS/ECC-MTB toll-free at **877-477-0572**. In the event that computer equipment or software is not compatible with IRS/ECC-MTB, a waiver may be requested to file returns on paper documents (See Part D, Sec. 5).

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

- (a) The payer has discontinued filing electronically for two consecutive years. The payer's TCC may have been reassigned by IRS/ECC-MTB. Payers who know that the assigned TCC will no longer be used, are requested to notify IRS/ECC-MTB so these numbers may be reassigned.
- (b) The payer's files were transmitted in the past by a service bureau using the service bureau's TCC, but now the payer has computer equipment compatible with that of IRS/ECC-MTB and wishes to prepare his or her own files. The payer must request a TCC by filing Form 4419.

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

.09 Copies of Publication 1220 can be obtained by downloading from the IRS website at www.irs.gov.

.10 If **any** of the information (name, TIN or address) on Form 4419 changes, please notify IRS/ECC-MTB in writing by fax or mail so the IRS/ECC-MTB database can be updated. The transmitter should include the TCC in all correspondence.

.11 Approval to file does not imply endorsement by IRS/ECC-MTB of any computer software or of the quality of tax preparation services provided by a service bureau or software vendor.

Sec. 7. Retention Requirements and Due Dates

.01 Payers should retain a copy of the information returns filed with IRS or have the ability to reconstruct the data for at least 3 years from the reporting due date, except:

- (a) Retain for 4 years all information returns when backup withholding is imposed.
- (b) A financial entity must retain a copy of Form 1099-C, Cancellation of Debt, or have the ability to reconstruct the data required to be included on the return, for at least 4 years from the date such return is required to be filed.

.02 Filing of information returns is on a calendar year basis, except for Forms 5498 and 5498-ESA, which are used to report amounts contributed during or after the calendar year (but no later than April 15). The following due dates will apply:

Due Dates

Forms 1098, 1099, 3921, 3922, and W-2G	<p>Recipient Copy — January 31 (*see exceptions below) IRS Paper Filing — February 28 IRS Electronic Filing — March 31</p> <ul style="list-style-type: none"> • *February 15, for Forms 1099-B and 1099-S • *February 15, for Forms 1099-MISC if substitute payments are reported in box 8 or gross proceeds paid to an attorney are reported in box 14. If no such payments are reported, January 31, remains the due date for furnishing Copy B to recipients.
Forms 5498*, 5498-SA and 5498-ESA Forms 5498 and 5498-SA Form 5498-ESA	<p>Participant Copy — May 31* IRS Copy — May 31 Participant Copy — April 30</p> <p>* Participants' copies of Forms 5498 to furnish FMV/RMD information — January 31</p>
Form 8935	IRS Copy — Due 90 days from date of payment
<p>Note: If any due date falls on a Saturday, Sunday, or legal holiday, the return or statement is considered timely if filed or furnished on the next day that is not a Saturday, Sunday, or legal holiday.</p>	

Sec. 8. Corrected Returns

- A **correction** is an information return submitted by the transmitter to correct an information return that was previously submitted to and successfully processed by IRS/ECC-MTB, but contained erroneous information.
- While we encourage you to file your corrections electronically, you may file up to 249 paper corrections even though your originals were filed electronically.
- **DO NOT SEND YOUR ENTIRE FILE AGAIN.** Only correct the information returns which were erroneous.
- Information returns omitted from the original file **must not** be coded as corrections. Submit these returns under a separate Payer "A" Record as original returns.
- Be sure to use the same payee account number that was used on the original submission. The account number is used to match a correction record to the original information return.
- Before creating your correction file, review the correction guidelines chart carefully.

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

E X A M P L E	<p>If a payer has 100 Forms 1099-A to be corrected, they can be filed on paper because they fall under the 250 threshold. However, if the payer has 300 Forms 1099-B to be corrected, they must be filed electronically because they meet the 250 threshold. If for some reason a payer cannot file the 300 corrections electronically, to avoid penalties, a request for a waiver must be submitted before filing on paper. If a waiver is approved for original documents, any corrections for the same type of return will be covered under this waiver.</p>
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.02 Corrections should be filed **as soon as possible**. Corrections filed after August 1 may be subject to the maximum penalty of \$50 per return. Corrections filed by August 1 may be subject to a lesser penalty. (For information on penalties, refer to the Penalties section of the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.) However, if payers discover errors after

August 1, they should file corrections, as a prompt correction is a factor considered in determining whether the intentional disregard penalty should be assessed or whether a waiver of the penalty for reasonable cause may be granted. All fields must be completed with the correct information, not just the data fields needing correction. Submit corrections only for the returns filed in error, not the entire file. Furnish corrected statements to recipients as soon as possible.

Note: Do NOT resubmit your entire file as corrections. This will result in duplicate filing and erroneous notices may be sent to payees. Submit only those returns which require correction.

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

.04 The payee's account number should be included on **all** correction records. This is especially important when more than one information return of the same type is reported for a payee. The account number is used to determine which information return is being corrected. It is vital that each information return reported for a payee have a unique account number. See Part C, Sec.6, Payer's Account Number For Payee.

.05 Corrected returns may be included on the same transmission as original returns; however, separate "A" Records are required. If filers discover that certain information returns were omitted on their original file, they must **not** code these documents as corrections. The file must be coded and submitted as originals.

.06 If a payer realizes duplicate reporting has occurred, IRS/ECC-MTB should be contacted **immediately** for instructions on how to avoid notices. The standard correction process will not resolve duplicate reporting.

.07 If a payer discovers errors that affect a large number of payees, in addition to sending IRS the corrected returns and notifying the payees, IRS/ECC-MTB underreporter section should be contacted toll-free 1-866-455-7438 for additional requirements. Corrections must be submitted on actual information return documents or filed electronically.

.08 Prior year data, original and corrected, **must** be filed according to the requirements of this Revenue Procedure. When submitting prior year data, use the record format for the current year. Each tax year must be electronically filed in separate transmissions. However, use the actual year designation of the data in field positions 2-5 of the "T", "A", and "B" Records. Field position 6, Prior Year Data Indicator, in the Transmitter "T" Record must contain a "P." If filing electronically, a separate transmission must be made for each tax year.

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

.10 All paper returns, whether original or corrected, must be filed with the appropriate service center. **IRS/ECC-MTB does not process paper returns.**

.11 If a payer discovers an error(s) in reporting the **payer (not recipient)** name and/or TIN, write a letter to IRS/ECC-MTB (See Part A, Sec. 3) containing the following information:

- (a) Name and address of payer
- (b) Type of error (please include the incorrect payer name/TIN that was reported)
- (c) Tax year
- (d) Payer TIN
- (e) TCC
- (f) Type of return
- (g) Number of payees
- (h) Filing method, paper or electronic
- (i) *Was Federal income tax withheld*

.12 The "B" Record provides a 20-position field for a unique Payer's Account Number for Payee. If a payee has more than one reporting of the same document type, it is vital that each reporting is assigned a unique account number. This number will help identify the appropriate incorrect return if more than one return is filed for a particular payee. **Do not enter a TIN in this field.** A payer's account number for the payee may be a checking account number, savings account number, serial number, or any other number assigned to the payee by the payer that will distinguish the specific account. This number should appear on the initial return and on the corrected return in order to identify and process the correction properly.

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

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

Guidelines for Filing Corrected Returns Electronically

One transaction is required to make the following corrections properly. (See Note 4.)

Error Made on the Original Return

How To File the Corrected Return

ERROR TYPE 1

CORRECTION

1. Original return was filed with one or more of the following errors:
- (a) Incorrect payment amount codes in the Payer "A" Record
 - (b) Incorrect payment amounts in the Payee "B" Record
 - (c) Incorrect code in the distribution code field in Payee "B" Record
 - (d) Incorrect payee indicator (See Note 1.)
 - (e) Return should not have been filed

- A. Prepare a new file. The first record on the file will be the Transmitter "T" Record.
- B. Make a separate "A" Record for each type of return and each payer being reported. Payer information in the "A" Record must be the same as it was in the original submission.
- C. The Payee "B" Records must show the correct record information as well as a Corrected Return Indicator Code of "G" in field position 6.
- D. Corrected returns using "G" coded "B" Records may be on the same file as those returns submitted without the "G" coded "B" Records; however, **separate "A" Records are required.**
- E. Prepare a separate "C" Record for each type of return and each payer being reported.
- F. The last record on the file will be the End of Transmission "F" Record.

Note 1: Payee indicators are non-money amount indicator fields located in the specific form record layouts of the Payee "B" Record between field positions 544–748.

Note 2: To correct a TIN, payee name and/or payee address follow the instructions under Error Type 2.

File layout **one** step corrections

Transmitter "T" Record	Payer "A" Record	"G" coded Payee "B" Record	"G" coded Payee "B" Record	End of Payer "C" Record	End of Transmission "F" Record
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Guidelines for Filing Corrected Returns Electronically (Continued)

Two (2) separate transactions are required to make the following corrections properly. Follow the directions for both Transactions 1 and 2. (See Note 4.) DO NOT use the two step correction process to correct money amounts.

Error Made on the Original Return

How To File the Corrected Return

ERROR TYPE 2

CORRECTION

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

Transaction 1: Identify incorrect returns.

- (a) No payee TIN (SSN, EIN, ITIN, QI-EIN)
- (b) Incorrect payee TIN
- (c) *Incorrect payee name*
- (d) *Incorrect payee address*
- (e) Wrong type of return indicator

- A. Prepare a new file. The first record on the file will be the Transmitter "T" Record.
- B. Make a separate "A" Record for each type of return and each payer being reported. The information in the "A" Record will be **exactly** the same as it was in the original submission. **(See Note 3.)**
- C. The Payee "B" Records must contain **exactly the same** information as submitted previously, **except**, insert a Corrected Return Indicator Code of "G" in field position 6 of the "B" Records, and enter "0" (zeros) in all payment amounts. **(See Note 3.)**
- D. Corrected returns using "G" coded "B" Records may be on the same file as those returns submitted with a "C" code; **however, separate "A" Records are required.**
- E. Prepare a separate "C" Record for each type of return and each payer being reported.
- F. Continue with Transaction 2 to complete the correction.

Note 3: The Record Sequence Number will be different since this is a counter number and is unique to each file. For Form 1099-R corrections, if the corrected amounts are zeros, certain indicators will not be used.

ERROR TYPE 2

CORRECTION

Transaction 2: Report the correct information.

- A. Make a separate "A" Record for each type of return and each payer being reported.
- B. The Payee "B" Records must show the correct information as well as a Corrected Return Indicator Code of "C" in field position 6. Corrected returns submitted to IRS/ECC-MTB using "C" coded "B" Records may be on the same file as those returns submitted with "G" codes; **however, separate "A" Records are required.**
- C. Prepare a separate "C" Record for each type of return and each payer being reported.
- D. The last record on the file will be the End of Transmission "F" Record.

Note 4: See the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G for additional information on regulations affecting corrections and related penalties.

File layout **two** step corrections

Transmitter "T" Record	Payer "A" Record	"G" coded Payee "B" Record	"G" coded Payee "B" Record	End of Payer "C" Record	Payer "A" Record
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"C" coded Payee "B" Record	"C" coded Payee "B" Record	End of Payer "C" Record	End of Transmission "F" Record
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Note 5: If a filer is reporting "G" coded, "C" coded, and/or "Non-coded" (original) returns on the same file, each category must be reported under separate "A" Records.

Sec. 9. Effect on Paper Returns and Statements to Recipients

.01 Electronic reporting of information returns eliminates the need to submit paper documents to the IRS. **CAUTION: Do not send Copy A of the paper forms to IRS/ECC-MTB for any forms filed electronically.** This will result in duplicate filing; therefore, erroneous notices could be generated.

.02 Payers are responsible for providing statements to the payees as outlined in the *2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G*. Refer to those instructions for filing information returns on paper with the IRS and furnishing statements to recipients.

.03 Statements to recipients should be clear and legible. If the official IRS form is not used, the filer must adhere to the specifications and guidelines in Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 3921, 3922, 5498, 8935, W-2G and 1042-S.

Sec. 10. Combined Federal/State Filing Program

- Through the Combined Federal/State Filing (CF/SF) Program, IRS/ECC-MTB will forward original and corrected information returns filed electronically to participating states for approved filers.
- For approval, the filer must submit a test file coded for this program. See Part B, Sec. 3, Test Files.
- Approved filers are sent Form 6847, Consent for Internal Revenue Service to Release Tax Information, which must be completed and returned to IRS/ECC-MTB. A separate form is required for each payer. This form does not have to be filed every year, only when payer information changes.

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

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

.02 To request approval to participate, an electronic test file coded for this program **must** be submitted to IRS/ECC-MTB between *November 1, 2009, and February 15, 2010.*

.03 If the test file is coded for the Combined Federal/State Filing Program and is acceptable, an approval letter and Form 6847, Consent for Internal Revenue Service to Release Tax Information, will be sent to the filer.

.04 Form 6847, Consent for Internal Revenue Service to Release Tax Information, **must** be completed and signed by the payer, and returned to IRS/ECC-MTB before any tax information can be released to the state. Filers must write their TCC on Form 6847.

.05 While a test file is only required for the first year when a filer applies to participate in the Program, it is highly recommended that a test be sent every year you participate in the Combined Federal/State Filing program. Each record, both in the test and the actual data file, must conform to the current Revenue Procedure.

.06 Within 1–2 days after your file has been sent, you will be notified via e-mail as to the acceptability of your file if you provide a valid e-mail address on the “Verify Your Filing Information” screen. If you are using e-mail filtering software, configure your software to accept e-mail from *fire@irs.gov* and *irs.e-helpmail@irs.gov*. If the file is bad, the filer must return to *http://fire.irs.gov* to determine what the errors are in the file by clicking on CHECK FILE STATUS. If the test file was unacceptable a new file can be transmitted up to February 15, 2010.

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

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

.09 If a payee has a reporting requirement for more than one state, separate “B” Records must be created for each state. Payers must prorate the amounts to determine what should be reported to each state. Do **not** report the total amount to each state. This will cause duplicate reporting.

.10 Some participating states require separate notification that the payer is filing in this manner. Since IRS/ECC-MTB acts as a forwarding agent only, it is the payer’s responsibility to contact the appropriate states for further information.

.11 All corrections properly coded for the Combined Federal/State Filing Program will be forwarded to the participating states. Only send corrections which affect Federal or affect Federal and State reporting. Errors which apply only to the state filing requirement should be sent directly to the state.

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

.13 Each state’s filing requirements are subject to change by the state. It is the payer’s responsibility to contact the participating states to verify their criteria.

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

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

Table 1. Participating States and Their Codes *

State	Code	State	Code	State	Code
Alabama	01	Indiana	18	Nebraska	31
Arizona	04	Iowa	19	New Jersey	34
Arkansas	05	Kansas	20	New Mexico	35
California	06	Louisiana	22	North Carolina	37
Colorado	07	Maine	23	North Dakota	38
Connecticut	08	Maryland	24	Ohio	39
Delaware	10	Massachusetts	25	South Carolina	45
District of Columbia	11	Minnesota	27	Utah	49
Georgia	13	Mississippi	28	Virginia	51
Hawaii	15	Missouri	29	Wisconsin	55
Idaho	16	Montana	30		

* The codes listed above are correct for the IRS Combined Federal/State Filing Program and may not correspond to the state codes of other agencies or programs.

Sample File Layout for Combined Federal/State Filer

Transmitter "T" Record	Payer "A" Record coded with 1 in position 26	Payee "B" Record with state code 15 in positions 747-748	Payee "B" Record with state code 06 in positions 747-748	Payee "B" Record, no state code	End of Payer "C" Record
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State Total "K" Record for "B" records coded 15. "K" record coded 15 in positions 747-748.	State Total "K" Record for "B" records coded 06. "K" record coded 06 in positions 747-748.	End of Transmission "F" Record
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Sec. 11. Penalties Associated With Information Returns

.01 The following penalties generally apply to the person required to file information returns. The penalties apply to electronic filers as well as to paper filers.

.02 Failure To File Correct Information Returns by the Due Date (Section 6721). If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file electronically, you report an incorrect TIN or fail to report a TIN, or you fail to file paper forms that are machine readable.

The amount of the penalty is based on when you file the correct information return. The penalty is:

- **\$15** per information return if you correctly file within 30 days of the due date of the return (See Part A, Sec. 7 .02); maximum penalty \$75,000 per year (\$25,000 for small businesses).
- **\$30** per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$150,000 per year (\$50,000 for small businesses).
- **\$50** per information return if you file after August 1 or you do not file required information returns; maximum penalty \$250,000 per year (\$100,000 for small businesses).

.03 A late filing penalty may be assessed for a replacement file which is not transmitted by the required date. See Part B, Sec. 4 .06, for more information on replacement files.

.04 Intentional disregard of filing requirements. If failure to file a correct information return is due to intentional disregard of the filing or correct information requirements, the penalty is at least \$100 per information return with no maximum penalty.

.05 Failure To Furnish Correct Payee Statements (Section 6722). For information regarding penalties which may apply to failure to furnish correct payee statements, see *2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G*.

Sec. 12. State Abbreviations

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

State	Code	State	Code	State	Code
Alabama	AL	Kentucky	KY	No. Mariana Islands	MP
Alaska	AK	Louisiana	LA	Ohio	OH
American Samoa	AS	Maine	ME	Oklahoma	OK
Arizona	AZ	Marshall Islands	MH	Oregon	OR
Arkansas	AR	Maryland	MD	Pennsylvania	PA
California	CA	Massachusetts	MA	Puerto Rico	PR
Colorado	CO	Michigan	MI	Rhode Island	RI
Connecticut	CT	Minnesota	MN	South Carolina	SC
Delaware	DE	Mississippi	MS	South Dakota	SD
District of Columbia	DC	Missouri	MO	Tennessee	TN
Federated States of Micronesia	FM	Montana	MT	Texas	TX
Florida	FL	Nebraska	NE	Utah	UT
Georgia	GA	Nevada	NV	Vermont	VT
Guam	GU	New Hampshire	NH	Virginia	VA
Hawaii	HI	New Jersey	NJ	(U.S.) Virgin Islands	VI
Idaho	ID	New Mexico	NM	Washington	WA
Illinois	IL	New York	NY	West Virginia	WV
Indiana	IN	North Carolina	NC	Wisconsin	WI
Iowa	IA	North Dakota	ND	Wyoming	WY
Kansas	KS				

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

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

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

EXAMPLE:

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

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

Part B. Electronic Filing Specifications

Note 1: The FIRE System DOES NOT provide fill-in forms, except for Form 8809, Application for Extension of Time to File Information Returns. Filers must program files according to the Record Layout Specifications contained in this publication. For a list of software providers, log on to www.irs.gov and go to the *Approved IRS e-file for Business Providers* link. Also, see Part A, Sec. 5 .03.

Note 2: The FIRE System may be down every Wednesday from 3:00 a.m. to 5:00 a.m. EST for maintenance.

Sec. 1. General

.01 Electronic filing of Forms 1098, 1099, 3921, 3922, 5498, and W-2G information returns, originals, corrections, and replacements is the method of filing for payers who meet the 250 returns filing requirement. Payers who are under the filing threshold requirement, are encouraged to file electronically. Form 8953, Airline Payment Report, may also be filed electronically.

.02 All electronic filing of information returns are received at IRS/ECC-MTB via the FIRE (Filing Information Returns Electronically) System. To connect to the FIRE System, point your browser to <http://fire.irs.gov>. The system is designed to support the electronic filing of information returns only.

.03 The electronic filing of information returns is not affiliated with any other IRS electronic filing programs. Filers must obtain separate approval to participate in each program. Only inquiries concerning electronic filing of information returns should be directed to IRS/ECC-MTB.

.04 Files submitted to IRS/ECC-MTB electronically must be in standard ASCII code. Do not send paper forms with the same information as electronically submitted files. This would create duplicate reporting resulting in penalty notices.

