

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. 9538, page 229.

REG-109006-11, page 334.

Final, temporary, and proposed regulations under section 1001 of the Code explain when the transfer or assignment of certain derivative contracts does not result in a realization event for the nonassigning counterparty to the contract. A public hearing on the proposed regulations is scheduled for October 27, 2011.

Notice 2011-64, page 231.

Pursuant to section 1(h)(11) of the Code, a dividend paid to an individual shareholder from a domestic corporation or a “qualified foreign corporation” is subject to tax at the reduced rates applicable to certain capital gains. A qualified foreign corporation includes certain foreign corporations that are eligible for benefits of a comprehensive income tax treaty with the United States that the Secretary determines is satisfactory for purposes of this provision and that includes an exchange of information provision. This notice updates the list of U.S. income tax treaties that meet these requirements to reflect two new income tax treaties that have entered into force since the list was last updated in Notice 2006-101, 2006-2 C.B. 930. This notice also clarifies the requirements for treatment as a qualified foreign corporation. Notice 2006-101 amplified and superseded.

Notice 2011-71, page 233.

This notice provides guidance under section 6050W of the Code regarding the documentation and reporting obligations of payment settlement entities (PSEs) that are United States payors making payment outside the U.S. to an offshore account.

Rev. Proc. 2011-43, page 326.

This procedure provides a safe harbor method of accounting that taxpayers may use to determine whether expenditures to maintain, replace, or improve electric transmission and distri-

bution property must be capitalized under section 263(a) of the Code. The procedure also provides procedures for obtaining automatic consent to change to the safe harbor method of accounting. Rev. Proc. 2011-14 modified.

EMPLOYEE PLANS

Announcement 2011-59, page 335.

Nonbank trustees; section 1.408-2(e) of the regulations.

This announcement contains a list of entities approved to act as nonbank trustees and nonbank custodians within the meaning of section 1.408-2(e) of the regulations. In addition, the announcement contains instructions on how errors in the list may be corrected. Announcement 2007-47 updated and superseded.

ADMINISTRATIVE

Rev. Proc. 2011-40, page 235.

This procedure contains updates and changes to Publication 1220, *Specifications for Filing Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935 and W-2G Electronically* (revised 8-2011). Rev. Proc. 2010-26 superseded.

Rev. Proc. 2011-42, page 318.

This procedure provides taxpayers with guidance regarding the use and evaluation of statistical samples and sampling estimates. Rev. Procs. 72-36, 2004-29, 2007-35 and 2011-35 amplified and modified.

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 en-

force the 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 263.—Capital Expenditures

A safe harbor method of accounting is provided for determining whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263(a) of the Internal Revenue Code. The revenue procedure also explains how a taxpayer may obtain automatic consent from the Commissioner of the Internal Revenue to change to the safe harbor method of accounting. See Rev. Proc. 2011-43, page 326.

Section 1001.—Determination of Amount of and Recognition of Gain or Loss

26 CFR 1.1001-4: Modifications of certain derivative contracts.

T.D. 9538

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Modifications of Certain Derivative Contracts

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and temporary regulations.

SUMMARY: This document contains final and temporary regulations that address when a transfer or assignment of certain derivative contracts does not result in an exchange to the nonassigning counterparty for purposes of §1.1001-1(a). The text of these temporary regulations also serves as the text of the proposed regulations (REG-109006-11) set forth in this issue of the Bulletin.

DATES: *Effective Date:* These regulations are effective on July 22, 2011.

Applicability Date: For the date of applicability, see §1.1001-4T(d).