.05 See Part C, Record Format Specifications and Record Layouts for the proper record format.

.06 Form 8809, Application for Extension of Time To File Information Returns, is available as a fill-in form via the FIRE System. If you do not already have a User ID and password refer to Section 7. At the Main Menu, click "Extension of Time Request" and then click "Fill-in Extension Form". This option is only used to request an automatic 30-day extension and must be completed by the due date of the return for each payer requesting an extension. Print the approval page for your records. Refer to Part D for additional details.

Sec. 2. Electronic Filing Approval Procedure

.01 Filers must obtain a Transmitter Control Code (TCC) prior to submitting files electronically. Refer to Part A, Sec. 6, for information on how to obtain a TCC.

.02 Once a TCC is obtained, electronic filers create their own user ID, password and PIN (Personal Identification Number) and do not need prior or special approval. See Part B, Sec. 5, for more information on the PIN.

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

.04 For all passwords, it is the user's responsibility to remember the password and not allow the password to be compromised. Passwords are user created at first logon and must be 8 alpha/numerics containing at least 1 uppercase, 1 lowercase, and 1 numeric. However, filers who forget their password or PIN, can call **toll-free 1-866-455-7438** for assistance. The FIRE System may require users to change their passwords periodically. Users can change their passwords at any time from the Main Menu. Prior passwords cannot be used.

Sec. 3. Test Files

.01 Filers are not required to submit a test file; however, the submission of a test file is encouraged for all new electronic filers to test hardware and software. If filers wish to submit an electronic test file for Tax Year 2009 (returns to be filed in 2010), it **must** be submitted to IRS/ECC-MTB **no earlier than** November 1, 2009, and **no later than** February 15, 2010.

.02 IRS/ECC-MTB encourages first time electronic filers to submit a test. Test files are **required** for filers wishing to participate in the Combined Federal/State Filing Program. See Part A, Sec. 10, for further information on the Combined Federal/State Filing Program.

.03 The test file **must** consist of a sample of each type of record:

- (a) Transmitter "T" Record (all fields marked required must include transmitter information)
- (b) Payer "A" Record
- (c) Multiple Payee "B" Records (**at least 11 "B" Records per each "A" Record**)
- (d) End of Payer "C" Record
- (e) State Totals "K" Record, if participating in the Combined Federal/State Filing Program
- (f) End of Transmission "F" Record (See Part C for record formats.)

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

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

.06 Filers who encounter problems while transmitting the electronic test file can contact IRS/ECC-MTB **toll-free 1-866-455-7438** for assistance.

.07 Within 1–2 days after your file has been sent, you will be notified via e-mail as to the acceptability of your file if you provide a valid e-mail address on the "Verify Your Filing Information" screen. If you are using e-mail filtering software, configure your software to accept e-mail from fire@irs.gov and irs.e-helpmail@irs.gov. If the file is bad, the filer must return to <http://fire.irs.gov> to determine what the errors are in the file by clicking on CHECK FILE STATUS. If your results indicate:

- (a) "**Good, Federal Reporting**" — Your test file is good for federal reporting only. Click on the filename for additional details.
- (b) "**Good, Federal/State Reporting**" — Your file is good for the Combined Federal and State Filing Program (see Part A, Section 10 for further details). Click on the filename for additional details.
- (c) "**Bad**" — This means that your test file contained errors. Click on the filename for a list of the errors. If you want to send another test file, send it as a test (not a replacement, original or correction).

- (d) “Not Yet Processed” — The file has been received, but we do not have results available yet. Please allow another day for results.

Sec. 4. Electronic Submissions

.01 Electronically filed information may be submitted to IRS/ECC-MTB 24 hours a day, 7 days a week. Technical assistance is available Monday through Friday between 8:30 a.m. and 4:30 p.m. EST by calling toll-free 1-866-455-7438.

.02 The FIRE System will be down from 2 p.m. EST December 22, 2009, through January 4, 2010. This allows IRS/ECC-MTB to update its system to reflect current year changes. *In addition, the FIRE System may be down every Wednesday from 3:00 a.m. to 5:00 a.m. EST for maintenance.*

.03 If you are sending files larger than 10,000 records electronically, data compression is encouraged. When transmitting files larger than 5 million records, please contact IRS/ECC-MTB for additional information. WinZip and PKZIP are the only acceptable compression packages. IRS/ECC-MTB cannot accept self-extracting zip files or compressed files containing multiple files. The time required to transmit information returns electronically will vary depending upon the type of connection to the Internet and if data compression is used. **The time required to transmit a file can be reduced up to 95 percent by using compression.**

.04 The FIRE System can accept multiple files for the same type of return providing duplicate data is not transmitted. For example, if your company has several branches issuing 1099-INT forms, it is not necessary to consolidate all the forms into one transmission. Each file may be sent separately, **providing duplicate data is not transmitted.**

.05 Transmitters may create files using self assigned filename(s). Files submitted electronically will be assigned a new unique filename by the FIRE System. The filename assigned by the FIRE System will consist of submission type (TEST, ORIG [original], CORR [correction], and REPL [replacement]), the filer's TCC and a four-digit number sequence. The sequence number will be incremented for every file sent. For example, if it is your first original file for the calendar year and your TCC is 44444, the IRS assigned filename would be ORIG.44444.0001. **Record the file name.** This information will be needed by IRS/ECC-MTB to identify the file, if assistance is required.

.06 If a file submitted timely is bad, the filer will have up to 60 days from the day the file was transmitted to submit an acceptable **replacement** file. If an acceptable replacement file is not received within 60 days, the payer could be subject to late filing penalties. This only applies to files originally submitted electronically.

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

- A **correction** is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS/ECC-MTB, but contained erroneous information. (See Note.)

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

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

Note: Filers should never transmit anything to IRS/ECC-MTB as a “Replacement” file unless the CHECK FILE STATUS option on the FIRE System indicates a previous file is bad.

Sec. 5. PIN Requirements

.01 The user will be prompted to create a PIN consisting of 10 numeric characters when establishing their initial User ID name and password.

.02 The PIN is required each time an ORIGINAL, CORRECTION, or REPLACEMENT file is sent electronically and is permission to release the file. It is not needed for a TEST file. An authorized agent may enter their PIN; however, the payer is responsible for the accuracy of the returns. The payer will be liable for penalties for failure to comply with filing requirements. If you forget your PIN, please call toll-free 1-866-455-7438 for assistance.

.03 If the file is good, it is released for mainline processing after 10 calendar days from receipt. Contact us toll-free 1-866-455-7438 within this 10-day period if there is a reason the file should not be released for further processing. If the file is bad, follow normal replacement procedures.

Sec. 6. Electronic Filing Specifications

.01 The FIRE System is designed exclusively for the filing of Forms 1042-S, 1098, 1099, 3921, 3922, 5498, 8027, 8935 and W-2G.

.02 A transmitter must have a TCC (see Part A, Sec. 6) before a file can be transmitted.

.03 After 1–2 business days, the results of the electronic transmission will be e-mailed to you providing you provide an accurate e-mail address on the “Verify Your Filing Information” screen. If you are using e-mail filtering software, configure your software to

accept e-mail from fire@irs.gov and irs.e-helpmail@irs.gov. If after receiving the e-mail it indicates that your file is bad, you must log into the FIRE System and go to the CHECK FILE STATUS area of the FIRE System to determine what the errors are in your file.

Sec. 7. Connecting to the FIRE System

- .01 Before connecting, have your TCC and TIN available.
- .02 Filers should turn off pop-up blocking software before transmitting their files.
- .03 Your browser must support the security standards listed below.
- .04 Your browser must be set to receive “cookies.” Cookies are used to preserve your User ID status.
- .05 Point your browser to <http://fire.irs.gov> to connect to the FIRE System.
- .06 FIRE Internet Security Technical Standards are:

HTTP 1.1 Specification (<http://www.w3.org/Protocols/rfc2616/rfc2616.txt>)

SSL 3.0 or TLS 1.0. SSL and TLS are implemented using SHA and RSA 1024 bits during the asymmetric handshake.

SSL 3.0 Specifications (<http://wp.netscape.com/eng/ssl3>)

TLS 1.0 Specifications (<http://www.ietf.org/rfc/rfc2246.txt>)

The filer can use one of the following encryption algorithms, listed in order of priority, using SSL or TLS:

**AES 256-bit (FIPS-197)*

**AES 128-bit (FIPS-197)*

TDES 168-bit (FIPS-46-3)

***RC4 128-bit*

**IRS intends to start offering this sometime during the period of this publication. If you plan to use it, please contact us to see if it is available.*

*** IRS intends to drop this non-FIPS algorithm during the period of this publication after the Service starts offering AES.*

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

Click “**Create New Account.**”

Fill out the registration form and click “**Submit.**”

Create your **User ID**

Create and verify your **password** (the password is user created and must be 8 alpha/numerics, containing at least 1 uppercase, 1 lowercase and 1 numeric). FIRE will require you to change the password periodically.

Click “**Create.**”

If you receive the message “**Account Created,**” click “**OK.**”

Create and verify your 10-digit self-assigned PIN (Personal Identification Number).

Click “**Submit.**”

If you receive the message “**Your PIN has been successfully created!,**” click “**OK.**”

Read the bulletin(s) and/or “**Click here to continue.**”

Subsequent connections to the FIRE System

Click “**Log On.**”

Enter your **User ID.**

Enter your **password** (the password is case sensitive).

Read the bulletin(s) and/or “**Click here to continue.**”

Uploading your file to the FIRE System

At Menu Options:

Click “**Send Information Returns**”

Enter your **TCC:**

Enter your **TIN:**

Uploading your file to the FIRE System

Click "*Submit.*"

The system will then display the company name, address, city, state, ZIP code, telephone number, contact and e-mail address. This information will be used to e-mail the transmitter regarding their transmission. Update as appropriate and/or Click "*Accept.*"

Note: Please ensure that the e-mail address is accurate so that the correct person receives the e-mail and it does not return to us undeliverable. If you are using SPAM filtering software, configure it to allow an e-mail from *fire@irs.gov* and *irs.e-helpmail@irs.gov*.

Click one of the following:

Original File

Correction File

Test File (This option will only be available from 11/1/2009 — 02/15/2010.)

Replacement File

- **Electronic Replacement** (file was originally transmitted on this system)
Click the file to be replaced.
- **Mag Media Replacement** (file was originally sent on some type of magnetic media) Enter the alpha character from the letter (L-2494) that was returned. It is located on the top right on the letter under "Refer Reply To:" For example, if the letter indicates TCC 44444A, the alpha code that would be entered is "A." Click "**Submit.**"

Enter your 10-digit PIN (not prompted for this if a test is being sent).

Click "*Submit.*"

Click "*Browse*" to locate the file and open it.

Click "*Upload.*"

When the upload is complete, the screen will display the total bytes received and tell you the name of the file you just uploaded. Print this page and keep it for your records.

If you have more files to upload for that TCC:

Click "*File Another?;*" otherwise,

Click "*Main Menu.*"

It is your responsibility to check the acceptability of your file; therefore, be sure to check back into the system in 1–2 business days using the CHECK FILE STATUS option.

Checking your FILE STATUS

If the correct e-mail address was provided on the "Verify Your Filing Information" screen when the file was sent, an e-mail will be sent regarding your FILE STATUS. If the results in the e-mail indicate "Good, not Released" and you agree with the "Count of Payees", then you are finished with this file. If you have any other results, please follow the instructions below.

At the Main Menu:

Click "*Check File Status.*"

Enter your *TCC*:

Enter your *TIN*:

Click "*Search.*"

If “Results” indicate:

“Good, Not Released” — and you agree with the “Count of Payees”, you are finished with this file. The file will automatically be released after 10 calendar days unless you contact us within this timeframe.

“Good, Released” — File has been released to our mainline processing.

“Bad” — Click on filename to view error message(s). Correct the errors and timely resubmit the file as a “replacement”.

“Not yet processed” — File has been received, but we do not have results available yet. Please check back in a few days.

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

When you are finished, click on **Main Menu**.

Click **“Log Out.”**

Close your Web Browser.

Sec. 8. Common Problems and Questions

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

Filers who engage a service bureau to transmit files on their behalf should be careful not to report duplicate data, which may generate penalty notices.

This section lists some of the problems most frequently encountered with electronic files submitted to IRS/ECC-MTB. These problems may result in IRS/ECC-MTB requesting replacement files.

1. Discrepancy Between IRS/ECC-MTB Totals and Totals in Payer “C” Records

The “C” Record is a summary record for a type of return for a given payer. IRS compares the total number of payees and payment amounts in the “B” records with totals in the “C” Records. The two totals **must** agree. Do **NOT** enter negative amounts except when reporting Forms 1099-B or 1099-Q. Money amounts must be all numeric, right-justified and zero (0) fill unused positions. **Do Not Use Blanks.**

2. Missing Correction Indicator in Payee “B” Record.

When a file is submitted as a correction file, there must be a correction indicator, “G” or “C” in position 6 of the Payee “B” record. See Part A, Sec. 8.

3. Incorrect TIN in Payer “A” Record.

The Payer’s TIN reported in positions 12–20 of the “A” record must be a nine-digit number. **(Do Not Enter Hyphens.)** The TIN and the First Payer Name Line provided in the “A” record must correspond.

4. Incorrect Tax Year in the Transmitter “T” Record, Payer “A” Record and the Payee “B” Records.

The tax year in the transmitter, payer and payee records should reflect the tax year of the information return being reported. For prior tax year data, there must be a “P” in position 6 of the Transmitter “T” record. This position must be blank for current tax year data.

5. Incorrect use of Test Indicator.

When sending a test file, position 28 of the Transmitter “T” record should contain a “T”, otherwise blank fill. Do not populate this field with a “T” if sending an original, replacement or correction file.

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

TINs entered in positions 12–20 of the Payee “B” record must consist of nine numerics only. **(Do Not Enter Hyphens.)** Incorrect formatting of TINs may result in a penalty.

7. Distribution Codes for Form 1099-R reported incorrectly.

For Form 1099-R, there must be valid Distribution Code(s) in positions 545–546 of the Payee “B” record. For valid codes (and combinations), see Guide to Distribution Codes in Part C. If only one distribution code is required, it must be entered in position 545 and position 546 must be blank. A blank in position 545 is not acceptable.

8. The Payment Amount Fields in the “B” Record Do Not Correspond to the Amount Codes in the “A” Record.

The Amount Codes used in the “A” record **MUST** correspond with the payment amount fields used in the “B” records. The amount codes must be left-justified, in ascending order with the unused positions blank. For Example: If the “B” records show payment amounts in payment amount fields 2, 4, and 7, then the “A” Record must correspond with 2, 4, and 7 in the amount codes field.

NON-FORMAT ERRORS

1. SPAM filters are not set to receive e-mail from *fire@irs.gov* and *irs.e-helpmail@irs.gov*.

If you want to receive e-mails concerning your files, processing results, reminders and notices, set your SPAM filter to receive e-mail from *fire@irs.gov* and *irs.e-helpmail@irs.gov*.

2. Incorrect e-mail address provided.

When the “Verify Your Filing Information” screen is displayed, make sure your correct e-mail address is listed. If not, please update with the correct e-mail address.

3. Transmitter does not check the FIRE System to determine why the file is bad.

The results of your file transfer are posted to the FIRE System within two business days. If the correct e-mail address was provided on the “Verify Your Filing Information” screen when the file was sent, an e-mail will be sent regarding your FILE STATUS. If the results in the e-mail indicate “Good, not Released” and you agree with the “Count of Payees”, then you are finished with this file. If you have any other results, please follow the instructions in the Check File Status option. If the file contains errors, you can get an online listing of the errors. Date received and number of payee records are also displayed. If the file is good, but you do not want the file processed, you must contact IRS/ECC-MTB within 10 calendar days from the transmission of your file.

4. Incorrect file is not replaced timely.

If your file is bad, correct the file and timely resubmit as a replacement.

5. Transmitter sends an original file that is good, and then sends a correction file for the entire file even though there are only a few changes.

The correction file, containing the proper coding, should only contain the records needing correction, not the entire file.

6. Transmitter sends a file and CHECK FILE STATUS indicates that the file is good, but the transmitter wants to send a replacement or correction file to replace the original/correction/replacement file.

Once a file has been transmitted, you cannot send a replacement file unless CHECK FILE STATUS indicates the file is bad (1–2 business days after file was transmitted). If you do not want us to process the file, you must first contact us **toll-free 1-866-455-7438** to see if this is a possibility.

7. Transmitter compresses several files into one.

Only compress one file at a time. For example, if you have 10 uncompressed files to send, compress each file separately and send 10 separate compressed files.

8. File is formatted as EBCDIC.

All files submitted electronically must be in standard ASCII code.

9. Transmitter has one TCC number, but is filing for multiple companies, which TIN should be used when sending the file?

When sending the file electronically, you will need to enter the TIN of the company assigned to the TCC. When you upload the file, it will contain the TINs of the other companies for which you are filing. This is the information that will be passed forward.

10. Transmitter sent the wrong file, what should be done?

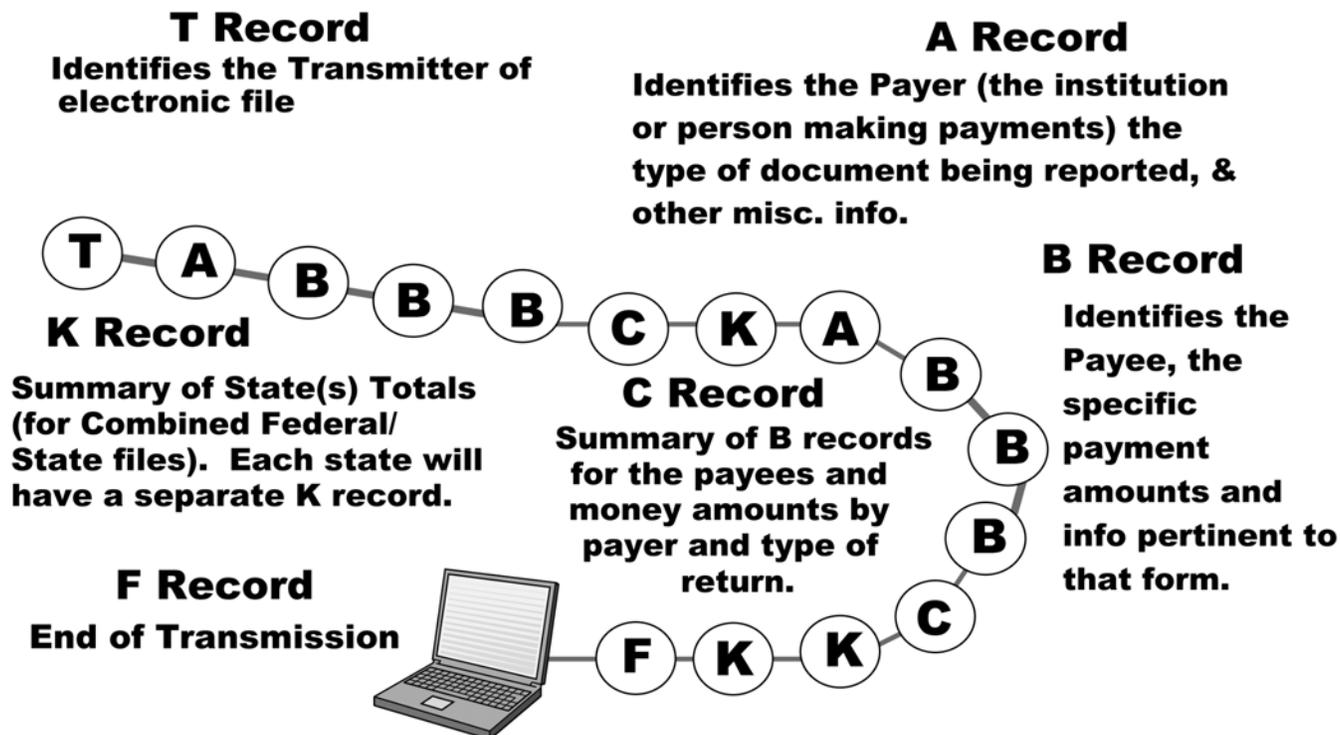
Call us as soon as possible toll-free at **1-866-455-7438**. We may be able to stop the file before it has been processed. **Please do not send a replacement for a file that is marked as a good file.**

Part C. Record Format Specification and Record Layouts

Sec. 1. File Layout Diagram

File Format

Each record must be 750 positions.



Sec. 2. General

.01 The specifications contained in this part of the Revenue Procedure define the required formation and contents of the records to be included in the electronic files.

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

Sec. 3. Transmitter "T" Record — General Field Descriptions

.01 The Transmitter "T" Record identifies the entity transmitting the electronic file and contains information which is critical if it is necessary for IRS/ECC-MTB to contact the filer.

.02 The Transmitter "T" Record is the first record on each file and is followed by a Payer "A" Record. A file format diagram is located at the beginning of Part C. A replacement file will be requested by IRS/ECC-MTB if the "T" Record is not present.

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

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

.05 All alpha characters entered in the "T" Record must be upper-case, except e-mail addresses which may be case sensitive. **Do not** use punctuation in the name and address fields.

Record Name: Transmitter "T" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter "T."
2-5	Payment Year	4	Required. Enter "2009." If reporting prior year data report the year which applies (2007, 2008, etc.) and set the Prior Year Data Indicator in field position 6.
6	Prior Year Data Indicator	1	Required. Enter "P" only if reporting prior year data; otherwise, enter blank. Do not enter a "P" if tax year is 2009. (See Note.)

Note: Electronic files SENT December 21 or later must be coded with a "P." Current year processing ends in December and programs are converted for the next processing year.

7-15	Transmitter's TIN	9	Required. Enter the transmitter's nine-digit Taxpayer Identification Number (TIN).
16-20	Transmitter Control Code	5	Required. Enter the five-character alpha/numeric Transmitter Control Code (TCC) assigned by IRS/ECC-MTB. A TCC must be obtained to file data with this program.
21-27	Blank	7	Enter blanks.
28	Test File Indicator	1	Required for test files only. Enter a "T" if this is a test file; otherwise, enter a blank.
29	Foreign Entity Indicator	1	Enter a "1" (one) if the transmitter is a foreign entity. If the transmitter is not a foreign entity, enter a blank.
30-69	Transmitter Name	40	Required. Enter the name of the transmitter in the manner in which it is used in normal business. Left-justify and fill unused positions with blanks.
70-109	Transmitter Name (Continuation)	40	Required. Enter any additional information that may be part of the name. Left-justify information and fill unused positions with blanks.
110-149	Company Name	40	Required. Enter the name of the company associated with the address where correspondence should be sent.
150-189	Company Name (Continuation)	40	Enter any additional information that may be part of the name of the company where correspondence should be sent.
190-229	Company Mailing Address	40	Required. Enter the mailing address where correspondence should be sent.

Note: Any correspondence relating to problem electronic files will be sent to this address.

For U.S. addresses, the payer city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. **Filers must adhere to the correct format for the payer city, state, and ZIP Code.**

For foreign addresses, filers may use the payer city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 29 must contain a "1" (one).

230-269	Company City	40	Required. Enter the city, town, or post office where correspondence should be sent.
270-271	Company State	2	Required. Enter the valid U.S. Postal Service state abbreviation. Refer to the chart for valid state codes in Part A, Sec. 12.
272-280	Company ZIP Code	9	Required. Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill unused positions with blanks.
281-295	Blank	15	Enter blanks.

Record Name: Transmitter "T" Record (Continued)

Field Position	Field Title	Length	Description and Remarks						
296–303	Total Number of Payees	8	Enter the total number of Payee "B" Records reported in the file. Right-justify information and fill unused positions with zeros.						
304–343	Contact Name	40	Required. Enter the name of the person to be contacted if IRS/ECC-MTB encounters problems with the file or transmission.						
344–358	Contact Telephone Number & Extension	15	Required. Enter the telephone number of the person to contact regarding electronic files. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks. For example, the IRS/ECC-MTB Customer Service Section telephone number of 866–455–7438 with an extension of 52345 would be 866455743852345 .						
359–408	Contact E-mail Address	50	Required if available. Enter the e-mail address of the person to contact regarding electronic files. Left-justify information. If no e-mail address is available, enter blanks.						
409–499	Blank	91	Enter blanks.						
500–507	Record Sequence Number	8	Required. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file and you can have only one "T" Record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, <i>i.e.</i> , 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" Record sequence number would appear as "00000001" in the field, the first "A" Record would be "00000002," the first "B" Record, "00000003," the second "B" Record, "00000004" and so on until you reach the final record of the file, the "F" Record.						
508–517	Blank	10	Enter blanks.						
518	Vendor Indicator	1	Required. Enter the appropriate code from the table below to indicate if your software was provided by a vendor or produced in-house. <table border="0"> <thead> <tr> <th><u>Indicator</u></th> <th><u>Usage</u></th> </tr> </thead> <tbody> <tr> <td>V</td> <td>Your software was purchased from a vendor or other source.</td> </tr> <tr> <td>I</td> <td>Your software was produced by in-house programmers.</td> </tr> </tbody> </table>	<u>Indicator</u>	<u>Usage</u>	V	Your software was purchased from a vendor or other source.	I	Your software was produced by in-house programmers.
<u>Indicator</u>	<u>Usage</u>								
V	Your software was purchased from a vendor or other source.								
I	Your software was produced by in-house programmers.								
Note: In-house programmer is defined as an employee or a hired contract programmer. If your software is produced in-house, the following Vendor information fields are not required.									
519–558	Vendor Name	40	Required. Enter the name of the company from whom you purchased your software.						
559–598	Vendor Mailing Address	40	Required. Enter the mailing address.						
For U.S. addresses, the vendor city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. Filers must adhere to the correct format for the payer city, state, and ZIP Code.									
For foreign addresses, filers may use the payer city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country.									
599–638	Vendor City	40	Required. Enter the city, town, or post office.						
639–640	Vendor State	2	Required. Enter the valid U.S. Postal Service state abbreviation. Refer to the chart of valid state codes in Part A, Sec. 12.						

Record Name: Transmitter "T" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
641-649	Vendor ZIP Code	9	Required. Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill unused positions with blanks.
650-689	Vendor Contact Name	40	Required. Enter the name of the person who can be contacted concerning any software questions.
690-704	Vendor Contact Telephone Number & Extension	15	Required. Enter the telephone number of the person to contact concerning software questions. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks.
705-739	Blank	35	Enter Blanks.
740	Vendor Foreign Entity Indicator	1	Enter a "1" (one) if the vendor is a foreign entity. Otherwise, enter a blank.
741-748	Blank	8	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed characters (CR/LF).

Sec. 4. Transmitter "T" Record — Record Layout

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

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

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

Contact Phone Number & Extension	Contact e-mail Address	Blank	Record Sequence Number	Blank	Vendor Indicator
344-358	359-408	409-499	500-507	508-517	518

Vendor Name	Vendor Mailing Address	Vendor City	Vendor State	Vendor ZIP Code	Vendor Contact Name
519-558	559-598	599-638	639-640	641-649	650-689

Vendor Contact Phone Number & Extension	Blank	Vendor Foreign Entity Indicator	Blank	Blank or CR/LF
690-704	705-739	740	741-748	749-750

Sec. 5. Payer "A" Record — General Field Descriptions

.01 The Payer "A" Record identifies the person making payments, a recipient of mortgage or student loan interest payments, an educational institution, a broker, a person reporting a real estate transaction, a barter exchange, a creditor, a trustee or issuer of any IRA or MSA plan, and a lender who acquires an interest in secured property or who has a reason to know that the property has been abandoned. The payer will be held responsible for the completeness, accuracy, and timely submission of electronic files.

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

.03 The number of "A" Records depends on the number of payers and the different types of returns being reported. Do not submit separate "A" Records for each payment amount being reported. For example, if a payer is filing Form 1099-DIV to report Amount Codes 1, 2, and 3, all three amount codes should be reported under one "A" Record, not three separate "A" Records.

.04 The maximum number of "A" Records allowed on a file is 90,000.

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

.06 All alpha characters entered in the "A" Record must be upper case.

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

Record Name: Payer "A" Record			
Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter an "A."
2-5	Payment Year	4	Required. Enter "2009." If reporting prior year data report the year which applies (2007, 2008, etc.).
6-11	Blank	6	Enter blanks.
12-20	Payer's Taxpayer Identification Number (TIN)	9	Required. Must be the valid nine-digit Taxpayer Identification Number assigned to the payer. Do not enter blanks, hyphens, or alpha characters. All zeros, ones, twos, etc., will have the effect of an incorrect TIN.
Note: For foreign entities that are not required to have a TIN, this field must be blank. However, the Foreign Entity Indicator, position 52 of the "A" Record, must be set to "1" (one).			
21-24	Payer Name Control	4	The Payer Name Control can be obtained only from the mail label on the Package 1096 that is mailed to most payers each December. If a Package 1096 has not been received, you can determine your name control using the following simple rules or you can leave the field blank. For a business, use the first four significant characters of the business name. Disregard the word "the" when it is the first word of the name, unless there are only two words in the name. A hyphen (-) and an ampersand (&) are the only acceptable special characters. Names of less than four (4) characters should be left-justified, filling the unused positions with blanks.
25	Last Filing Indicator	1	Enter a "1" (one) if this is the last year this payer name and TIN will file information returns electronically or on paper; otherwise, enter blank.

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
26	Combined Federal/State Filer	1	Required for the Combined Federal/State Filing Program. Enter "1" (one) if approved or submitting a test to participate in the Combined Federal/State Filing Program; otherwise, enter a blank.

Note 1: If the Payer "A" Record is coded for Combined Federal/State Filing Program there must be coding in the Payee "B" Records and the State Totals "K" Records.

Note 2: If you entered "1" (one) in this field position, be sure to code the Payee "B" Records with the appropriate state code. Refer to Part A, Sec. 10, for further information.

27	Type of Return	1	Required. Enter the appropriate code from the table below:																																																								
			<table border="1"> <thead> <tr> <th><u>Type of Return</u></th> <th><u>Code</u></th> </tr> </thead> <tbody> <tr><td>1098</td><td>3</td></tr> <tr><td>1098-C</td><td>X</td></tr> <tr><td>1098-E</td><td>2</td></tr> <tr><td>1098-T</td><td>8</td></tr> <tr><td>1099-A</td><td>4</td></tr> <tr><td>1099-B</td><td>B</td></tr> <tr><td>1099-C</td><td>5</td></tr> <tr><td>1099-CAP</td><td>P</td></tr> <tr><td>1099-DIV</td><td>1</td></tr> <tr><td>1099-G</td><td>F</td></tr> <tr><td>1099-H</td><td>J</td></tr> <tr><td>1099-INT</td><td>6</td></tr> <tr><td>1099-LTC</td><td>T</td></tr> <tr><td>1099-MISC</td><td>A</td></tr> <tr><td>1099-OID</td><td>D</td></tr> <tr><td>1099-PATR</td><td>7</td></tr> <tr><td>1099-Q</td><td>Q</td></tr> <tr><td>1099-R</td><td>9</td></tr> <tr><td>1099-S</td><td>S</td></tr> <tr><td>1099-SA</td><td>M</td></tr> <tr><td>3921</td><td>N</td></tr> <tr><td>3922</td><td>Z</td></tr> <tr><td>5498</td><td>L</td></tr> <tr><td>5498-ESA</td><td>V</td></tr> <tr><td>5498-SA</td><td>K</td></tr> <tr><td>8935</td><td>U</td></tr> <tr><td>W-2G</td><td>W</td></tr> </tbody> </table>	<u>Type of Return</u>	<u>Code</u>	1098	3	1098-C	X	1098-E	2	1098-T	8	1099-A	4	1099-B	B	1099-C	5	1099-CAP	P	1099-DIV	1	1099-G	F	1099-H	J	1099-INT	6	1099-LTC	T	1099-MISC	A	1099-OID	D	1099-PATR	7	1099-Q	Q	1099-R	9	1099-S	S	1099-SA	M	3921	N	3922	Z	5498	L	5498-ESA	V	5498-SA	K	8935	U	W-2G	W
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28-41	Amount Codes (See Note.)	14	Required. Enter the appropriate amount codes for the type of return being reported. In most cases, the box numbers on paper information returns correspond with the amount codes used to file electronically. However, if discrepancies occur, this Revenue Procedure governs for filing electronically. Enter the amount codes in ascending sequence; numeric characters followed by alphas. Left-justify, and fill unused positions with blanks.
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Note: A type of return and an amount code must be present in every Payer "A" Record even if no money amounts are being reported. For a detailed explanation of the information to be reported in each amount code, refer to the appropriate paper instructions for each form.

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks														
Amount Codes	Form 1098 — Mortgage Interest Statement		For Reporting Mortgage Interest Received From Payers/Borrowers (Payer of Record) on Form 1098:														
			<table border="0"> <thead> <tr> <th><u>Amount Code</u></th> <th><u>Amount Type</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mortgage interest received from payer(s)/borrower(s)</td> </tr> <tr> <td>2</td> <td>Points paid on purchase of principal residence</td> </tr> <tr> <td>3</td> <td>Refund (or credit) of overpaid interest</td> </tr> <tr> <td>4</td> <td>Mortgage Insurance Premiums</td> </tr> <tr> <td>5</td> <td>Blank (Filer's use)</td> </tr> </tbody> </table>	<u>Amount Code</u>	<u>Amount Type</u>	1	Mortgage interest received from payer(s)/borrower(s)	2	Points paid on purchase of principal residence	3	Refund (or credit) of overpaid interest	4	Mortgage Insurance Premiums	5	Blank (Filer's use)		
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2	Points paid on purchase of principal residence																
3	Refund (or credit) of overpaid interest																
4	Mortgage Insurance Premiums																
5	Blank (Filer's use)																
Amount Codes	Form 1098-C — Contributions of Motor Vehicles, Boats, and Airplanes		For Reporting Gross Proceeds From Sales on Form 1098-C:														
			<table border="0"> <thead> <tr> <th><u>Amount Code</u></th> <th><u>Amount Type</u></th> </tr> </thead> <tbody> <tr> <td>4</td> <td>Gross proceeds from sales</td> </tr> <tr> <td>6</td> <td>Value of goods or services in exchange for vehicle</td> </tr> </tbody> </table>	<u>Amount Code</u>	<u>Amount Type</u>	4	Gross proceeds from sales	6	Value of goods or services in exchange for vehicle								
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4	Gross proceeds from sales																
6	Value of goods or services in exchange for vehicle																
Amount Code	Form 1098-E — Student Loan Interest		For Reporting Interest on Student Loans on Form 1098-E:														
			<table border="0"> <thead> <tr> <th><u>Amount Code</u></th> <th><u>Amount Type</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Student loan interest received by lender</td> </tr> </tbody> </table>	<u>Amount Code</u>	<u>Amount Type</u>	1	Student loan interest received by lender										
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1	Student loan interest received by lender																
Amount Codes	Form 1098-T — Tuition Statement		For Reporting Tuition Payments on Form 1098-T:														
			<table border="0"> <thead> <tr> <th><u>Amount Code</u></th> <th><u>Amount Type</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Payments received for qualified tuition and related expenses</td> </tr> <tr> <td>2</td> <td>Amounts billed for qualified tuition and related expenses</td> </tr> <tr> <td>3</td> <td>Adjustments made for prior year</td> </tr> <tr> <td>4</td> <td>Scholarships or grants</td> </tr> <tr> <td>5</td> <td>Adjustments to scholarships or grants for a prior year</td> </tr> <tr> <td>7</td> <td>Reimbursements or refunds of qualified tuition and related expenses from an insurance contract</td> </tr> </tbody> </table>	<u>Amount Code</u>	<u>Amount Type</u>	1	Payments received for qualified tuition and related expenses	2	Amounts billed for qualified tuition and related expenses	3	Adjustments made for prior year	4	Scholarships or grants	5	Adjustments to scholarships or grants for a prior year	7	Reimbursements or refunds of qualified tuition and related expenses from an insurance contract
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4	Scholarships or grants																
5	Adjustments to scholarships or grants for a prior year																
7	Reimbursements or refunds of qualified tuition and related expenses from an insurance contract																
Note 1: For Amount Codes 1 and 2 enter either payments received OR amounts billed. DO NOT report both.																	
Note 2: Amount Codes 3 and 5 are assumed to be negative. It is not necessary to code with an over punch or dash to indicate a negative reporting.																	
Amount Codes	Form 1099-A — Acquisition or Abandonment of Secured Property		For Reporting the Acquisition or Abandonment of Secured Property on Form 1099-A:														
			<table border="0"> <thead> <tr> <th><u>Amount Code</u></th> <th><u>Amount Type</u></th> </tr> </thead> <tbody> <tr> <td>2</td> <td>Balance of principal outstanding</td> </tr> <tr> <td>4</td> <td>Fair market value of property</td> </tr> </tbody> </table>	<u>Amount Code</u>	<u>Amount Type</u>	2	Balance of principal outstanding	4	Fair market value of property								
<u>Amount Code</u>	<u>Amount Type</u>																
2	Balance of principal outstanding																
4	Fair market value of property																

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes Form 1099-B — Proceeds From Broker and Barter Exchange Transactions			
For Reporting Payments on Form 1099-B:			
		<u>Amount Code</u>	<u>Amount Type</u>
		2	Stocks, bonds, etc. (For forward contracts, See Note 1.)
		3	Bartering (Do not report negative amounts.)
		4	Federal income tax withheld (backup withholding) (Do not report negative amounts.)
		6	Profit (or loss) realized in 2009 (See Note 2.)
		7	Unrealized profit (or loss) on open contracts — 12/31/2007 (See Note 2.)
		8	Unrealized profit (or loss) on open contracts — 12/31/2009 (See Note 2.)
		9	Aggregate profit (or loss) (See Note 2.)