FOR FURTHER INFORMATION CONTACT: Andrea M. Hoffenson, (202) 622-3920 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Section 1001 of the Internal Revenue Code (Code) provides rules for the computation and recognition of gain or loss from a sale or other disposition of property. For purposes of section 1001, §1.1001-1(a) of the Income Tax Regulations generally provides that gain or loss is realized upon an exchange of property for other property differing materially either in kind or in extent. As a general matter, the assignment of a notional principal contract is treated as a taxable disposition to a nonassigning counterparty if the resulting contract differs materially either in kind or in extent. See *Cottage Savings Association v. Commissioner*, 499 U.S. 554, 566 (1991) [1991-2 C.B. 34, 38] (“Under [the Court’s] interpretation of [section] 1001(a), an exchange of property gives rise to a realization event so long as the exchanged properties are ‘materially different’—that is, so long as they embody legally distinct entitlements.”). Section 1.1001-4(a) provides, however, that the substitution of a new party on a notional principal contract is not treated as a deemed exchange of the contract by the nonassigning party for purposes of §1.1001-1(a) if two conditions are satisfied: the assignment is between dealers in notional principal contracts and the terms of the contract permit the substitution.

Many notional principal contracts permit assignment of the contract only with the consent of the nonassigning counterparty. There has been some uncertainty as to whether a contract that requires the consent of the nonassigning counterparty as a condition to assignment will satisfy the second requirement of §1.1001-4(a) as described in the previous paragraph. In addition, commenters have suggested that the scope of §1.1001-4 is too narrow because it only applies to notional principal contracts. The need to amend §1.1001-4 has been increased by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (124 Stat 1376 (2010)) (Dodd-Frank), which in some cases will necessitate the movement

of entire books of derivative contracts. In particular, there is a concern that the assignment of derivative contracts may create a taxable event for the nonassigning counterparties to the assigned contracts.

The IRS and the Treasury Department agree that §1.1001-4 should be amended and expanded to include derivative contracts other than notional principal contracts. These temporary regulations replace the current, final regulations of §1.1001-4.

Explanation of Provisions

These temporary regulations provide that there is no exchange to the nonassigning counterparty for purposes of §1.1001-1(a) solely because a dealer or a clearinghouse transfers or assigns a derivative contract to another dealer or clearinghouse, provided that the transfer or assignment is permitted by the terms of the contract. The derivative contracts to which these regulations apply are those described in sections 475(c)(2)(D), 475(c)(2)(E), 475(c)(2)(F), 475(e)(2)(B), 475(e)(2)(C), or 475(e)(2)(D), or §1.446-3(c)(1). In addition, these temporary regulations provide that transfers or assignments are permitted by the terms of the contract when consent of the nonassigning counterparty is required as well as those transfers or assignments that do not require consent. If consideration passes between the assignor and assignee in connection with the transfer or assignment, the consideration will not affect the treatment of the nonassigning counterparty for purposes of §1.1001-4. If any consideration is paid to or received by the nonassigning counterparty, however, the payment or receipt of the consideration is analyzed under the general principles of section 1001 to determine its effect on the nonassigning counterparty. In addition, any changes to the terms of the contract are analyzed under the general principles of section 1001 to determine whether there has been a sale or disposition of the contract by the parties.

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 the Administrative Procedure Act (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, these regulations have been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small businesses.

Drafting Information

The principal author of these regulations is Andrea M. Hoffenson, Office of Associate Chief Counsel (Financial Institutions and Products). However, other personnel from the IRS and the Treasury Department participated in their development.

* * * * *

Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

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

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

Par. 2. Section 1.1001-4 is revised to read as follows:

§1.1001-4 Modifications of certain derivative contracts.

(a) through (d) [Reserved]. For further guidance, see §1.1001-4T(a) through (d).

Par. 3. Section 1.1001-4T is added to read as follows:

§1.1001-4T Modifications of certain derivative contracts (temporary).

(a) *Certain assignments.* For purposes of §1.1001-1(a), the transfer or assignment of a derivative contract is not treated by the nonassigning counterparty as a deemed exchange of the original contract for a modified contract that differs materially either in kind or in extent if—

(1) Both the party transferring or assigning its rights and obligations under the derivative contract and the party to which the rights and obligations are transferred or assigned are either a dealer or a clearinghouse;

(2) The terms of the derivative contract permit the transfer or assignment of the contract, whether or not the consent of the nonassigning counterparty is required for the transfer or assignment to be effective; and

(3) The terms of the derivative contract are not otherwise modified in a manner that results in a taxable exchange under section 1001.