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

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

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

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

Amount Code Form 1099-CAP — Changes in Corporate Control and Capital Structure			
For Reporting Payments on Form 1099-CAP:			
		<u>Amount Code</u>	<u>Amount Type</u>
		2	Aggregate amount received

Amount Codes Form 1099-DIV — Dividends and Distributions			
For Reporting Payments on Form 1099-DIV:			
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Total ordinary dividends
		2	Qualified dividends
		3	Total capital gain distribution
		6	Unrecaptured Section 1250 gain
		7	Section 1202 gain
		8	Collectibles (28%) rate gain
		9	Nondividend distributions
		A	Federal income tax withheld
		B	Investment expenses
		C	Foreign tax paid
		D	Cash liquidation distributions
		E	Non-cash liquidation distributions

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes	Form 1099-G — Certain Government Payments		For Reporting Payments on Form 1099-G:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Unemployment compensation
		2	State or local income tax refunds, credits, or offsets
		4	Federal income tax withheld (backup withholding or voluntary withholding on unemployment compensation or Commodity Credit Corporation Loans, or certain crop disaster payments)
		5	Alternative Trade Adjustment Assistance (ATAA) Payments
		6	Taxable grants
		7	Agriculture payments
		9	<i>Market Gain Commodity Credit Loans Repaid on or after January 1, 2007.</i>
Amount Codes	Form 1099-H — Health Coverage Tax Credit (HCTC) Advance Payments		For Reporting Payments on Form 1099-H:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Gross amount of health insurance advance payments
		2	Amount of advance payment for January
		3	Amount of advance payment for February
		4	Amount of advance payment for March
		5	Amount of advance payment for April
		6	Amount of advance payment for May
		7	Amount of advance payment for June
		8	Amount of advance payment for July
		9	Amount of advance payment for August
		A	Amount of advance payment for September
		B	Amount of advance payment for October
		C	Amount of advance payment for November
		D	Amount of advance payment for December
Amount Codes	Form 1099-INT — Interest Income		For Reporting Payments on Form 1099-INT:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Interest income not included in Amount Code 3
		2	Early withdrawal penalty
		3	Interest on U.S. Savings Bonds and Treasury obligations
		4	Federal income tax withheld (backup withholding)
		5	Investment expenses
		6	Foreign tax paid
		8	Tax-exempt interest
		9	Specified Private Activity Bond Interest

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes	Form 1099-LTC —		For Reporting Payments on Form 1099-LTC:
	Long-Term Care and Accelerated Death Benefits		
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Gross long-term care benefits paid
		2	Accelerated death benefits paid
Amount Codes	Form 1099-MISC —		For Reporting Payments on Form 1099-MISC:
	Miscellaneous Income		
	(See Note 1.)	<u>Amount Code</u>	<u>Amount Type</u>
		1	Rents
		2	Royalties (See Note 2.)
		3	Other income
		4	Federal income tax withheld (backup withholding or withholding on Indian gaming profits)
		5	Fishing boat proceeds
		6	Medical and health care payments
		7	Nonemployee compensation
		8	Substitute payments in lieu of dividends or interest
		A	Crop insurance proceeds
		B	Excess golden parachute payments
		C	Gross proceeds paid to an attorney in connection with legal services
		D	Section 409A Deferrals
		E	Section 409A Income
Note 1: If reporting a direct sales indicator <i>only</i>, use Type of Return "A" in Field Position 27, and Amount Code 1 in Field Position 28 of the Payer "A" Record. All payment amount fields in the Payee "B" Record will contain zeros.			
Note 2: Do not report timber royalties under a "pay-as-cut" contract; these must be reported on Form 1099-S.			
Amount Codes	Form 1099-OID —		For Reporting Payments on Form 1099-OID:
	Original Issue Discount		
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Original issue discount for 2009
		2	Other periodic interest
		3	Early withdrawal penalty
		4	Federal income tax withheld (backup withholding)
		6	Original issue discount on U.S. Treasury Obligations
		7	Investment expenses
Amount Codes	Form 1099-PATR —		For Reporting Payments on Form 1099-PATR:
	Taxable Distributions Received From Cooperatives		
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Patronage dividends
		2	Nonpatronage distributions
		3	Per-unit retain allocations

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
		<u>Amount Code</u>	<u>Amount Type</u>
		4	Federal income tax withheld (backup withholding)
		5	Redemption of nonqualified notices and retain allocations
		6	Deduction for qualified production activities income
		Pass-Through Credits	
		7	Investment credit
		8	Work opportunity credit
		9	Patron's alternative minimum tax (AMT) adjustment
		A	For filer's use for pass-through credits and deductions
Amount Codes	Form 1099-Q — Payments From Qualified Education Programs (Under Sections 529 and 530)		For Reporting Payments on a Form 1099-Q:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Gross distribution
		2	Earnings
		3	Basis
Amount Codes	Form 1099-R — Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		For Reporting Payments on Form 1099-R:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Gross distribution
		2	Taxable amount (See Note 1.)
		3	Capital gain (included in Amount Code 2)
		4	Federal income tax withheld
		5	Employee contributions or insurance premiums
		6	Net unrealized appreciation in employer's securities
		8	Other
		9	Total employee contributions
		A	Traditional IRA/SEP/SIMPLE distribution or Roth conversion (See Note 2.)

Note 1: If the taxable amount cannot be determined, enter a "1" (one) in position 547 of the "B" Record. Payment Amount 2 must contain zeros.

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

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes	Form 1099-S — Proceeds From Real Estate Transactions		For Reporting Payments on Form 1099-S:
		<u>Amount Code</u>	<u>Amount Type</u>
		2	Gross proceeds (See Note.)
		5	Buyer's part of real estate tax
Note: Include payments of timber royalties made under a "pay-as-cut" contract, reportable under IRC section 6050N. If timber royalties are being reported, enter "TIMBER" in the description field of the "B" Record.			
Amount Codes	Form 1099-SA — Distributions From an HSA, Archer MSA, or Medicare Advantage MSA		For Reporting Distributions on Form 1099-SA:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Gross distribution
		2	Earnings on excess contributions
		4	Fair market value of the account on date of death
Amount Codes	Form 3921 — Exercise of a Qualified Incentive Stock Option Under Section 442(b)		For Reporting Information on Form 3921:
		<u>Amount Code</u>	<u>Amount Type</u>
		3	Exercise price per share
		4	Fair market value of share on exercise date
Amount Codes	Form 3922 — Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)		For Reporting Information on Form 3922:
		<u>Amount Code</u>	<u>Amount Type</u>
		3	Fair market value per share on grant date
		4	Fair market value on exercise date
		5	Exercise price per share
Amount Codes	Form 5498 — IRA Contribution Information		For Reporting Information on Form 5498:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	IRA contributions (other than amounts in Amount Codes 2, 3, 4, 8, 9, and A) (See Notes 1 and 2.)
		2	Rollover contributions
		3	Roth conversion amount
		4	Recharacterized contributions
		5	Fair market value of account
		6	Life insurance cost included in Amount Code 1
		8	SEP contributions
		9	SIMPLE contributions
		A	Roth IRA contributions
		B	RMD amount
		C	Postponed Contribution
		D	Repayments
		E	Other Contributions

Note 1: If reporting IRA contributions for a participant in a military operation, see 2009 Instructions for Forms 1099-R and 5498.

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

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes Form 5498-ESA — Coverdell ESA Contribution Information			For Reporting Information on Form 5498-ESA: <u>Amount Code</u> <u>Amount Type</u>
		1	Coverdell ESA contributions
		2	Rollover contributions
Amount Codes Form 5498-SA — HSA, Archer MSA, or Medicare Advantage MSA Information			For Reporting Information on Form 5498-SA: <u>Amount Code</u> <u>Amount Type</u>
		1	Employee or self-employed person's Archer MSA contributions made in 2009 and 2010 for 2009
		2	Total contributions made in 2009 (See current 2009 Instructions.)
		3	Total HSA/MSA contributions made in 2010 for 2009
		4	Rollover contributions (See Note.)
		5	Fair market value of HSA, Archer MSA or Medicare Advantage MSA
Note: This is the amount of any rollover made to this MSA in 2009 after a distribution from another MSA. For detailed information on reporting, see the 2009 Instructions for Forms 1099-SA and 5498-SA.			
Amount Codes Form 8935 - Airline Payments Report			For Reporting Information on Form 8935 <u>Amount Code</u> <u>Amount Type</u>
		1	Total amount reported
		2	First year of reported payments
		3	Second year of reported payments
		4	Third year of reported payments
		5	Fourth year of reported payments
		6	Fifth year of reported payments
Amount Codes Form W-2G — Certain Gambling Winnings			For Reporting Payments on Form W-2G: <u>Amount Code</u> <u>Amount Type</u>
		1	Gross winnings
		2	Federal income tax withheld
		7	Winnings from identical wagers
42–51	Blank	10	Enter blanks.
52	Foreign Entity Indicator	1	Enter a "1" (one) if the payer is a foreign entity and income is paid by the foreign entity to a U.S. resident. Otherwise, enter a blank.
53–92	First Payer Name Line	40	Required. Enter the name of the payer whose TIN appears in positions 12–20 of the "A" Record. Any extraneous information must be deleted. Left-justify information, and fill unused positions with blanks. (Filers should not enter a transfer agent's name in this field. Any transfer agent's name should appear in the Second Payer Name Line Field.)
93–132	Second Payer Name Line	40	If the Transfer (or Paying) Agent Indicator (position 133) contains a "1" (one), this field must contain the name of the transfer (or paying) agent. If the indicator contains a "0" (zero), this field may contain either a continuation of the First Payer Name Line or blanks. Left-justify information and fill unused positions with blanks.

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks						
133	Transfer Agent Indicator	1	Required. Identifies the entity in the Second Payer Name Line Field.						
			<table border="0"> <thead> <tr> <th align="left"><u>Code</u></th> <th align="left"><u>Meaning</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The entity in the Second Payer Name Line Field is the transfer (or paying) agent.</td> </tr> <tr> <td>0 (zero)</td> <td>The entity shown is not the transfer (or paying) agent (<i>i.e.</i>, the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).</td> </tr> </tbody> </table>	<u>Code</u>	<u>Meaning</u>	1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.	0 (zero)	The entity shown is not the transfer (or paying) agent (<i>i.e.</i> , the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).
<u>Code</u>	<u>Meaning</u>								
1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.								
0 (zero)	The entity shown is not the transfer (or paying) agent (<i>i.e.</i> , the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).								
134–173	Payer Shipping Address	40	Required. If the Transfer Agent Indicator in position 133 is a "1" (one), enter the shipping address of the transfer (or paying) agent. Otherwise, enter the actual shipping address of the payer. The street address should include number, street, apartment or suite number, or PO Box if mail is not delivered to a street address. Left-justify information, and fill unused positions with blanks.						
<p>For U.S. addresses, the payer city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. Filers must adhere to the correct format for the payer city, state, and ZIP Code.</p> <p>For foreign addresses, filers may use the payer city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 52 must contain a "1" (one).</p>									
174–213	Payer City	40	Required. If the Transfer Agent Indicator in position 133 is a "1" (one), enter the city, town, or post office of the transfer agent. Otherwise, enter the city, town, or post office of the payer. Left-justify information, and fill unused positions with blanks. Do not enter state and ZIP Code information in this field.						
214–215	Payer State	2	Required. Enter the valid U.S. Postal Service state abbreviations. Refer to the chart of valid state abbreviations in Part A, Sec.12.						
216–224	Payer ZIP Code	9	Required. Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Entity Indicator, located in Field Position 52 of the "A" Record.						
225–239	Payer's Phone Number & Extension	15	Enter the payer's telephone number and extension. Omit hyphens. Left-justify information and fill unused positions with blanks.						
240–499	Blank	260	Enter blanks.						
500–507	Record Sequence Number	8	Required. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file and you can have only one "T" Record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, <i>i.e.</i> , 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" Record sequence number would appear as "00000001" in the field, the first "A" Record would be "00000002," the first "B" Record, "00000003," the second "B" Record, "00000004" and so on until you reach the final record of the file, the "F" Record.						
508–748	Blank	241	Enter blanks.						
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.						

Sec. 6. Payer “A” Record — Record Layout

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

Combined Federal/State Filer	Type of Return	Amount Codes	Blank	Foreign Entity Indicator	First Payer Name Line
26	27	28–41	42–51	52	53–92

Second Payer Name Line	Transfer Agent Indicator	Payer Shipping Address	Payer City	Payer State	Payer ZIP Code
93–132	133	134–173	174–213	214–215	216–224

Payer’s Phone Number and Extension	Blank	Record Sequence Number	Blank	Blank or CR/LF
225–239	240–499	500–507	508–748	749–750

Sec. 7. Payee “B” Record — General Field Descriptions and Record Layouts

.01 The “B” Record contains the payment information from the information returns. The record layout for field positions 1 through 543 is the same for all types of returns. Field positions 544 through 750 vary for each type of return to accommodate special fields for individual forms. In the “B” Record, the filer **must** allow for all **fourteen** Payment Amount Fields. **For those fields not used, enter “0s” (zeros).**

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

- (a) If filers are unable to determine the first four characters of the surname, the Name Control Field may be left blank. Compliance with the following will facilitate IRS computer programs in identifying the correct name control:
 - (1) The surname of the payee whose TIN is shown in the “B” Record should always appear first. If, however, the records have been developed using the first name first, the filer must leave a blank space between the first and last names.
 - (2) In the case of multiple payees, the surname of the payee whose TIN (SSN, EIN, ITIN, or ATIN) is shown in the “B” Record must be present in the First Payee Name Line. Surnames of any other payees may be entered in the Second Payee Name Line.

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

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

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

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

.07 Those payers participating in the Combined Federal/State Filing Program must adhere to all of the specifications in Part A, Sec. 10, to participate in this program.

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

.09 **Do not** use decimal points (.) to indicate dollars and cents. Payment Amount Fields must be all numeric characters.

Record Name: Payee “B” Record

Field Position	Field Title	Length	Description and Remarks	
1	Record Type	1	Required. Enter “B.”	
2–5	Payment Year	4	Required. Enter “2009.” If reporting prior year data report the year which applies (2007, 2008, etc.).	
6	Corrected Return Indicator (See Note.)	1	Required for corrections only. Indicates a corrected return.	
			<u>Code</u>	<u>Definition</u>
			G	If this is a one-transaction correction or the first of a two-transaction correction
			C	If this is the second transaction of a two-transaction correction
			Blank	If this is not a return being submitted to correct information already processed by IRS

Note: C, G, and non-coded records must be reported using separate Payer “A” Records. Refer to Part A, Sec. 8, for specific instructions on how to file corrected returns.

7–10	Name Control	4	If determinable, enter the first four characters of the surname of the person whose TIN is being reported in positions 12–20 of the “B” Record; otherwise, enter blanks . This usually is the payee. If the name that corresponds to the TIN is not included in the first or second payee name line and the correct name control is not provided, a backup withholding notice may be generated for the record. Surnames of less than four characters should be left-justified, filling the unused positions with blanks. Special characters and imbedded blanks should be removed. In the case of a business, other than a sole proprietorship, use the first four significant characters of the business name. Disregard the word “the” when it is the first word of the name, unless there are only two words in the name. A hyphen (-) and an ampersand (&) are the only acceptable special characters. Surname prefixes are considered, <i>e.g.</i> , for Van Elm, the name control would be VANE. For a sole proprietorship, use the name of the owner to create the name control and report the owner’s name in positions 248–287, First Payee Name Line.	
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Note: Imbedded blanks, extraneous words, titles, and special characters (*i.e.*, Mr., Mrs., Dr., period [.] , apostrophe [’]) should be removed from the Payee Name Lines. A hyphen (-) and an ampersand (&) are the only acceptable special characters.

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

<u>Name</u>	<u>Name Control</u>
Individuals:	
Jane B rown	BROW
John A. L ee	LEE*
James P. E n, Sr.	EN*
John O ’Neil	ONEI
Mary V an Buren	VANB
Juan D e Jesus	DEJE
Gloria A. E l-Roy	EL-R
Mr. John S mith	SMIT
Joe M cCarthy	MCCA
Pedro T orres-Lopes**	TORR

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
	Maria Lopez Moreno**	LOPE	
	Binh To La	LA*	
	Nhat Thi Pham	PHAM	
Corporations:			
	The First National Bank	FIRS	
	The Hideaway	THEH	
	A&B Cafe	A&BC	
	11TH Street Inc.	11TH	
Sole Proprietor:			
	Mark Hemlock	HEML	
	DBA The Sunshine Club		
	Mark D'Allesandro	DALL	
Partnership:			
	Robert Aspen	ASPE	
	and Bess Willow		
	Harold Fir , Bruce Elm,	FIR*	
	and Joyce Spruce et al Ptr		
Estate:			
	Frank White Estate	WHIT	
	Estate of Sheila Blue	BLUE	
Trusts and Fiduciaries:			
	Daisy Corporation Employee	DAIS	
	Benefit Trust		
	Trust FBO The	CHER	
	Cherryblossom		
	Society		
Exempt Organizations:			
	Laborer's Union, AFL-CIO	LABO	
	St. Bernard's Methodist	STBE	
	Church Bldg. Fund		

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

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

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

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks									
			<table border="1"> <thead> <tr> <th><u>Code</u></th> <th><u>Type of TIN</u></th> <th><u>Type of Account</u></th> </tr> </thead> <tbody> <tr> <td>2</td> <td>ATIN</td> <td>An adopted individual prior to the assignment of a social security number</td> </tr> <tr> <td>Blank</td> <td>N/A</td> <td>If the type of TIN is not determinable, enter a blank.</td> </tr> </tbody> </table>	<u>Code</u>	<u>Type of TIN</u>	<u>Type of Account</u>	2	ATIN	An adopted individual prior to the assignment of a social security number	Blank	N/A	If the type of TIN is not determinable, enter a blank.
<u>Code</u>	<u>Type of TIN</u>	<u>Type of Account</u>										
2	ATIN	An adopted individual prior to the assignment of a social security number										
Blank	N/A	If the type of TIN is not determinable, enter a blank.										
12–20	Payee's Taxpayer Identification Number (TIN)	9	Required. Enter the nine-digit Taxpayer Identification Number of the payee (SSN, ITIN, ATIN, or EIN). If an identification number has been applied for but not received, enter blanks. Do not enter hyphens or alpha characters. All zeros, ones, twos, etc., will have the effect of an incorrect TIN. If the TIN is not available, enter blanks.									
Note: If you are required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G for reporting requirements.												
21–40	Payer's Account Number For Payee	20	<p>Required if submitting more than one information return of the same type for the same payee. Enter any number assigned by the payer to the payee that can be used by the IRS to distinguish between information returns. This number must be unique for each information return of the same type for the same payee. If a payee has more than one reporting of the same document type, it is vital that each reporting have a unique account number. For example, if a payer has 3 separate pension distributions for the same payee and 3 separate Forms 1099-R are filed, 3 separate unique account numbers are required.</p> <p>A payee's account number may be given a unique sequencing number, such as 01, 02 or A, B, etc., to differentiate each reported information return. Do not use the payee's TIN since this will not make each record unique. This information is critical when corrections are filed. This number will be provided with the backup withholding notification and may be helpful in identifying the branch or subsidiary reporting the transaction. The account number can be any combination of alpha, numeric or special characters. If fewer than twenty characters are used, filers may either left or right-justify, filling the remaining positions with blanks.</p>									
41–44	Payer's Office Code	4	Enter office code of payer; otherwise, enter blanks. For payers with multiple locations, this field may be used to identify the location of the office submitting the information return. This code will also appear on backup withholding notices.									