(b) *Definitions.* (1) *Dealer.* For purposes of this section, a *dealer* is a taxpayer who meets the definition of a dealer in securities in section 475(c)(1) or is a dealer in commodities derivative contracts.

(2) *Clearinghouse.* For purposes of this section, a *clearinghouse* is a derivatives clearing organization (as such term is defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a)) or a clearing

agency (as such term is defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))) that is registered, or exempt from registration, under each respective Act.

(3) *Derivative contract.* For purposes of this section, a *derivative contract* is a contract described in—

(i) Section 475(c)(2)(D), 475(c)(2)(E), or 475(c)(2)(F) without regard to the last sentence of section 475(c)(2) referencing section 1256;

(ii) Section 475(e)(2)(B), 475(e)(2)(C), or 475(e)(2)(D); or

(iii) Section 1.446-3(c)(1).

(c) *Consideration for the assignment.* Any consideration for the transfer or assignment that passes between the party transferring or assigning its rights and obligations under the contract and the party to which the rights and obligations are transferred or assigned will not affect the treatment of the nonassigning counterparty for purposes of this section.

(d) *Effective/applicability date.* This section applies to transfers or assignments of derivative contracts on or after July 22, 2011.

(e) *Expiration date.* The applicability of this section expires on or before July 21, 2014.

Steven T. Miller,
*Deputy Commissioner for
Services and Enforcement.*

Approved July 15, 2011.

Emily S. McMahon,
*Assistant Secretary of
the Treasury (Tax Policy).*

(Filed by the Office of the Federal Register on July 21, 2011, 8:45 a.m., and published in the issue of the Federal Register for July 22, 2011, 76 F.R. 43892)

Part III. Administrative, Procedural, and Miscellaneous

United States Income Tax Treaties That Meet the Requirements of Section 1(h)(11)(C)(i)(II)

Notice 2011-64

1. SUMMARY

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27, 117 Stat. 752) (the “2003 Act”) was enacted on May 28, 2003. Subject to certain limitations, the 2003 Act generally provides that a dividend paid to an individual shareholder from either a domestic corporation or a “qualified foreign corporation” is subject to tax at the reduced rates applicable to certain capital gains. A qualified foreign corporation includes certain foreign corporations that are eligible for benefits of a comprehensive income tax treaty with the United States that the Secretary determines is satisfactory for purposes of this provision and that includes an exchange of information provision. On October 20, 2003, the Service published Notice 2003-69, 2003-2 C.B. 851, which contains a list of the U.S. income tax treaties that met these requirements at that time. The list was updated by Notice 2006-101, 2006-2 C.B. 930, published on November 20, 2006. This notice updates the list to reflect two new income tax treaties that have entered into force since the publication of Notice 2006-101. In addition, this notice clarifies the requirements for treatment as a qualified foreign corporation.

2. ANALYSIS

Section 1(h)(1) of the Internal Revenue Code (the “Code”) generally provides that a taxpayer’s “net capital gain” for any taxable year will be subject to a maximum tax rate of 15 percent (or 5 percent in the case of certain taxpayers). The 2003 Act added section 1(h)(11), which provides that net capital gain for purposes of section 1(h) means net capital gain (determined without regard to section 1(h)(11)) increased by “qualified dividend income.” Qualified dividend income means dividends received during the taxable year from

domestic corporations and “qualified foreign corporations.” Section 1(h)(11)(B)(i). Subject to certain exceptions, a qualified foreign corporation is any foreign corporation that is either (i) incorporated in a possession of the United States, or (ii) eligible for benefits of a comprehensive income tax treaty with the United States that the Secretary determines is satisfactory for purposes of this provision and that includes an exchange of information program (the “treaty test”). Section 1(h)(11)(C)(i).