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
45-54	Blank	10	Enter blanks.
	Payment Amount Fields (Must be numeric)		Required. Filers should allow for all payment amounts. For those not used, enter zeros. Each payment field must contain 12 numeric characters. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. Do not enter dollar signs, commas, decimal points, or negative payments, except those items that reflect a loss on Form 1099-B or 1099-Q. Positive and negative amounts are indicated by placing a "+" (plus) or "-" (minus) sign in the left-most position of the payment amount field. A negative over punch in the unit's position may be used, instead of a minus sign, to indicate a negative amount. If a plus sign, minus sign, or negative over punch is not used, the number is assumed to be positive. Negative over punch cannot be used in PC created files. Payment amounts must be right-justified and unused positions must be zero filled.
55-66	Payment Amount 1*	12	The amount reported in this field represents payments for Amount Code 1 in the "A" Record.
67-78	Payment Amount 2*	12	The amount reported in this field represents payments for Amount Code 2 in the "A" Record.
79-90	Payment Amount 3*	12	The amount reported in this field represents payments for Amount Code 3 in the "A" Record.
91-102	Payment Amount 4*	12	The amount reported in this field represents payments for Amount Code 4 in the "A" Record.
103-114	Payment Amount 5*	12	The amount reported in this field represents payments for Amount Code 5 in the "A" Record.
115-126	Payment Amount 6*	12	The amount reported in this field represents payments for Amount Code 6 in the "A" Record.
127-138	Payment Amount 7*	12	The amount reported in this field represents payments for Amount Code 7 in the "A" Record.
139-150	Payment Amount 8*	12	The amount reported in this field represents payments for Amount Code 8 in the "A" Record.
151-162	Payment Amount 9*	12	The amount reported in this field represents payments for Amount Code 9 in the "A" Record.
163-174	Payment Amount A*	12	The amount reported in this field represents payments for Amount Code A in the "A" Record.
175-186	Payment Amount B*	12	The amount reported in this field represents payments for Amount Code B in the "A" Record.
187-198	Payment Amount C*	12	The amount reported in this field represents payments for Amount Code C in the "A" Record.
199-210	Payment Amount D*	12	The amount reported in this field represents payments for Amount Code D in the "A" Record.
211-222	Payment Amount E*	12	The amount reported in this field represents payments for Amount Code E in the "A" Record.
223-234	Payment Amount F*	12	<i>The amount reported in this field represents payments for Amount Code F in the "A" Record.</i>

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
235–246	Payment Amount G*	12	The amount reported in this field represents payments for Amount Code G in the "A" Record.
*If there are discrepancies between the payment amount fields and the boxes on the paper forms, the instructions in this Revenue Procedure must be followed for electronic filing.			
247	Foreign Country Indicator	1	If the address of the payee is in a foreign country, enter a "1" (one) in this field; otherwise, enter blank. When filers use this indicator, they may use a free format for the payee city, state, and ZIP Code. Enter information in the following order: city, province or state, postal code, and the name of the country. Address information must not appear in the First or Second Payee Name Line.
248–287	First Payee Name Line	40	Required. Enter the name of the payee (preferably surname first) whose Taxpayer Identification Number (TIN) was provided in positions 12–20 of the Payee "B" Record. Left-justify and fill unused positions with blanks. If more space is required for the name, use the Second Payee Name Line Field. If reporting information for a sole proprietor, the individual's name must always be present on the First Payee Name Line. The use of the business name is optional in the Second Payee Name Line Field. End the First Payee Name Line with a full word. Extraneous words, titles, and special characters (<i>i.e.</i> , Mr., Mrs., Dr., period, apostrophe) should be removed from the Payee Name Lines. A hyphen (-) and an ampersand (&) are the only acceptable special characters for First and Second Payee Name Lines.
Note: If you are required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the 2009 General Instruction for Forms 1099, 1098, 3921, 3922, 5498, and W-2G for reporting requirements.			
288–327	Second Payee Name Line	40	If there are multiple payees (<i>e.g.</i> , partners, joint owners, or spouses), use this field for those names not associated with the TIN provided in positions 12–20 of the "B" Record, or if not enough space was provided in the First Payee Name Line, continue the name in this field. Left-justify information and fill unused positions with blanks. Do not enter address information. It is important that filers provide as much payee information to IRS/ECC-MTB as possible to identify the payee associated with the TIN. Left-justify and fill unused positions with blanks. See Note above in First Payee Name Line.
328–367	Blank	40	Enter blanks.
368–407	Payee Mailing Address	40	Required. Enter mailing address of payee. Street address should include number, street, apartment or suite number, or PO Box if mail is not delivered to street address. This field must not contain any data other than the payee's mailing address.
408–447	Blank	40	Enter blanks.
448–487	Payee City	40	Required. Enter the city, town or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO if applicable. Do not enter state and ZIP Code information in this field.
488–489	Payee State	2	Required. Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 12.

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
490-498	Payee ZIP Code	9	Required. Enter the valid ZIP Code (nine or five-digit) assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Country Indicator, located in position 247 of the "B" Record.
499	Blank	1	Enter blank.
500-507	Record Sequence Number	8	Required. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file and you can have only one "T" Record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, <i>i.e.</i> , 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" Record sequence number would appear as "00000001" in the field, the first "A" Record would be "00000002," the first "B" record, "00000003," the second "B" Record, "00000004" and so on until you reach the final record of the file, the "F" Record.
508-543	Blank	36	Enter blanks.

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

Record Type	Payment Year	Corrected Return Indicator	Name Control	Type of TIN	Payee's TIN	Payer's Account Number For Payee
1	2-5	6	7-10	11	12-20	21-40

Payer's Office Code	Blank	Payment Amount 1	Payment Amount 2	Payment Amount 3	Payment Amount 4	Payment Amount 5
41-44	45-54	55-66	67-78	79-90	91-102	103-114

Payment Amount 6	Payment Amount 7	Payment Amount 8	Payment Amount 9	Payment Amount A	Payment Amount B
115-126	127-138	139-150	151-162	163-174	175-186

Payment Amount C	Payment Amount D	Payment Amount E	Payment Amount F	Payment Amount G	Foreign Country Indicator	First Payee Name Line
187-198	199-210	211-222	223-234	235-246	247	248-287

Second Payee Name Line	Blank	Payee Mailing Address	Blank	Payee City
288–327	328–367	368–407	408–447	448–487

Payee State	Payee ZIP Code	Blank	Record Sequence Number	Blank
488–489	490–498	499	500–507	508–543

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

- (1) Form 1098
- (2) Form 1098-C
- (3) Form 1098-E
- (4) Form 1098-T
- (5) Form 1099-A
- (6) Form 1099-B
- (7) Form 1099-C
- (8) Form 1099-CAP
- (9) Form 1099-DIV*
- (10) Form 1099-G*
- (11) Form 1099-H
- (12) Form 1099-INT*
- (13) Form 1099-LTC
- (14) Form 1099-MISC*
- (15) Form 1099-OID*
- (16) Form 1099-PATR*
- (17) Form 1099-Q
- (18) Form 1099-R*
- (19) Form 1099-S
- (20) Form 1099-SA
- (21) Form 3921
- (22) Form 3922
- (23) Form 5498*
- (24) Form 5498-ESA
- (25) Form 5498-SA
- (26) Form 8935
- (27) Form W-2G

* These forms may be filed through the Combined Federal/State Filing Program. IRS/ECC-MTB will forward these records to participating states for filers who have been approved for the program. See Part A, Sec. 10, for information about the program, including specific codes for the record layouts.

(1) Payee “B” Record — Record Layout Positions 544–750 for Form 1098

Field Position	Field Title	Length	Description and Remarks
544–662	Blank	119	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.

(1) Payee "B" Record — Record Layout Positions 544–750 for Form 1098 (Continued)

Field Position	Field Title	Length	Description and Remarks
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1098

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

(2) Payee "B" Record — Record Layout Positions 544–750 for Form 1098-C

Field Position	Field Title	Length	Description and Remarks						
544–545	Blank	2	Enter blanks.						
546	Transaction Indicator	1	Enter "1" (one) if the amount reported in Payment Amount Field 4 is an arm's length transaction to an unrelated party. Otherwise, enter a blank.						
547	Transfer After Improvements Indicator	1	Enter "1" (one) if the vehicle will not be transferred for money, other property, or services before completion of material improvements or significant intervening use. Otherwise, enter a blank.						
548	Transfer Below Fair Market Value Indicator	1	Enter "1" (one) if the vehicle is transferred to a needy individual for significantly below fair market value. Otherwise, enter a blank.						
549–587	Make, Model, Year	39	Enter the make, model and year of vehicle. Left-justify and fill unused positions with blanks.						
588–612	Vehicle or Other Identification Number	25	Enter the vehicle or other identification number of the donated vehicle. Left-justify and fill unused positions with blanks.						
613–651	Vehicle Description	39	Enter a description of material improvements or significant intervening use and duration of use. Left-justify and fill unused positions with blanks.						
652–659	Date of Contribution	8	Enter the date the contribution was made to an organization, in the format YYYYMMDD (e.g., January 5, 2009, would be 20090105). Do not enter hyphens or slashes.						
660	Donee Indicator	1	Enter the appropriate indicator from the following table to report if the donee of the vehicle provides goods or services in exchange for the vehicle. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th><u>Indicator</u></th> <th><u>Usage</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Donee provided goods or services</td> </tr> <tr> <td>2</td> <td>Donee did not provide goods or services</td> </tr> </tbody> </table>	<u>Indicator</u>	<u>Usage</u>	1	Donee provided goods or services	2	Donee did not provide goods or services
<u>Indicator</u>	<u>Usage</u>								
1	Donee provided goods or services								
2	Donee did not provide goods or services								
661	Intangible Religious Benefits Indicator	1	Enter a "1" (one) if only intangible religious benefits were provided in exchange for the vehicle; otherwise, leave blank.						
662	Deduction \$500 or Less Indicator	1	Enter a "1" (one) if under law donor cannot claim a deduction of more than \$500 for the vehicle; otherwise, leave blank.						

(2) Payee "B" Record — Record Layout Positions 544–750 for Form 1098-C (Continued)

Field Position	Field Title	Length	Description and Remarks
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723–730	Date of Sale	8	Enter the date of sale, in the format YYYYMMDD (<i>e.g.</i> , January 5, 2009, would be 20090105). Do not enter hyphens or slashes.
731–748	Goods and Services	18	Enter a description of any goods and services received for the vehicle; otherwise, leave blank. Left-justify and fill unused positions with blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 1098-C

Blank	Transaction Indicator	Transfer After Improvements Indicator	Transfer Below Fair Market Value Indicator	Make, Model, Year	Vehicle or Other Identification Number	Vehicle Description
544–545	546	547	548	549–587	588–612	613–651

Date of Contribution	Donee Indicator	Intangible Religious Benefits Indicator	Deduction \$500 or Less Indicator	Special Data Entries	Date of Sale	Goods and Services	Blank or CR/LF
652–659	660	661	662	663–722	723–730	731–748	749–750

(3) Payee "B" Record — Record Layout Positions 544–750 for Form 1098-E

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

Payee “B” Record — Record Layout Positions 544–750 for Form 1098-E

Blank	Origination Fees/Capitalized Interest Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548–662	663–722	723–748	749–750

(4) Payee “B” Record — Record Layout Positions 544–750 for Form 1098-T

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Half-time Student Indicator	1	Enter “1” (one) if the student was at least a half-time student during any academic period that began in 2009. Otherwise, enter a blank.
548	Graduate Student Indicator	1	Enter “1” (one) if the student is enrolled exclusively in a graduate level program. Otherwise, enter a blank.
549	Academic Period Indicator	1	Enter “1” (one) if the amount in Payment Amount Field 1 or Payment Amount Field 2 includes amounts for an academic period beginning January through March 2009. Otherwise, enter a blank.
550	Method of Reporting 2008 Amounts Indicator	1	Required. Enter “1” (one) if the method of reporting has changed from the previous year. Otherwise, enter a blank.
551–662	Blank	112	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for Form 1098-T

Blank	Half-time Student Indicator	Graduate Student Indicator	Academic Period Indicator	Method of Reporting 2008 Amounts Indicator
544–546	547	548	549	550

Blank	Special Data Entries	Blank	Blank or CR/LF
551–662	663–722	723–748	749–750

(5) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-A

Field Position	Field Title	Length	Description and Remarks						
544–546	Blank	3	Enter blanks.						
547	Personal Liability Indicator	1	Enter the appropriate indicator from the table below:						
			<table border="1"> <thead> <tr> <th>Indicator</th> <th>Usage</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Borrower was personally liable for repayment of the debt.</td> </tr> <tr> <td>Blank</td> <td>Borrower was not personally liable for repayment of the debt.</td> </tr> </tbody> </table>	Indicator	Usage	1	Borrower was personally liable for repayment of the debt.	Blank	Borrower was not personally liable for repayment of the debt.
Indicator	Usage								
1	Borrower was personally liable for repayment of the debt.								
Blank	Borrower was not personally liable for repayment of the debt.								
548–555	Date of Lender’s Acquisition or Knowledge of Abandonment	8	Enter the acquisition date of the secured property or the date the lender first knew or had reason to know the property was abandoned, in the format YYYYMMDD (<i>e.g.</i> , January 5, 2009, would be 20090105). Do not enter hyphens or slashes.						
556–594	Description of Property	39	Enter a brief description of the property. For real property, enter the address, or, if the address does not sufficiently identify the property, enter the section, lot and block. For personal property, enter the type, make and model (<i>e.g.</i> , Car-1999 Buick Regal or Office Equipment). Enter “CCC” for crops forfeited on Commodity Credit Corporation loans. If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.						
595–662	Blank	68	Enter blanks.						
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.						
723–748	Blank	26	Enter blanks.						
749–750	Blank	2	Enter blanks, or carriage return/line feed (CR/LF) characters.						

Payee “B” Record — Record Layout Positions 544–750 for Form 1099-A

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

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

(6) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-B

Field Position	Field Title	Length	Description and Remarks						
544	Second TIN Notice (Optional)	1	Enter “2” (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.						
545–546	Blank	2	Enter blanks.						
547	Gross Proceeds Indicator	1	Enter the appropriate indicator from the following table, to identify the amount reported in Amount Code 2; otherwise, enter a blank. <table><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Gross proceeds</td></tr><tr><td>2</td><td>Gross proceeds less commissions and options premiums</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Gross proceeds	2	Gross proceeds less commissions and options premiums
<u>Indicator</u>	<u>Usage</u>								
1	Gross proceeds								
2	Gross proceeds less commissions and options premiums								
548–555	Date of Sale or Exchange	8	For broker transactions, enter the trade date of the transaction. For barter exchanges, enter the date when cash, property, a credit, or scrip is actually or constructively received in the format YYYYMMDD (<i>e.g.</i> , January 5, 2009, would be 20090105). Enter blanks if this is an aggregate transaction. Do not enter hyphens or slashes.						
556–568	CUSIP Number	13	For broker transactions only, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the item reported for Amount Code 2 (stocks, bonds, etc.). Enter blanks if this is an aggregate transaction. Enter “0s” (zeros) if the number is not available. Right-justify information and fill unused positions with blanks.						
569–607	Description	39	For broker transactions, enter a brief description of the disposition item (<i>e.g.</i> , 100 shares of XYZ Corp). For regulated futures and forward contracts, enter “RFC” or other appropriate description. For bartering transactions, show the services or property provided. If fewer than 39 characters are required, left-justify information and fill unused positions with blanks.						
608–615	Number of Shares Exchanged	8	Enter the number of shares of the corporation’s stock which were exchanged in the transaction. Report whole number only. Right-justify information and fill unused positions with zeros.						
616–625	Classes of Stock Exchanged	10	Enter the class of stock that was exchanged. Left-justify the information and fill unused positions with blanks.						
626	Recipient Indicator	1	Enter a “1” (one) if recipient is unable to claim a loss on their tax return. Otherwise, enter a blank.						
627–662	Blank	36	Enter blanks.						
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks. (See Note.)						
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.						

(6) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-B (Continued)

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

Note: Report the Corporation's Name, Address, City, State, and ZIP in the Special Data Entry field.

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

Second TIN Notice (Optional)	Blank	Gross Proceeds Indicator	Date of Sale or Exchange	CUSIP Number	Description	Number of Shares Exchanged
544	545–546	547	548–555	556–568	569–607	608–615

Classes of Stock Exchanged	Recipient Indicator	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
616–625	626	627–662	663–722	723–734	735–746	747–748	749–750

(7) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-C

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Bankruptcy Indicator	1	Enter "1" (one) to indicate the debt was discharged in bankruptcy, if known. Otherwise, enter a blank.
548–555	Date Canceled	8	Enter the date the debt was canceled in the format of YYYYMMDD (e.g., January 5, 2009, would be 20090105). Do not enter hyphens or slashes.
556–594	Debt Description	39	Enter a description of the origin of the debt, such as student loan, mortgage, or credit card expenditure. If a combined Form 1099-C and 1099-A is being filed, also enter a description of the property.
595	<i>Personal Liability Indicator</i>	1	<i>Enter a "1" (one) if the borrower is personally liable for repayment or leave blank if not personally liable for repayment.</i>
596–662	Blank	67	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.

(7) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-C (Continued)

Field Position	Field Title	Length	Description and Remarks
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

Blank	Bankruptcy Indicator	Date Canceled	Debt Description	Personally Liabile Indicator	Blank
544–546	547	548–555	556–594	595	596–662

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

(8) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-CAP

Field Position	Field Title	Length	Description and Remarks
544–547	Blank	4	Enter blanks.
548–555	Date of Sale or Exchange	8	Enter the date the stock was exchanged for cash, stock in the successor corporation, or other property received in the format YYYYMMDD (e.g., January 5, 2009, would be 20090105). Do not enter hyphens or slashes.
556–607	Blank	52	Enter blanks.
608–615	Number of Shares Exchanged	8	Enter the number of shares of the corporation's stock which were exchanged in the transaction. Report whole number only. Right-justify information and fill unused positions with zeros.
616–625	Classes of Stock Exchanged	10	Enter the class of stock that was exchanged. Left-justify the information and fill unused positions with blanks.
626–662	Blank	37	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

Blank	Date of Sale or Exchange	Blank	Number of Shares Exchanged	Classes of Stock Exchanged
544–547	548–555	556–607	608–615	616–625

Blank	Special Data Entries	Blank	Blank or CR/LF
626–662	663–722	723–748	749–750

(9) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-DIV

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter “2” (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code C) applies. Otherwise, enter blanks.
587–662	Blank	76	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for Form 1099-DIV

Second TIN Notice (Optional)	Blank	Foreign Country or U.S. Possession	Blank	Special Data Entries
544	545–546	547–586	587–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
723–734	735–746	747–748	749–750

(10) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-G

Field Position	Field Title	Length	Description and Remarks						
544–546	Blank	3	Enter blanks.						
547	Trade or Business Indicator	1	Enter “1” (one) to indicate the state or local income tax refund, credit, or offset (Amount Code 2) is attributable to income tax that applies exclusively to income from a trade or business. <table border="0"> <tr> <td style="text-align: center;"><u>Indicator</u></td> <td style="text-align: center;"><u>Usage</u></td> </tr> <tr> <td style="text-align: center;">1</td> <td>Income tax refund applies exclusively to a trade or business.</td> </tr> <tr> <td style="text-align: center;">Blank</td> <td>Income tax refund is a general tax refund.</td> </tr> </table>	<u>Indicator</u>	<u>Usage</u>	1	Income tax refund applies exclusively to a trade or business.	Blank	Income tax refund is a general tax refund.
<u>Indicator</u>	<u>Usage</u>								
1	Income tax refund applies exclusively to a trade or business.								
Blank	Income tax refund is a general tax refund.								
548–551	Tax Year of Refund	4	Enter the tax year for which the refund, credit, or offset (Amount Code 2) was issued. The tax year must reflect the tax year for which the refund payment was made, not the tax year of Form 1099-G. The tax year must be in the four-position format of YYYY (e.g., 2008). The valid range of years for the refund is 1999 through 2008.						
Note: This data is not considered prior year data since it is required to be reported in the current tax year. Do NOT enter “P” in field position 6 of the Transmitter “T” Record.									
552–662	Blank	111	Enter blanks.						
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. You may enter your routing and transit number (RTN) here. If this field is not utilized, enter blanks.						
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.						
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.						
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.						
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.						

Payee “B” Record — Record Layout Positions 544–750 for Form 1099-G

Blank	Trade or Business Indicator	Tax Year of Refund	Blank	Special Data Entries	State Income Tax Withheld
544–546	547	548–551	552–662	663–722	723–734

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

(11) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-H

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547–548	Number of Months Eligible	2	Required. Enter the total number of months recipient is eligible for health insurance advance payments. Right-justify and blank fill any remaining positions.
549–662	Blank	114	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for Form 1099-H

Blank	Number of Months Eligible	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547–548	549–662	663–722	723–748	749–750

(12) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-INT

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter “2” (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code 6) applies. Otherwise, enter blanks.
587–662	Blank	76	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. You may enter your routing and transit number (RTN) here. If this field is not utilized, enter blanks.

(12) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-INT (Continued)

Field Position	Field Title	Length	Description and Remarks
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

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

(13) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-LTC

Field Position	Field Title	Length	Description and Remarks						
544–546	Blank	3	Enter blanks.						
547	Type of Payment Indicator	1	Enter the appropriate indicator from the following table; otherwise, enter blanks. <table><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Per diem</td></tr><tr><td>2</td><td>Reimbursed amount</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Per diem	2	Reimbursed amount
<u>Indicator</u>	<u>Usage</u>								
1	Per diem								
2	Reimbursed amount								
548–556	Social Security Number of Insured	9	Required. Enter the Social Security Number of the insured.						
557–596	Name of Insured	40	Required. Enter the name of the insured.						