A foreign corporation that does not satisfy either of these two tests is treated as a qualified foreign corporation with respect to any dividend paid by such corporation if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States. Section 1(h)(11)(C)(ii). *See* Notice 2003-71, 2003-2 C.B. 922, for the definition, for taxable years beginning on or after January 1, 2003, of “readily tradable on an established securities market in the United States.”

A qualified foreign corporation does not include any foreign corporation that for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a passive foreign investment company (as defined in section 1297). Section 1(h)(11)(C)(iii). A dividend from a qualified foreign corporation is also subject to the other limitations in section 1(h)(11). For example, a shareholder receiving a dividend from a qualified foreign corporation must satisfy the holding period requirements of section 1(h)(11)(B)(iii).

The appendix to this notice sets forth the current list of U.S. income tax treaties that meet the requirements of section 1(h)(11)(C)(i)(II). The list has been updated to include two treaties that entered into force after the publication of Notice 2006-101: the treaty with Bulgaria (which entered into force on December 15, 2008) and the treaty with Malta (which entered into force on November 23, 2010).

Three U.S. income tax treaties do not meet the requirements of section 1(h)(11)(C)(i)(II). They are the U.S.-U.S.S.R. income tax treaty (which was signed on June 20, 1973, and cur-

rently applies to certain former Soviet Republics), and the tax treaties with Bermuda and the Netherlands Antilles.

Treasury and the IRS intend to continue to update this list, as appropriate. Situations that may result in changes to the list include the entry into force of new income tax treaties and the amendment or renegotiation of existing tax treaties. Further, Treasury and the IRS continue to study the operation of each of our income tax treaties, including the implications of any change in the domestic laws of the treaty partner, to ensure that the treaty accomplishes its intended objectives and continues to be satisfactory for purposes of this provision.

3. OTHER REQUIREMENTS

In order to be treated as a qualified foreign corporation under the treaty test, a foreign corporation must be eligible for benefits of one of the U.S. income tax treaties listed in the Appendix. Accordingly, the foreign corporation must be a resident within the meaning of such term under the relevant treaty and must satisfy any other requirements of that treaty, including the requirements under any applicable limitation on benefits provision. For purposes of determining whether it satisfies these requirements, a foreign corporation is treated as though it were claiming treaty benefits, even if it does not derive income from sources within the United States. *See* H.R. Conf. Rep. No. 108-126, at 42 (2003) (stating that a company will be treated as eligible for treaty benefits if it “would qualify” for benefits under the treaty).

4. EFFECTIVE DATE

This notice is effective with respect to Bulgaria for dividends paid on or after December 15, 2008. This notice is effective with respect to Malta for dividends paid on or after November 23, 2010.

This notice is effective with respect to Bangladesh for dividends paid on or after August 7, 2006. This notice is effective with respect to Barbados for dividends paid on or after December 20, 2004. This notice is effective with respect to Sri Lanka for dividends paid on or after

July 12, 2004. This notice is effective with respect to all other U.S. income tax treaties listed in the Appendix for taxable years beginning after December 31, 2002.

5. EFFECT ON OTHER DOCUMENTS

Notice 2006-101 is amplified and superseded.

6. CONTACT INFORMATION

The principal author of this notice is Rosy L. Lor of the Office of Associate

Chief Counsel (International). For further information regarding this notice, contact Ms. Lor at (202) 622-3880 (not a toll-free call).

APPENDIX

U.S. INCOME TAX TREATIES SATISFYING THE REQUIREMENTS OF SECTION 1(h)(11)(C)(i)(II)

Australia	Germany	Luxembourg	South Africa
Austria	Greece	Malta	Spain
Bangladesh	Hungary	Mexico	Sri Lanka
Bulgaria	Iceland	Morocco	Sweden
Barbados	India	Netherlands	Switzerland
Belgium	Indonesia	New Zealand	Thailand
Canada	Ireland	Norway	Trinidad and Tobago
China	Israel	Pakistan	Tunisia
Cyprus	Italy	Philippines	Turkey
Czech Republic	Jamaica	Poland	Ukraine
Denmark	Japan	Portugal	United Kingdom
Egypt	Kazakhstan	Romania	Venezuela
Estonia	Korea	Russian Federation	
Finland	Latvia	Slovak Republic	
France	Lithuania	Slovenia	

Documentation Requirements Under Section 6050W for U.S. Payors Making Payment Outside the United States to an Offshore Account

Notice 2011-71

PURPOSE

This notice provides interim guidance to payment settlement entities (as defined in §1.6050W-1(a)(4)(i)) (PSEs) that are United States payors or United States middlemen (each as defined in §1.6049-5(c)(5)) (U.S. payors) regarding the circumstances under which such a PSE must obtain, review, and maintain documentation to establish that a participating payee is a foreign person for purposes of section 6050W. The Treasury Department and the Internal Revenue Service (IRS) intend to amend the regulations under section 6050W to reflect the guidance provided in this notice. PSEs may rely on the interim guidance in this notice until the regulations are amended.

BACKGROUND

Section 6050W was added by section 3091 of the Housing Assistance Tax Act of 2008, Div. C of Pub. L. No. 110-289, 122 Stat. 2653 (the Act) and requires information returns to be made by certain payors with respect to payments made in settlement of payment card transactions and

third party payment network transactions. Section 6050W(d)(1)(B) provides that, except as provided by the Secretary in regulations or other guidance, the term *participating payee* does not include any person with a foreign address. The final regulations prescribe the circumstances in which a PSE is required to report payments made to a participating payee that has a foreign address. Specifically, the final regulations provide that a PSE that is not a U.S. payor is not required to report payments made to a participating payee that does not have a U.S. address as long as the PSE neither knows nor has reason to know that the payee is a United States person (U.S. person). If the participating payee has any U.S. address, such a PSE may treat the participating payee as a foreign person only if the PSE has in its files documentation upon which the PSE may rely to treat the payment as made to a foreign person in accordance with §1.1441-1(e)(1)(ii).

The final regulations also provide that a PSE that is a U.S. payor is not required to report payments to payees with a foreign address as long as, prior to payment, the payee has provided the payor with documentation upon which the payor may rely to treat the payment as made to a foreign person in accordance with §1.1441-1(e)(1)(ii).

In addition, the final regulations provide a presumption under which a PSE that is a U.S. payor making a payment outside the United States (within the meaning of §1.6049-5(e)) to an offshore account (as defined in §1.6049-5(c)(1)) need not report payments to a participating payee

with only a foreign address if the name of the participating payee indicates that it is a foreign *per se* corporation listed in §301.7701-2(b)(8)(i) (a foreign *per se* corporation) and the PSE neither knows nor has reason to know that the participating payee is a U.S. person. The final regulations also provide a grace period after account opening to collect documentation by applying the grace period rules of §1.6049-5(d)(2)(ii) if the participating payee has only a foreign address.

The final regulations apply to returns for calendar years beginning after December 31, 2010. The final regulations also provide a transition rule, which provides that for payments made pursuant to contractual obligations entered into before January 1, 2011, a PSE that is a U.S. payor is not required to report payments made to a participating payee with a foreign address as long as the U.S. payor neither knows nor has reason to know that the payee is a U.S. person. For this purpose, a renewal of such a contractual obligation will not result in a new contractual obligation unless there is a material modification of the contractual obligation.

DISCUSSION

Treasury and the IRS have received comments citing administrative burdens associated with implementing the final regulations and requesting that, in light of those administrative burdens, the final regulations be amended so that PSEs that are U.S. payors operating outside the United States would be required to collect

documentation to determine the U.S. or non-U.S. status of a participating payee only if certain indicia of U.S. status are present.