(13) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-LTC (Continued)

Field Position	Field Title	Length	Description and Remarks						
597–636	Address of Insured	40	Required. Enter the address of the insured. Street address should include number, street, apartment or suite number (or PO Box if mail is not delivered to street address). Left-justify information and fill unused positions with blanks. This field must not contain any data other than payee’s address.						
For U.S. addresses, the payee city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. Filers must adhere to the correct format for the insured’s city, state, and ZIP Code.									
For foreign addresses, filers may use the insured’s city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Country Indicator in position 247 must contain a “1” (one).									
637–676	City of Insured	40	Required. Enter the city, town, or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO, if applicable. Do not enter state and ZIP Code information in this field.						
677–678	State of Insured	2	Required. Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 12.						
679–687	ZIP Code of Insured	9	Required. Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a “1” (one) in the Foreign Country Indicator, located in position 247 of the “B” Record.						
688	Status of Illness Indicator (Optional)	1	Enter the appropriate code from the table below to indicate the status of the illness of the insured; otherwise, enter blank. <table border="1"><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Chronically ill</td></tr><tr><td>2</td><td>Terminally ill</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Chronically ill	2	Terminally ill
<u>Indicator</u>	<u>Usage</u>								
1	Chronically ill								
2	Terminally ill								
689–696	Date Certified (Optional)	8	Enter the latest date of a doctor’s certification of the status of the insured’s illness. The format of the date is YYYYMMDD (<i>e.g.</i> , January 5, 2009, would be 20090105). Do not enter hyphens or slashes.						
697	Qualified Contract Indicator (Optional)	1	Enter a “1” (one) if benefits were from a qualified long-term care insurance contract; otherwise, enter blank.						
698–722	Blank	25	Enter blanks.						
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.						
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.						
747–748	Blank	2	Enter blanks.						

(13) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-LTC (Continued)

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

Payee “B” Record — Record Layout Positions 544–750 for Form 1099-LTC

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

Status of Illness Indicator (Optional)	Date Certified (Optional)	Qualified Contract Indicator (Optional)	Blank	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
688	689–696	697	698–722	723–734	735–746	747–748	749–750

(14) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-MISC

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

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

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

(14) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-MISC (Continued)

Field Position	Field Title	Length	Description and Remarks
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

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

(15) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-OID

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–585	Description	39	Required. Enter the CUSIP number, if any. If there is no CUSIP number, enter the abbreviation for the stock exchange and issuer, the coupon rate, and year (must be 4-digit year) of maturity (<i>e.g.</i> , NYSE XYZ 12/2009). Show the name of the issuer if other than the payer. If fewer than 39 characters are required, left-justify information and fill unused positions with blanks.
586–662	Blank	77	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.

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

Field Position	Field Title	Length	Description and Remarks
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

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

(16) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-PATR

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–662	Blank	118	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If field is not utilized, enter blanks
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.

(16) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-PATR (Continued)

Field Position	Field Title	Length	Description and Remarks
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for 1099-PATR

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

(17) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-Q

Field Position	Field Title	Length	Description and Remarks								
544–546	Blank	3	Enter blanks.								
547	Trustee to Trustee Transfer Indicator	1	Required. Enter a “1” (one) if reporting a trustee to trustee transfer; otherwise, enter blank.								
548	Type of Tuition Payment	1	Required. Enter the appropriate code from the table below to indicate the type of tuition payment; otherwise, leave blank. <table><thead><tr><th>Indicator</th><th>Usage</th></tr></thead><tbody><tr><td>1</td><td>Private program payment</td></tr><tr><td>2</td><td>State program payment</td></tr><tr><td>3</td><td>Coverdell ESA contribution</td></tr></tbody></table>	Indicator	Usage	1	Private program payment	2	State program payment	3	Coverdell ESA contribution
Indicator	Usage										
1	Private program payment										
2	State program payment										
3	Coverdell ESA contribution										
549	Designated Beneficiary	1	Required. Enter a “1” (one) if the recipient is not the designated beneficiary; otherwise, enter a blank.								
550–662	Blank	113	Enter blanks.								
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.								
723–748	Blank	26	Enter blanks.								

(17) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-Q (Continued)

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

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

Blank	Trustee to Trustee Transfer Indicator	Type of Tuition Payment	Designated Beneficiary	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548	549	550–662	663–722	723–748	749–750

(18) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-R

Field Position	Field Title	Length	Description and Remarks
544	Blank	1	Enter a blank.

545–546	Distribution Code	2	Required. Enter at least one distribution code from the table below. More than one code may apply. If only one code is necessary, it must be entered in position 545 and position 546 will be blank. When using Code P for an IRA distribution under section 408(d)(4) of the Internal Revenue Code, the filer may also enter Code 1, 2, 4, B or J if applicable. Only three numeric combinations are acceptable, Codes 8 and 1, 8 and 2, and 8 and 4, on one return. These three combinations can be used only if both codes apply to the distribution being reported. If more than one numeric code is applicable to different parts of a distribution, report two separate "B" Records. Distribution Codes 3, 5, 6, 9, E, F, N, Q, R, S and T cannot be used with any other codes. Distribution Code G may be used with Distribution Code 4 only if applicable.
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(For a detailed explanation of distribution codes, see the 2009 *Instructions for Forms 1099-R and 5498.*)

See chart at the end of this record layout for a diagram of valid combinations of Distribution Codes.

<u>Code</u>	<u>Category</u>
1	*Early distribution, no known exception (in most cases, under age 59½)
2	*Early distribution, exception applies (Under age 59½)
3	*Disability
4	*Death
5	*Prohibited transaction
6	Section 1035 exchange (a tax-free exchange of life insurance, annuity, or endowment contracts)
7	*Normal distribution
8	*Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2009
9	Cost of current life insurance protection (premiums paid by a trustee or custodian for current insurance protection)

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

Field Position	Field Title	Length	Description and Remarks
			<u>Code</u>
			<u>Category</u>
			A May be eligible for 10-year tax option
			B Designated Roth account distribution
			D *Excess contributions plus earnings/excess deferrals taxable in 2007
			E <i>Distributions under employee plans compliance system (EPCRS)</i>
			F Charitable gift annuity
			G Direct rollover and rollover contribution
			H Direct rollover of distribution from a designated Roth account to a Roth IRA
			J Early distribution from a Roth IRA. (This code may be used with Code 8 or P.)
			L Loans treated as deemed distributions under section 72(p)
			N Recharacterized IRA contribution made for 2009
			P *Excess contributions plus earnings/excess deferrals taxable in 2008
			Q Qualified distribution from a Roth IRA. (Distribution from a Roth IRA when the 5-year holding period has been met, and the recipient has reached 59½, has died, or is disabled.)
			R Recharacterized IRA contribution made for 2008 (See Note.)
			S *Early distribution from a SIMPLE IRA in first 2 years, no known exception
			T Roth IRA distribution, exception applies because participant has reached 59½, died or is disabled, but it is unknown if the 5-year period has been met.
			U <i>Distribution from ESOP under Section 404(k).</i>

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

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

547	Taxable Amount Not Determined Indicator	1	Enter "1" (one) only if the taxable amount of the payment entered for Payment Amount Field 1 (Gross distribution) of the "B" Record cannot be computed; otherwise, enter blank. (If Taxable Amount Not Determined Indicator is used, enter "0s" [zeros] in Payment Amount Field 2 of the Payee "B" Record.) Please make every effort to compute the taxable amount.
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(18) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-R (Continued)

Field Position	Field Title	Length	Description and Remarks
548	IRA/SEP/SIMPLE Indicator	1	Enter “1” (one) for a traditional IRA, SEP, or SIMPLE distribution or Roth conversion; otherwise, enter a blank. (See Note.) If the IRA/SEP/SIMPLE Indicator is used, enter the amount of the Roth conversion or distribution in Payment Amount Field A of the Payee “B” Record. Do not use the indicator for a distribution from a Roth or for an IRA recharacterization.
Note: For Form 1099-R, generally, report the Roth conversion or total amount distributed from a traditional IRA, SEP, or SIMPLE in Payment Amount Field A (traditional IRA/SEP/SIMPLE distribution or Roth conversion), as well as Payment Amount Field 1 (Gross Distribution) of the “B” Record. Refer to the 2009 Instructions for Forms 1099-R and 5498 for exceptions (Box 2a instructions).			
549	Total Distribution Indicator (See Note.)	1	Enter a “1” (one) only if the payment shown for Distribution Amount Code 1 is a total distribution that closed out the account; otherwise, enter a blank.
Note: A total distribution is one or more distributions within one tax year in which the entire balance of the account is distributed. Any distribution that does not meet this definition is not a total distribution.			
550–551	Percentage of Total Distribution	2	Use this field when reporting a total distribution to more than one person, such as when a participant is deceased and a payer distributes to two or more beneficiaries. Therefore, if the percentage is 100, leave this field blank. If the percentage is a fraction, round off to the nearest whole number (for example, 10.4 percent will be 10 percent; 10.5 percent will be 11 percent). Enter the percentage received by the person whose TIN is included in positions 12–20 of the “B” Record. This field must be right-justified, and unused positions must be zero-filled. If not applicable, enter blanks. Filers are not required to enter this information for any IRA distribution or for direct rollovers.
552–555	First Year of Designated Roth Contribution	4	Enter the first year a designated Roth contribution was made in YYYY format. If the date is unavailable, enter blanks.
556–662	Blank	107	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filer. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

FORM 1099-R DISTRIBUTION CODE CHART 2009

POSITION 546

	blank	1	2	3	4	5	6	7	8	9	A	B	D	E	F	G	H	J	L	N	P	Q	R	S	T	U
P O S I T I O N	1	X							X			X	X						X		X					
	2	X							X			X	X								X					
	3	X																								
	4	X							X		X	X	X			X	X		X		X					
	5	X																								
	6	X																								
	7	X										X														
	8	X	X	X		X							X						X							
	9	X																								
5 4 5	A				X			X																		
	B	X	X	X	X			X				X			X				X		X					X
	D	X	X	X	X							X														
	E	X																								
	F	X																								
	G	X				X						X														
	H	X				X																				
	J	X							X													X				
	L	X	X			X						X														
	N	X																								
P	X	X	X		X						X							X								
Q	X																									
R	X																									
S	X																									
T	X																									
U	X											X														

X – Denotes valid combinations

Payee “B” Record — Record Layout Positions 544–750 for Form 1099-R

Blank	Distribution Code	Taxable Amount Not Determined Indicator	IRA/SEP/SIMPLE Indicator	Total Distribution Indicator	Percentage of Total Distribution
544	545–546	547	548	549	550–551

First Year of Designated Roth Contribution	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
552–555	556–662	663–722	723–734	735–746	747–748	749–750

(19) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-S

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Property or Services Indicator	1	Required. Enter “1” (one) if the transferor received or will receive property (other than cash and consideration treated as cash in computing gross proceeds) or services as part of the consideration for the property transferred. Otherwise, enter a blank.
548–555	Date of Closing	8	Required. Enter the closing date in the format YYYYMMDD (e.g., January 5, 2009, would be 20090105). Do not enter hyphens or slashes.
556–594	Address or Legal Description	39	Required. Enter the address of the property transferred (including city, state, and ZIP Code). If the address does not sufficiently identify the property, also enter a legal description, such as section, lot, and block. For timber royalties, enter “TIMBER.” If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.
595–662	Blank	68	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for Form 1099-S

Blank	Property or Services Indicator	Date of Closing	Address or Legal Description	Blank	Special Data Entries
544–546	547	548–555	556–594	595–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
723–734	735–746	747–748	749–750

(20) Payee “B” Record — Record Layout Positions 544–750 for Form 1099-SA

Field Position	Field Title	Length	Description and Remarks														
544	Blank	1	Enter a blank.														
545	Distribution Code	1	Required. Enter the applicable code to indicate the type of payment. <table><thead><tr><th><u>Code</u></th><th><u>Category</u></th></tr></thead><tbody><tr><td>1</td><td>Normal distribution</td></tr><tr><td>2</td><td>Excess contribution</td></tr><tr><td>3</td><td>Disability</td></tr><tr><td>4</td><td>Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)</td></tr><tr><td>5</td><td>Prohibited transaction</td></tr><tr><td>6</td><td>Death distribution after year of death to a nonspouse beneficiary. (Do not use for distribution to an estate.)</td></tr></tbody></table>	<u>Code</u>	<u>Category</u>	1	Normal distribution	2	Excess contribution	3	Disability	4	Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)	5	Prohibited transaction	6	Death distribution after year of death to a nonspouse beneficiary. (Do not use for distribution to an estate.)
<u>Code</u>	<u>Category</u>																
1	Normal distribution																
2	Excess contribution																
3	Disability																
4	Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)																
5	Prohibited transaction																
6	Death distribution after year of death to a nonspouse beneficiary. (Do not use for distribution to an estate.)																
546	Blank	1	Enter a blank.														
547	Medicare Advantage MSA Indicator	1	Enter “1” (one) if distributions are from a Medicare Advantage MSA. Otherwise, enter a blank.														
548	HSA Indicator	1	Enter “1” (one) if distributions are from a HSA. Otherwise, enter a blank.														
549	Archer MSA Indicator	1	Enter “1” (one) if distributions are from an Archer MSA. Otherwise, enter a blank.														
550–662	Blank	113	Enter blanks.														
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.														
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.														
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.														
747–748	Blank	2	Enter blanks.														
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.														

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

Blank	Distribution Code	Blank	Medicare Advantage MSA Indicator	HSA Indicator	Archer MSA Indicator	Blank	Special Data Entries
544	545	546	547	548	549	550–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
723–734	735–746	747–748	749–750

(21) Payee "B" Record — Record Layout Positions 544–750 for Form 3921

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter Blanks.
547–554	Date Option Granted	8	Enter date option granted as YYYYMMDD (e.g. January 5, 2009, would be 20090105). Otherwise, enter blanks.
555–562	Dated Option Exercised	8	Enter date option exercised as YYYYMMDD (e.g. January, 2009, would be 20090105). Otherwise, enter blanks.
563–570	Number of Shares Transferred	8	Enter Number of Shares Transferred. Right-justify, zero fill. Otherwise, enter blanks.
571–574	Blank	4	Enter blanks.
575–614	If Other Than Transferor Information	40	Enter Other Information, left justify and blank fill. Otherwise, enter blanks.
615–662	Blank	48	Enter blanks.
663–722	Special Data Entry Field	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee "B" Record — Record Layout Positions 544–750 for Form 3921

Blank	Date Option Granted	Date Option Exercised	Number of Shares Transferred	Blank
544–546	547–554	555–562	563–570	571–574

<i>If Other Than Transferor Information</i>	<i>Blank</i>	<i>Special Data Entry Field</i>	<i>Blank</i>	<i>Blank or CR/LF</i>
575–614	615–662	663–722	723–748	749–750

(22) Payee “B” Record — Record Layout Positions 544–750 for Form 3922

Field Position	Field Title	Length	Description and Remarks
544–546	<i>Blank</i>	3	<i>Enter blanks.</i>
547–554	<i>Date Option Granted to Transferor</i>	8	<i>Enter date option was granted to transferor as YYYYMMDD (e.g. January 5, 2009 as 20090105). Otherwise, enter blanks.</i>
555–562	<i>Date Option Exercised by Transferor</i>	8	<i>Enter date option exercised by transferor as YYYYMMDD (e.g. January 5, 2009, as 20090105). Otherwise, enter blanks.</i>
563–570	<i>Number of Shares Transferred</i>	8	<i>Enter Number of Shares Transferred. Right-justify and zero fill. Otherwise, enter blanks.</i>
571–578	<i>Date Legal Title Transferred by Transferor</i>	8	<i>Enter the Date legal title transferred by transferor as YYYYMMDD (e.g. January 5, 2009 as 20090105). Otherwise, enter blanks.</i>
579–662	<i>Blank</i>	84	<i>Enter blanks.</i>
663–722	<i>Special Data Entry Field</i>	60	<i>This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.</i>
723–748	<i>Blank</i>	26	<i>Enter blanks.</i>
749–750	<i>Blank</i>	2	<i>Enter blanks or carriage return/line feed (CR/LF) characters.</i>

Payee “B” Record — Record Layout Positions 544–750 for Form 3922

<i>Blank</i>	<i>Date Option Granted to Transferor</i>	<i>Date Option Exercised by Transferor</i>	<i>Number of Shares Transferred</i>	<i>Date Legal Title Transferred by Transferor</i>
544–546	547–554	555–562	563–570	571–578

<i>Blank</i>	<i>Special Data Entry Fields</i>	<i>Blank</i>	<i>Blank or CR/LF</i>
579–662	663–722	723–748	749–750

(23) Payee “B” Record — Record Layout Positions 544–750 for Form 5498

Field Position	Field Title	Length	Description and Remarks
544–546	<i>Blank</i>	3	<i>Enter blanks.</i>
547	IRA Indicator (Individual Retirement Account)	1	Required, if applicable. Enter “1” (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for an IRA. Otherwise, enter a blank.

(23) Payee “B” Record — Record Layout Positions 544–750 for Form 5498 (Continued)

Field Position	Field Title	Length	Description and Remarks
548	SEP Indicator (Simplified Employee Pension)	1	Required, if applicable. Enter “1” (one) if reporting rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a SEP. Otherwise, enter a blank.
549	SIMPLE Indicator (Savings Incentive Match Plan for Employees)	1	Required, if applicable. Enter “1” (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a SIMPLE. Otherwise, enter a blank.
550	Roth IRA Indicator	1	Required, if applicable. Enter “1” (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a Roth IRA. Otherwise, enter a blank.
551	RMD Indicator	1	Required. Enter “1” (one) if reporting RMD for 2010. Otherwise, enter a blank.
552–555	Year of Postponed Contribution	4	Enter the year in YYYY format. Otherwise, enter blanks.
556–557	Postponed Contribution	2	Enter the two-digit alpha Postponed Contribution Code. Otherwise, enter blanks.
558–559	Repayment Code	2	Enter the two-digit alpha Repayment Code. Otherwise, enter blanks.
560–561	Bankruptcy Code	2	Enter the two-digit alpha Bankruptcy Code. Otherwise, enter blanks.
562–569	RMD Date	8	Enter the date by which the RMD amount must be distributed to avoid the 50% excise tax. Format the date as YYYYMMDD (e.g. January 5, 2009 as 20090105). Otherwise, enter blanks.
570–662	Blank	93	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks. (See Note.)
Note: For delayed contributions for U.S. Armed Forces, use the Special Data Entry field to report the year for which the contribution was made, the amount of the contribution and one of the indicators as outlined in the current Instructions for Forms 1099-R and 5498.			
723–746	Blank	24	Enter blanks.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 10, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for Form 5498

Blank	IRA Indicator	SEP Indicator	SIMPLE Indicator	Roth IRA Indicator	RMD Indicator
544–546	547	548	549	550	551

<i>Year of Postponed Contribution</i>	<i>Postponed Contribution Code</i>	<i>Repayment Code</i>	<i>Bankruptcy Code</i>	<i>RMD Date</i>
552–555	556–557	558–559	560–561	562–569

<i>Blank</i>	<i>Special Data Entries</i>	<i>Blank</i>	<i>Combined Federal/State Code</i>	<i>Blank or CR/LF</i>
570–662	663–722	723–746	747–748	749–750

(24) Payee “B” Record — Record Layout Positions 544–750 for Form 5498-ESA

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

Payee “B” Record — Record Layout Positions 544–750 for Form 5498-ESA

<i>Blank</i>	<i>Special Data Entries</i>	<i>Blank</i>	<i>Blank or CR/LF</i>
544–662	663–722	723–748	749–750

(25) Payee “B” Record — Record Layout Positions 544–750 for Form 5498-SA

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Medicare Advantage MSA Indicator	1	Enter “1” (one) for Medicare Advantage MSA. Otherwise, enter a blank.
548	HSA Indicator	1	Enter “1” (one) for HSA. Otherwise, enter a blank.
549	Archer MSA Indicator	1	Enter “1” (one) for Archer MSA. Otherwise, enter a blank.
550–662	Blank	113	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for Form 5498-SA

Blank	Medicare Advantage MSA Indicator	HSA Indicator	Archer MSA Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548	549	550–662	663–722	723–748	749–750

(26) Payee “B” Record — Record Layout Positions 544–750 for Form 8935

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547–550	Year of First Payment	4	Enter the year of first payment as YYYY. Otherwise, enter blanks.
551–554	Year of Second Payment	4	Enter the year of second payment as YYYY. Otherwise, enter blanks.
555–558	Year of Third Payment	4	Enter the year of third payment as YYYY. Otherwise, enter blanks.
559–562	Year of Fourth Payment	4	Enter the year of fourth payment as YYYY. Otherwise, enter blanks.
563–566	Year of Fifth Payment	4	Enter the year of fifth payment as YYYY. Otherwise, enter blanks.
567–662	Blank	96	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Payee “B” Record — Record Layout Positions 544–750 for Form 8935

Blank	Year of First Payment	Year of Second Payment	Year of Third Payment	Year of Fourth Payment
544–546	547–550	551–554	555–558	559–562

Year of Fifth Payment	Blank	Special Data Entries	Blank	Blank or CR/LF
563–566	567–662	663–722	723–748	749–750

(27) Payee “B” Record — Record Layout Positions 544–750 for Form W-2G

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.