In response to these comments, the Treasury Department and the IRS intend to amend the regulations under section 6050W to provide that a PSE that is a U.S. payor will only be required to make the return of information required under §1.6050W-1(a)(1) with respect to a payment made outside the United States to an offshore account if any of the following applies: (i) there is a U.S. address associated with the participating payee (whether a residence address or correspondence address); (ii) the PSE has standing instructions to direct the payment to a bank account maintained in the United States; (iii) the participating payee submits for payment in U.S. dollars; or (iv) the PSE knows or has reason to know that the participating payee is a U.S. person. A PSE will not be required to make the return of information required under §1.6050W-1(a)(1) with respect to a payment made outside the United States to an offshore account in the circumstances described in the preceding sentence if the PSE obtains from the participating payee a Form W-8 or documentary evidence establishing the payee's non-U.S. status and the PSE does not know that the payee is a U.S. person. For this purpose, Forms W-8 (or the substitute forms described below) and documentary evidence: (i) must be collected by the PSE by the later of January 1, 2012, or the date that is 90 days after the date on which the PSE enters into the contractual obligations with the participating payee; and (ii) in the case of a Form W-8 (or substitute form described below), may be relied upon only when the requirements of §1.1441-7(b)(5)(i)(A) or (B), and (ii), are satisfied, or, in the case of documentary evidence, may be relied upon only when the requirements of §1.1441-7(b)(7) and -7(b)(8)(ii) and (iii) are satisfied. In the case of a payment to a foreign payee of income that is effectively connected with the conduct of a trade or business in the United States, the appropriate withholding certificate is a Form W-8ECI. For all other payments, the appropriate withholding certificate is a Form W-8BEN.

The special rule in the final regulations for a participating payee that has a name

that indicates it is a foreign *per se* corporation will be retained. That is, a PSE that is a U.S. payor will not be required to make the return of information required under §1.6050W-1(a)(1) with respect to a payment made outside the United States to an offshore account to a participating payee with only a foreign address if the name of the participating payee indicates that it is an entity listed as a *per se* corporation under §301.7701-2(b)(8)(i) unless the PSE knows or has reason to know that the payee is a U.S. person.

Treasury and the IRS also intend to amend the regulations to clarify that a PSE that is not a U.S. payor, and that has reason to know, but not actual knowledge, that a participating payee is a U.S. person, will not be required to make the return of information required under §1.6050W-1(a)(1) if the PSE obtains from the payee a Form W-8 that satisfies the requirements of §1.1441-7(b)(5)(i)(A) or (B), and (ii), or documentary evidence that satisfies the requirements of §1.1441-7(b)(7) and -7(b)(8)(ii) and (iii).

Treasury and the IRS also intend to modify the regulations to allow a PSE to accept a substitute form in lieu of a Form W-8BEN in order for a participating payee to certify its non-U.S. status. Such substitute form will be acceptable provided that it contains the payee's name, country of incorporation (when applicable), type of entity, residence and mailing address (if different from residence address), the certification of the payee's non-U.S. status made under penalties of perjury and, in the case of a participating payee that is an entity, the capacity of the individual providing the certification of behalf of the payee. In lieu of the certification and penalties-of-perjury statement contained on the Form W-8BEN, a substitute form may contain the following statement: "Under penalties of perjury, I declare that the payee providing this certification is not a United States person (*i.e.*, a citizen or resident of the United States as determined for U.S. federal tax purposes, a corporation or partnership created or organized in the United States or under the law of the United States or of any State, any estate that would be subject to U.S. federal income tax on income from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, or any

trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust), that the income to which this certification relates is not effectively connected with the conduct of a trade or business in the United States, and that the undersigned has examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. Furthermore, I authorize this form to be provided to any person that has control, receipt, or custody of the payment to which I am entitled or any person that can disburse or make the payments to which I am entitled."

Treasury and the IRS have also received comments questioning whether, for purposes of determining whether the requirements of §1.1441-1(e)(1)(ii) are satisfied, a PSE may rely on documentary evidence that is more than three years old. Section 1.1441-1(e)(1)(ii)(A)(2) provides that, if a payment is made outside the United States to an offshore account, the withholding agent can rely on documentary evidence described in §1.1441-6(c)(3) or (4), or §1.6049-5(c)(1). Section 1.6049-5(c)(1) provides that a payor may rely on documentary evidence sufficient to establish the identity of the payee and the status of that person as a foreign person (including, but not limited to, documentary evidence described in §1.1441-6(c)(3) or (4)). Section 1.6049-5(c)(1) does not require that, at the time of collection, the documentary evidence be less than three years old. Under §1.1441-1(e)(4)(ii)(A) (cross-referenced by §1.6049-5(c)(2)), documentary evidence described in §1.6049-5(c)(1) remains valid until the earlier of the last day of the third calendar year following the year in which the documentary evidence is provided to the withholding agent or the day that a change in circumstances occurs that makes any information on the documentary evidence incorrect.