(27) Payee “B” Record — Record Layout Positions 544–750 for Form W-2G (Continued)

Field Position	Field Title	Length	Description and Remarks																				
547	Type of Wager Code	1	Required. Enter the applicable type of wager code from the table below. <table><thead><tr><th><u>Code</u></th><th><u>Category</u></th></tr></thead><tbody><tr><td>1</td><td>Horse race track (or off-track betting of a horse track nature)</td></tr><tr><td>2</td><td>Dog race track (or off-track betting of a dog track nature)</td></tr><tr><td>3</td><td>Jai-alai</td></tr><tr><td>4</td><td>State-conducted lottery</td></tr><tr><td>5</td><td>Keno</td></tr><tr><td>6</td><td>Bingo</td></tr><tr><td>7</td><td>Slot machines</td></tr><tr><td>8</td><td><i>Poker Winnings</i></td></tr><tr><td>9</td><td><i>Any other type of gambling winnings</i></td></tr></tbody></table>	<u>Code</u>	<u>Category</u>	1	Horse race track (or off-track betting of a horse track nature)	2	Dog race track (or off-track betting of a dog track nature)	3	Jai-alai	4	State-conducted lottery	5	Keno	6	Bingo	7	Slot machines	8	<i>Poker Winnings</i>	9	<i>Any other type of gambling winnings</i>
<u>Code</u>	<u>Category</u>																						
1	Horse race track (or off-track betting of a horse track nature)																						
2	Dog race track (or off-track betting of a dog track nature)																						
3	Jai-alai																						
4	State-conducted lottery																						
5	Keno																						
6	Bingo																						
7	Slot machines																						
8	<i>Poker Winnings</i>																						
9	<i>Any other type of gambling winnings</i>																						
548–555	Date Won	8	Required. Enter the date of the winning transaction in the format YYYYMMDD (<i>e.g.</i> , January 5, 2009, would be 20090105). Do not enter hyphens or slashes. This is not the date the money was paid, if paid after the date of the race (or game).																				
556–570	Transaction	15	Required. For state-conducted lotteries, enter the ticket or other identifying number. For keno, bingo, and slot machines, enter the ticket or card number (and color, if applicable), machine serial number, or any other information that will help identify the winning transaction. For all others, enter blanks.																				
571–575	Race	5	If applicable, enter the race (or game) relating to the winning ticket; otherwise, enter blanks.																				
576–580	Cashier	5	If applicable, enter the initials or number of the cashier making the winning payment; otherwise, enter blanks.																				
581–585	Window	5	If applicable, enter the window number or location of the person paying the winning payment; otherwise, enter blanks.																				
586–600	First ID	15	For other than state lotteries, enter the first identification number of the person receiving the winning payment; otherwise, enter blanks.																				
601–615	Second ID	15	For other than state lotteries, enter the second identification number of the person receiving the winnings; otherwise, enter blanks.																				
616–662	Blank	47	Enter blanks.																				
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.																				
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries field.																				

(27) Payee "B" Record — Record Layout Positions 544–750 for Form W-2G (Continued)

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

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

Blank	Type of Wager Code	Date Won	Transaction	Race	Cashier	Window	First ID
544–546	547	548–555	556–570	571–575	576–580	581–585	586–600

Second ID	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
601–615	616–662	663–722	723–734	735–746	747–748	749–750

Sec. 8. End of Payer "C" Record — General Field Descriptions and Record Layout

.01 The "C" Record consists of the total number of payees and the totals of the payment amount fields filed for each payer and/or particular type of return. The "C" Record must follow the last "B" Record for each type of return for each payer.

.02 For each "A" Record and group of "B" Records on the file, there must be a corresponding "C" Record.

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

Record Name: End of Payer "C" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter "C."
2–9	Number of Payees	8	Required. Enter the total number of "B" Records covered by the preceding "A" Record. Right-justify information and fill unused positions with zeros.
10–15	Blank	6	Enter blanks.

Record Name: End of Payer "C" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
16-33	Control Total 1	18	Required. Accumulate totals of any payment amount fields in the "B" Records into the appropriate control total fields of the "C" Record. Control totals must be right-justified and unused control total fields zero-filled. All control total fields are 18 positions in length. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. Do not enter dollar signs, commas, decimal points, or negative payments, except those items that reflect a loss on Form 1099-B or 1099-Q. Positive and negative amounts are indicated by placing a "+" (plus) or "-" (minus) sign in the left-most position of the payment amount field.
34-51	Control Total 2	18	
52-69	Control Total 3	18	
70-87	Control Total 4	18	
88-105	Control Total 5	18	
106-123	Control Total 6	18	
124-141	Control Total 7	18	
142-159	Control Total 8	18	
160-177	Control Total 9	18	
178-195	Control Total A	18	
196-213	Control Total B	18	
214-231	Control Total C	18	
232-249	Control Total D	18	
250-267	Control Total E	18	
268-285	Control Total F	18	
286-303	Control Total G	18	
304-499	Blank	196	Enter blanks.
500-507	Record Sequence Number	8	Required. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file and you can have only one "T" Record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, <i>i.e.</i> , 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" Record sequence number would appear as "00000001" in the field, the first "A" Record would be "00000002," the first "B" record, "00000003," the second "B" Record, "00000004" and so on until you reach the final record of the file, the "F" Record.
508-748	Blank	241	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

End of Payer "C" Record — Record Layout

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

Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Control Total D	Control Total E	Control Total F
124-141	142-159	160-177	178-195	196-213	214-231	232-249	250-267	268-285

Control Total G	Blank	Record Number Sequence	Blank	Blank or CR/LF
286-303	304-499	500-507	508-748	749-750

Sec. 9. State Totals “K” Record — General Field Descriptions and Record Layout

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

.02 The “K” Record will contain the total number of payees and the total of the payment amount fields filed by a given payer for a given state. The “K” Record(s) must be written after the “C” Record for the related “A” Record. A file format diagram is located at the beginning of Part C.

.03 The “K” Record is a fixed length of 750 positions. The control total fields are each 18 positions in length.

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

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

.06 Refer to Part A, Sec. 10, for the requirements and conditions that **must** be met to file via this program.

**Record Name: State Totals “K” Record — Record Layout Forms 1099-DIV, 1099-G, 1099-INT,
1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498**

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter “K.”
2–9	Number of Payees	8	Required. Enter the total number of “B” Records being coded for this state. Right-justify information and fill unused positions with zeros.
10–15	Blank	6	Enter blanks.
16–33	Control Total 1	18	Required. Accumulate totals of any payment amount fields in the “B” Records for each state being reported into the appropriate control total fields of the appropriate “K” Record. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. Control totals must be right-justified and unused control total fields zero-filled. All control total fields are 18 positions in length.
34–51	Control Total 2	18	
52–69	Control Total 3	18	
70–87	Control Total 4	18	
88–105	Control Total 5	18	
106–123	Control Total 6	18	
124–141	Control Total 7	18	
142–159	Control Total 8	18	
160–177	Control Total 9	18	
178–195	Control Total A	18	
196–213	Control Total B	18	
214–231	Control Total C	18	
232–249	Control Total D	18	
250–267	Control Total E	18	
268–285	Control Total F	18	
286–303	Control Total G	18	
304–499	Blank	196	Enter blanks.
500–507	Record Sequence Number	8	Required. Enter the number of the record as it appears within your file. The record sequence number for the “T” Record will always be “1” (one), since it is the first record on your file and you can have only one “T” Record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, <i>i.e.</i> , 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the “T” Record sequence number would appear as “00000001” in the field, the first “A” record would be “00000002,” the first “B” Record, “00000003,” the second “B” Record, “00000004” and so on until you reach the final record of the file, the “F” Record.
508–706	Blank	199	Enter blanks.
707–724	State Income Tax Withheld Total	18	State income tax withheld total is for the convenience of the filers. Aggregate totals of the state income tax withheld field in the Payee “B” Records; otherwise, enter blanks.

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

Field Position	Field Title	Length	Description and Remarks
725-742	Local Income Tax Withheld Total	18	Local income tax withheld total is for the convenience of the filer. Aggregate totals of the local income tax withheld field in the Payee "B" Records; otherwise, enter blanks.
743-746	Blank	4	Enter blanks.
747-748	Combined Federal/State Code	2	Required. Enter the code assigned to the state which is to receive the information. (Refer to Part A, Sec. 10, Table I.)
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Control Total D	Control Total E	Control Total F
124-141	142-159	160-177	178-195	196-213	214-231	232-249	250-267	268-285

Control Total G	Blank	Record Number Sequence	Blanks	State Income Tax Withheld Total	Local Income Tax Withheld Total	Blank	Combined Federal/State Code	Blank or CR/LF
286-303	304-499	500-507	508-706	707-724	725-742	743-746	747-748	749-750

Sec. 10. End of Transmission "F" Record — General Field Descriptions and Record Layout

- .01 The End of Transmission "F" Record is a summary of the number of payers/payees in the entire file.
- .02 The "F" Record is a fixed record length of 750 positions.
- .03 This record must be written after the last "C" Record (or last "K" Record, when applicable) of the entire file.

Record Name: End of Transmission "F" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter "F."
2-9	Number of "A" Records	8	Enter the total number of Payer "A" Records in the entire file (right-justify and zero-fill) or enter all zeros.
10-30	Zero	21	Enter zeros.
31-49	Blank	19	Enter blanks.

Record Name: End of Transmission "F" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
50-57	Total Number of Payees	8	Enter the total number of Payee "B" Records reported in the file. Right-justify information and fill unused positions with zeros. If you have entered this total in the "T" Record, you may leave this field blank.
58-499	Blank	442	Enter blanks.
500-507	Record Sequence Number	8	Required. Enter the number of the record as it appears within your file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on your file and you can have only one "T" Record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, <i>i.e.</i> , 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" Record sequence number would appear as "00000001" in the field, the first "A" Record would be "00000002," the first "B" Record, "00000003," the second "B" Record, "00000004" and so on until you reach the final record of the file, the "F" Record.
508-748	Blank	241	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

End of Transmission "F" Record — Record Layout

Record Type	Number of "A" Records	Zero	Blank	Total Number of Payees	Blank	Record Sequence Number	Blank	Blank or CR/LF
1	2-9	10-30	31-49	50-57	58-499	500-507	508-748	749-750

Part D. Extensions of Time and Waivers

Sec. 1. General — Extensions

.01 An extension of time to file may be requested for Forms 1098, 1099, 3921, 3922, 5498, 5498-SA, 5498-ESA, W-2G, W-2 series, 8027 and 1042-S.

Note: IRS encourages the payer/transmitter community to utilize the online fill-in form in lieu of the paper Form 8809. No TCC required.

.02 The fill-in Form 8809 may be completed online via the FIRE System. (See Part B, Sec. 7, for instructions on connecting to the FIRE System.) At the Main Menu, click "Extension of Time Request" and then click "Fill-in Extension Form". This option is only used to request an automatic 30-day extension. Extension requests completed online via the FIRE System receive an instant response if completed properly and timely. If you are requesting an additional extension, you must submit a paper Form 8809. Requests for an additional extension of time to file information returns are not automatically granted. Requests for additional time are granted only in cases of extreme hardship or catastrophic event. The IRS will only send a letter of explanation approving or denying your additional extension request. (Refer to .12 of this Section.)

.03 A paper Form 8809, Application for Extension of Time To File Information Returns, may be submitted to IRS/ECC-MTB at the address listed in .09 of this section. This form may be used to request an extension of time to file information returns submitted on paper or electronically to the IRS. Use a separate Form 8809 for each method of filing information returns you intend to use, *i.e.*, electronically or paper.

.04 To be considered, an extension request must be postmarked, transmitted or completed online by the due date of the returns; otherwise, the request will be denied. (See Part A, Sec. 7, for due dates.) If requesting an extension of time to file several types of forms, use one Form 8809; however, Form 8809 or file must be submitted no later than the earliest due date. For example, if requesting an extension of time to file both Forms 1099-INT and 5498, submit Form 8809 on or before February 28.

.05 As soon as it is apparent that a 30-day extension of time to file is needed, an extension request should be submitted. It may take up to 30 days for IRS/ECC-MTB to respond to an extension request. IRS/ECC-MTB does not begin processing extension requests until January. **Extensions completed online via the FIRE System receive instant results.**

.06 Under certain circumstances, a request for an extension of time may be denied. When a denial letter is received, any additional or necessary information may be resubmitted within 20 days.

.07 Requesting an extension of time for multiple payers (**10 or less**) may be done by completing the online fill-in form via the FIRE System or mailing Form 8809 and attaching a list of the payer names and associated TINs (EIN or SSN). Each payer must be completed online or included in the listing to ensure an extension is recorded for all payers. Form 8809 may be computer-generated or photocopied. Be sure to use the most recently updated version and include all the pertinent information.

.08 Payers/transmitters requesting an extension of time to file for **more than 10** payers are **required** to submit the extensions online via the fill-in form or in a file electronically (see Sec. 3, for the record layout).

.09 All requests for an extension of time filed on Form 8809 must be sent using the following address:

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

Note: Due to the large volume of mail received by IRS/ECC-MTB and the time factor involved in processing Extension of Time (EOT) requests, it is imperative that the attention line be present on all envelopes or packages containing Form 8809.

.10 Requests for extensions of time to file postmarked by the United States Postal Service on or before the due date of the returns, and delivered by United States mail to IRS/ECC-MTB after the due date, are treated as timely under the “timely mailing as timely filing” rule. A similar rule applies to designated private delivery services (PDSs). Notice 97–26, 1997–1 C.B. 413, provides rules for determining the date that is treated as the postmark date. For items delivered by a non-designated Private Delivery Service (PDS), the actual date of receipt by IRS/ECC-MTB will be used as the filing date. For items delivered by a designated PDS, but through a type of service not designated in Notice 2004–83, 2004–52 C.B. 1030 the actual date of receipt by IRS/ECC-MTB will be used as the filing date. The timely mailing rule also applies to furnishing statements to recipients and participants.

.11 Transmitters requesting an extension of time via an electronic file will receive an approval or denial letter, accompanied by a list of payers covered under that approval/denial.

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

.13 If an extension request is approved, the approval notification should be kept on file. **DO NOT** send the approval notification or copy of the approval notification to IRS/ECC-MTB or to the service center where the paper returns are filed.

.14 Request an extension for only the current tax year.

.15 A signature is not required when requesting an automatic 30-day extension. If a second 30-day extension is requested, the Form 8809 **MUST** be signed. Failure to properly complete and sign Form 8809 may cause delays in processing the request or result in a denial. Carefully read and follow the instructions on the back of Form 8809.

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

Sec. 2. Specifications for Filing Extensions of Time Electronically

.01 The specifications in Sec. 3 include the required 200-byte record layout for extensions of time to file requests submitted electronically. Also included are the instructions for the information that is to be entered in the record. **Filers are advised to read this section in its entirety to ensure proper filing.**

.02 If a filer does not have an IRS/ECC-MTB assigned Transmitter Control Code (TCC), Form 4419, Application for Filing Information Returns Electronically **must** be submitted to obtain a TCC. This number **must** be used to submit an extension request electronically. (See Part A, Sec. 6.)

.03 For extension requests filed via an electronic file, the transmitter must fax Form 8809 the same day as the transmission. If you are requesting an additional extension, you must fax a signed Form 8809 the same day as the transmission. Be sure to include the reason an additional extension is needed.

.04 Transmitters submitting an extension of time via an electronic file should not submit a list of payer names and TINs with Form 8809 since this information is included in the electronic file. However, Line 6 of Form 8809 must be completed. The fill-in Form 8809 cannot be used in lieu of the paper Form 8809 for electronic files.

.05 Do not submit tax year 2009 extension requests filed electronically before January 4, 2010.

Sec. 3. Record Layout — Extension of Time

.01 Positions 6 through 188 of the following record should contain information about the payer for whom the extension of time to file is being requested. Do not enter transmitter information in these fields. **Only one TCC may be present in a file.**

Record Layout for Extension of Time																	
Field Position	Field Title	Length	Description and Remarks														
1–5	Transmitter Control Code	5	Required. Enter the five-character alpha/numeric Transmitter Control Code (TCC) issued by IRS. Only one TCC per file is acceptable.														
6–14	Payer TIN	9	Required. Must be the valid nine-digit EIN/SSN assigned to the payer. Do not enter blanks, hyphens or alpha characters. All zeros, ones, twos, etc., will have the effect of an incorrect TIN. For foreign entities that are not required to have a TIN, this field may be blank; however, the Foreign Entity Indicator, position 187, must be set to “X.”														
15–54	Payer Name	40	Required. Enter the name of the payer whose TIN appears in positions 6–14. Left-justify information and fill unused positions with blanks.														
55–94	Second Payer Name	40	If additional space is needed, this field may be used to continue name line information (e.g., c/o First National Bank); otherwise, enter blanks.														
95–134	Payer Address	40	Required. Enter the payer’s address. Street address should include number, street, apartment or suite number (or PO Box if mail is not delivered to a street address).														
135–174	Payer City	40	Required. Enter the payer’s city, town, or post office.														
175–176	Payer State	2	Required. Enter the payer’s valid U.S. Postal Service state abbreviation. (Refer to Part A, Sec. 12.)														
177–185	Payer ZIP Code	9	Required. Enter the payer’s ZIP Code. If using a five-digit ZIP Code, left-justify information and fill unused positions with blanks.														
186	Document Indicator (See Note.)	1	Required. Enter the appropriate document code that indicates the form for which you are requesting an extension of time.														
			<table border="1"> <thead> <tr> <th>Code</th> <th>Document</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>W-2</td> </tr> <tr> <td>2</td> <td>1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-DIV, 1099-G, 1099-H, 1099-INT, 1099-LTC, 1099-MISC, 1099-OID, 1099-PATR, 1099-Q, 1099-R, 1099-S, 1099-SA, 3921, 3922 or W-2G</td> </tr> <tr> <td>3</td> <td>5498</td> </tr> <tr> <td>4</td> <td>1042-S</td> </tr> <tr> <td>6</td> <td>5498-SA</td> </tr> <tr> <td>7</td> <td>5498-ESA</td> </tr> </tbody> </table>	Code	Document	1	W-2	2	1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-DIV, 1099-G, 1099-H, 1099-INT, 1099-LTC, 1099-MISC, 1099-OID, 1099-PATR, 1099-Q, 1099-R, 1099-S, 1099-SA, 3921, 3922 or W-2G	3	5498	4	1042-S	6	5498-SA	7	5498-ESA
Code	Document																
1	W-2																
2	1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-DIV, 1099-G, 1099-H, 1099-INT, 1099-LTC, 1099-MISC, 1099-OID, 1099-PATR, 1099-Q, 1099-R, 1099-S, 1099-SA, 3921, 3922 or W-2G																
3	5498																
4	1042-S																
6	5498-SA																
7	5498-ESA																

Record Layout for Extension of Time (Continued)

Field Position	Field Title	Length	Description and Remarks
Note: Do not enter any other values in this field. Submit a separate record for each document. For example, if you are requesting an extension for Form 1099-INT and Form 5498 for the same payer, submit one record with "2" coded in this field and another record with "3" coded in this field. If you are requesting an extension for Form 1099-DIV and Form 1099-MISC for the same payer, submit one record with "2" coded in this field.			
187	Foreign Entity Indicator	1	Enter "X" if the payer is a foreign entity.
188	Recipient Request Indicator	1	Enter "X" if the extension request is to furnish statements to the recipients of the information return.
Note: A separate file is required for this type of extension request. A file must either contain all blanks or all Xs in this field.			
189-198	Blank	10	Enter blanks.
199-200	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

Extension of Time Record Layout

Transmitter Control Code	Payer TIN	Payer Name	Second Payer Name	Payer Address	Payer City	Payer State
1-5	6-14	15-54	55-94	95-134	135-174	175-176

Payer ZIP Code	Document Indicator	Foreign Entity Indicator	Recipient Request Indicator	Blank	Blank or CR/LF
177-185	186	187	188	189-198	199-200

Sec. 4. Extension of Time for Recipient Copies of Information Returns

.01 Request an **extension of time to furnish the statements to recipients** of Forms 1098, 1099 series, 3921, 3922, 5498 series, W-2G, W-2 series, and 1042-S by submitting a letter to IRS/ECC-MTB at the address listed in Part D, Sec. 1.09. The letter should contain the following information:

- (a) Payer name
- (b) TIN
- (c) Address
- (d) Type of return
- (e) Specify that the extension request is to provide statements to recipients
- (f) Reason for delay
- (g) Signature of payer or duly authorized person

.02 Requests for an extension of time to furnish statements to recipients of Forms 1098, 1099 series, 3921, 3922, 5498 series, W-2G, W-2 series, and 1042-S are not automatically approved; however, if approved, generally an extension will allow a **MAXIMUM** of 30 additional days from the due date. The request must be postmarked by the date on which the statements are due to the recipients.

.03 Generally, only the payer may sign the letter requesting the extension for recipient copies. A transmitter must have a contractual agreement with the filers to submit extension requests on their behalf. This should be stated in your letter of request for recipient copy extensions.

.04 Requests for a **recipient** extension of time to file for more than *10 payers* are **required** to be submitted electronically. (See Sec. 3, for the record layout.)

.05 The **fill-in Form 8809 extension option cannot be used to request an extension to furnish statements to recipients.**

Sec. 5. Form 8508, Request for Waiver From Filing Information Returns Electronically

.01 If a payer is required to file electronically but fails to do so and does not have an approved waiver on record, the payer will be subject to a penalty of \$50 per return in excess of 250. (For penalty information, refer to the Penalty Section of the 2009 *General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G*.)

.02 If payers are required to file original or corrected returns electronically, but such filing would create an undue hardship, they may request a waiver from these filing requirements by submitting Form 8508, Request for Waiver From Filing Information Returns Electronically, to IRS/ECC-MTB. Form 8508 can be obtained on the IRS website at www.irs.gov or by calling toll-free 1-800-829-3676.

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

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

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

.06 All information requested on Form 8508 must be provided to IRS/ECC-MTB for the request to be processed.

.07 The waiver, if approved, will provide exemption from the electronic filing requirement for the current tax year only. Payers may not apply for a waiver for more than one tax year at a time.

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

.09 Filers are encouraged to submit Form 8508 to IRS/ECC-MTB at least 45 days before the due date of the returns. IRS/ECC-MTB does not process waiver requests until January. Waiver requests received prior to January are processed on a first come, first serve basis.

.10 All requests for a waiver should be sent using the following address:

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

.11 File Form 8508 for the W-2 series of forms with IRS/ECC-MTB, not SSA.

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

.13 If a waiver request is approved, keep the approval letter on file. **DO NOT** send a copy of the approved waiver to the service center where the paper returns are filed.

.14 An approved waiver only applies to the requirement for filing information returns electronically. The payer must still timely file information returns on the official IRS paper forms or an acceptable substitute form with the appropriate service center.

26 CFR 601.201: Rulings and determination letters.
(Also: §§ 1502, 1.1502-13.)

Rev. Proc. 2009-31

SECTION 1. PURPOSE

This revenue procedure provides the procedures by which a taxpayer may (1) obtain the consent of the Internal Revenue Service (the "Service") to treat some or all intercompany transactions on a separate entity basis under §1.1502-13(e)(3) of the Income Tax Regulations, (2) revoke such consent, or have such consent revoked by the Service, and (3) obtain the Service's consent to change from separate entity reporting to single entity reporting where a valid consent from the Service to report

intercompany transactions on a separate entity basis was not previously obtained.

This revenue procedure modifies and supersedes Rev. Proc. 97-49, 1997-2 C.B. 523.

SECTION 2. BACKGROUND

.01 The consolidated return regulations generally require that intercompany transactions be treated in a manner that produces the effect of transactions between divisions of a single corporation (that is, the regulations treat intercompany transactions on a "single entity basis."). The single entity approach for intercompany transactions is an integral part of the overall tax treatment of affiliated groups filing consolidated returns ("consolidated groups") under §1502 of the Internal Revenue Code. Treating intercompany

transactions on a single entity basis is required to clearly reflect consolidated taxable income ("CTI") and consolidated tax liability ("CTL"). However, in certain circumstances, the Service may exercise discretion and grant consent, under §1.1502-13(e)(3), to a consolidated group to treat some or all intercompany transactions (other than intercompany transactions with respect to stock or obligations of members of a consolidated group) on a separate entity basis (that is, without the application of §1.1502-13). Consent under §1.1502-13(e)(3) may require changes in the methods of accounting for intercompany transactions of members of a consolidated group.

.02 Section 4 sets forth the time and manner in which requests for consent under §1.1502-13(e)(3) must be filed.

.03 Section 5 provides a checklist which is substantially similar to the checklist set forth in Rev. Proc. 97-49 to facilitate the filing and handling of requests under § 1.1502-13(e)(3) by specifying the information that should be included so that applications will be as complete as possible when originally filed. The sole revision to such checklist is the reference to CTL in addition to CTI. However, because the information necessary to rule on a particular case depends upon all the facts and circumstances, information in addition to that listed in this revenue procedure may be requested by the Service prior to determining whether consent will be granted.

.04 Section 6 sets forth certain factors and guidelines used by the Service in considering requests for consent under § 1.1502-13(e)(3). This section has been revised to include a reference to CTL in addition to CTI. Additionally, the threshold for determining "Effect on CTI or CTL", as defined in section 5, has been reduced from 10 percent to 5 percent.

.05 Section 7 sets forth the effect of receiving the Service's consent under § 1.1502-13(e)(3).

.06 Section 8 describes the procedures applicable to the revocation of consent under § 1.1502-13(e)(3). Section 8.01, as revised, provides that consent to treat intercompany transactions on a separate entity basis under § 1.1502-13(e)(3) is revoked automatically for any taxable year in which the effect on CTI or CTL, when averaged with the effect on CTI or CTL for each of the two preceding taxable years, is greater than 5 percent. In addition, section 8.03, as revised, provides that the factors and guidelines in section 6, which are used in considering the request for consent, will also be considered in determining whether to revoke consent where such consent is not automatically revoked under section 8.01.

.07 Section 9 sets forth the manner in which requests for consent to change from separate entity reporting to single entity reporting must be filed in cases where a valid consent from the Service to report intercompany transactions on a separate entity basis was not previously obtained.

.08 The authority and general procedures with respect to the issuance of advance rulings are set forth in Rev. Proc. 2009-1, 2009-1 I.R.B. 1, or its succes-

sor, and are applicable to requests under § 1.1502-13(e)(3).

SECTION 3. APPLICATION

This revenue procedure applies to (1) all requests to obtain the Service's consent to treat some or all intercompany transactions on a separate entity basis under § 1.1502-13(e)(3), (2) all revocations of such consent, whether the revocation is made by the consolidated group or by the Service, and (3) all requests to obtain the Service's consent to change from separate entity reporting to single entity reporting in cases where a valid consent from the Service to report intercompany transactions on a separate entity basis was not previously obtained.

SECTION 4. TIME AND MANNER IN WHICH REQUESTS FOR CONSENT UNDER SECTION 1.1502-13(e)(3) MUST BE FILED

.01 Requests for consent under § 1.1502-13(e)(3) must be filed with the Service on or before the due date of the consolidated return (not including extensions of time) for the first taxable year for which the consent would apply (the "consent year"). These requests for consent must be submitted as a private letter ruling request, and not as a request for change in method of accounting, pursuant to Rev. Proc. 2009-1, or its successor. All applicable items of information listed in section 5 must be included in the request.

.02 The filing requirement of § 1.1502-13(e)(3) will be deemed satisfied where the request for consent is timely filed with the Service and contains all available information. The request must provide an explanation of any omitted information, and state that the omitted information will be submitted not later than the earlier of the following two dates: (1) 90 days after the original due date of the return, or (2) the date the consolidated return is filed with the Service Center.

SECTION 5. INFORMATION TO BE INCLUDED IN REQUESTS FOR CONSENT UNDER SECTION 1.1502-13(e)(3)

.01 Each of the items of information requested in this section 5 must be addressed in the request for consent under

§ 1.1502-13(e)(3). If an item is not applicable, the letters "N.A." should be inserted after that item. The presentation of the information should follow the format of this revenue procedure as closely as possible.

.02 Information needed in order to make a determination regarding a request for consent to treat some or all intercompany transactions on a separate entity basis:

- (1) The date the consolidated group elected to file consolidated returns.
- (2) The taxable year used by the consolidated group.
- (3) A calculation of the difference, for the consent year and for each of the two taxable years preceding the consent year, between (a) CTI and CTL computed by treating all intercompany transactions on a single entity basis and (b) CTI and CTL, respectively, computed by treating those intercompany transactions for which consent is requested, and those intercompany transactions for which consent has previously been obtained, on a separate entity basis. For any taxable year, the percentage difference between (a) and (b) in the preceding sentence is hereinafter referred to as the "Effect on CTI or CTL."
- (4) An analysis of all intercompany transactions for the consent year and for each of the two taxable years preceding the consent year. This analysis must include the number and a description of all intercompany transactions and the dollar amounts thereof.
- (5) An analysis of the effect of treating those intercompany transactions for which consent is requested on a separate entity basis on the following items for the consent year:
 - (a) Net operating loss carryovers.
 - (b) Capital loss carryovers.
 - (c) Tax credits (for example, foreign tax credits) in the consent year as well as carryovers to the consent year.

With respect to any carryover referred to in items (a) through (c) above, the analysis should include amounts for each of the carryover years and the date the losses or credits expire.

- (6) An analysis of whether any sales of property for which consent is requested between members of the consolidated group that would be depletable or depreciable property in the hands of the buying member would result in long-term capital gain to the selling member, taking into account the provisions of §§ 1239, 1245, and 1250, relating to gain from dispositions of certain depreciable property or certain depreciable realty.
- (7) An analysis of whether any of the members involved in those intercompany transactions for which consent is requested are subject to the separate return limitation year rules or the change of ownership rules under §§ 382 or 383, and a calculation of any amounts subject to limitation under those rules.
- (8) A description of the types of property to which the consent would apply.
- (9) An analysis of the frequency of those intercompany transactions for which consent is requested, whether they occur in the ordinary course of the consolidated group's business, and whether the amounts or prices charged in connection with these intercompany transactions are for fair market value based on arm's-length bargaining, providing examples thereof. Also include a discussion of whether gains from these intercompany transactions have resulted from arm's-length charges or prices.

- (10) An explanation as to why the consent is being requested, why the consolidated group believes it should not be required to treat these intercompany transactions on a single entity basis, and how treating such transactions on a separate entity basis will clearly reflect CTI under § 446 and CTL.

SECTION 6. FACTORS AND GUIDELINES USED BY THE SERVICE IN CONSIDERING REQUESTS FOR CONSENT UNDER SECTION 1.1502-13(e)(3)

.01 Whether it is difficult for the consolidated group to account for those inter-company transactions for which consent is requested when they are treated on a single entity basis and, if so, why it is difficult to do so.

.02 Whether the Effect on CTI or CTL for the consent year or the average of the Effect on CTI or CTL for the consent year and each of the preceding two taxable years is greater than 5 percent. Consent under § 1.1502-13(e)(3) will not be granted in cases where either (a) the Effect on CTI or CTL is greater than 5 percent for the consent year or (b) the average of the Effect on CTI or CTL for the consent year and each of the two preceding taxable years is greater than 5 percent. However, consent will generally be granted in cases where (a) the Effect on CTI is less than 5 percent for the consent year and the average of the Effect on CTI for the consent year and each of the two preceding taxable years is less than 5 percent and (b) the Effect on CTL is less than 5 percent for the consent year and the average of the Effect on CTL for the consent year and each of the two preceding taxable years is less than 5 percent.

.03 Whether the consolidated group will secure the benefit of any deduction, credit, or other allowance that it would not otherwise secure if consent to treat those intercompany transactions for which consent is requested on a separate entity basis were not granted.

.04 Whether the gains that are the subject of the consent to treat intercompany transactions on a separate entity basis have resulted from arm's-length charges or prices.

SECTION 7. EFFECT OF THE CONSENT UNDER SECTION 1.1502-13(e)(3)

.01 A consent under § 1.1502-13(e)(3) shall, unless revoked pursuant to section 8, apply to all members of the consolidated group for the consent year and all subsequent taxable years ending prior to the first taxable year for which the group does not file a consolidated return.

.02 Section 446(e) consent is granted under § 1.1502-13(e)(3)(iii) for any changes in methods of accounting for intercompany transactions that are necessary solely to conform a member's methods to a consent obtained pursuant to this revenue procedure, provided the changes are made in the consent year. Any such changes in methods are effected on a cut-off basis (that is, no § 481(a) adjustment will be made). For any subsequent taxable year, § 446(e) consent must be separately requested under Rev. Proc. 97-27, 1997-1 C.B. 680, or its successor, if a member has failed to conform its accounting practices to the treatment of intercompany transactions required as a result of obtaining a consent pursuant to this revenue procedure. Any such changes in methods are effected on a cut-off basis (that is, no § 481(a) adjustment will be made).

.03 A consent shall not preclude the application of § 482 to members of a consolidated group.

.04 A consent granted under § 1.1502-13(e)(3) to treat intercompany transactions on a separate entity basis does not apply for purposes of taking into account losses and deductions deferred under § 267(f).

SECTION 8. REVOCATION OF CONSENT UNDER SECTION 1.1502-13(e)(3)

.01 Consent to treat intercompany transactions on a separate entity basis under § 1.1502-13(e)(3) is revoked automatically for any taxable year in which the Effect on CTI or CTL, when averaged with the Effect on CTI or CTL for each of the two preceding taxable years, is greater than 5 percent. The consolidated group must attach a statement to its original return for the taxable year in which the consent is revoked, indicating that the

consent under § 1.1502-13(e)(3) has been revoked pursuant to this section 8.01.

.02 The Service's consent under § 1.1502-13(e)(3) is granted for any consolidated group to revoke a valid consent received from the Service under § 1.1502-13(e)(3) to treat intercompany transactions on a separate entity basis, and thus treat intercompany transactions on a single entity basis, provided a statement is attached to the consolidated group's original return for the taxable year in which the revocation is to be effective indicating its revocation of the consent pursuant to this section 8.02. In cases where a valid consent from the Service to report intercompany transactions on a separate entity basis was not previously obtained and the consolidated group wants to change from separate entity reporting to single entity reporting, see section 9.

.03 Notwithstanding that the Service has granted consent under § 1.1502-13(e)(3) and that such consent has not been revoked pursuant to section 8.01 or 8.02, the Director of Field Operations may, upon examination of tax returns for years subsequent to the consent year, recommend that the ruling granting such consent be modified or revoked if the conditions and circumstances under which the ruling was granted have changed substantially and it is determined that single entity reporting is necessary in order to clearly reflect CTI under § 446 or CTL under § 1502. If the Director of Field Operations recommends that the ruling granting such consent be modified or revoked, the Director of Field Operations will forward the matter to the national office for consideration before any further action is taken. Such a referral to the national office will be treated as a request for technical advice, and the provisions of Rev. Proc. 2009-2, 2009-1 I.R.B. 87, or its successor, will be followed.

In determining whether the conditions and circumstances under which the ruling was granted have changed substantially, the Service will consider the factors and guidelines under section 6 (with the exception of section 6.02 which is addressed in section 8.01) of this revenue procedure, and may also consider other factors that may be relevant to clearly reflect the CTI and CTL of the consolidated group.

.04 When consent under § 1.1502-13(e)(3) is revoked pursuant to section 8.01, 8.02 or 8.03, each member of the consolidated group must report those intercompany transactions for which consent has been revoked on a single entity basis for the taxable year of the revocation and all subsequent taxable years (ending prior to the first taxable year for which the group does not file a consolidated return) unless consent is received pursuant to a new request submitted under section 4.

.05. Section 446(e) consent is granted under § 1.1502-13(e)(3)(iii) for any changes in methods of accounting for intercompany transactions that are necessary solely to conform a member's methods to a revocation of consent made pursuant to this revenue procedure, provided the changes are made in the taxable year for which the revocation is made. Any such changes in methods are effected on a cut-off basis (that is, no § 481(a) adjustment will be made). For any subsequent taxable year, § 446(e) consent must be separately requested under Rev. Proc. 97-27, or its successor, if a member has failed to conform its accounting practices to the treatment of intercompany transactions required as a result of a revocation made pursuant to this revenue procedure. Any such changes in methods are effected on a cut-off basis (that is, no § 481(a) adjustment will be made).

SECTION 9. REQUESTS FOR CONSENT TO CHANGE FROM SEPARATE ENTITY REPORTING TO SINGLE ENTITY REPORTING IN CASES WHERE A VALID CONSENT FROM THE SERVICE TO REPORT INTERCOMPANY TRANSACTIONS ON A SEPARATE ENTITY BASIS WAS NOT PREVIOUSLY OBTAINED

Requests for consent to change from separate entity reporting to single entity reporting, where a valid consent from the Service to report intercompany transactions on a separate entity basis was not previously obtained, must be separately requested as a change in method of accounting under Rev. Proc. 97-27, or its successor. Any such changes in methods of accounting are effected on a cut-off basis (that is, no § 481(a) adjustment will be made).

SECTION 10. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 97-49 is modified and superseded.

SECTION 11. EFFECTIVE DATE

This revenue procedure is effective for taxable years ending on or after July 6, 2009.

SECTION 12. DRAFTING INFORMATION

The principal author of this revenue procedure is Bruce A. Decker of the Office of Associate Chief Counsel (Corporate). For further information regarding this revenue procedure, contact Bruce A. Decker at (202) 622-7550 (not a toll-free call).

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 laws 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 a 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.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

Bulletin 2009–27

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2009-31, 2009-27 I.R.B. 107

Revenue Rulings:

2009-18, 2009-27 I.R.B. 1

Treasury Decisions:

9452, 2009-27 I.R.B. 1

¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2009–1 through 2009–26 is in Internal Revenue Bulletin 2009–26, dated June 29, 2009.

Finding List of Current Actions on Previously Published Items¹

Bulletin 2009–27

Revenue Procedures:

97-49

Modified and superseded by

Rev. Proc. 2009-31, 2009-27 I.R.B. 107

2008-38

Superseded by

Rev. Proc. 2009-30, 2009-27 I.R.B. 27

¹ A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2009–1 through 2009–26 is in Internal Revenue Bulletin 2009–26, dated June 29, 2009.



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