Until the amendments to the final regulations described in this notice are published, PSEs may rely on the guidance provided in this notice.

DRAFTING INFORMATION

The principal author of this notice is Danielle Nishida of the Office of Associate

Chief Counsel (International). For further information regarding this notice, please contact John Sweeney at (202) 622-3840 (not a toll-free call).

Use this Revenue Procedure to prepare Tax Year 2011 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 the instructions in this Revenue Procedure are not followed.

IMPORTANT NOTES:

The IRS internet connection for filing information returns electronically is <http://fire.irs.gov>. The Filing Information Returns Electronically (FIRE) system will be down from 6 p.m. ET Dec. 16, 2011, through Jan. 03, 2012 for yearly updates. In addition, the FIRE system may be down every Wednesday from 2:00 a.m. to 5:00 a.m. ET for programming updates. The FIRE system will not be available for submissions during these times.

The FIRE system does not provide fill-in forms for filing 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
 Attn: Information Returns Branch
 230 Murall Drive, Mail Stop 4360
 Kearneysville, WV 25430

Sec. 1. Purpose

.01 The purpose of this Revenue Procedure is to provide the specifications for filing Forms 1097, 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 2011 information returns and information returns for tax years prior to 2011 filed *beginning January 1, 2012*. Specifications for filing the following forms are contained in this Revenue Procedure.

- (1) Form 1097-BTC, Bond Tax Credit
- (2) Form 1098, Mortgage Interest Statement
- (3) Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes
- (4) Form 1098-E, Student Loan Interest Statement
- (5) Form 1098-T, Tuition Statement
- (6) Form 1099-A, Acquisition or Abandonment of Secured Property
- (7) Form 1099-B, Proceeds From Broker and Barter Exchange Transactions
- (8) Form 1099-C, Cancellation of Debt
- (9) Form 1099-CAP, Changes in Corporate Control and Capital Structure
- (10) Form 1099-DIV, Dividends and Distributions
- (11) Form 1099-G, Certain Government Payments
- (12) Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments
- (13) Form 1099-INT, Interest Income
- (14) *Form 1099-K, Merchant Card and Third Party Network Payments*
- (15) Form 1099-LTC, Long-Term Care and Accelerated Death Benefits
- (16) Form 1099-MISC, Miscellaneous Income
- (17) Form 1099-OID, Original Issue Discount
- (18) Form 1099-PATR, Taxable Distributions Received From Cooperatives
- (19) Form 1099-Q, Payments from Qualified Education Programs (Under Sections 529 & 530)
- (20) Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- (21) Form 1099-S, Proceeds From Real Estate Transactions
- (22) Form 1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA
- (23) Form 3921, Exercise of a Qualified Incentive Stock Option under Section 422(b)
- (24) Form 3922, Transfer of Stock Acquired Through an Employee Stock Purchase Plan under Section 423(b)
- (25) Form 5498, IRA Contribution Information

- (26) Form 5498-ESA, Coverdell ESA Contribution Information
- (27) Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information
- (28) Form 8935, Airline Payments Report
- (29) Form W-2G, Certain Gambling Winnings

.02 All data received at IRS/IRB for processing will be given the same protection as individual income tax returns (Form 1040). IRS/IRB 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 1-800-772-6270 to obtain the telephone number of the SSA Employer Service Liaison Officer for their area.

.04 IRS/IRB does **not** process Forms W-2. Paper **or** electronic filing of Forms W-2 must be sent to SSA. IRS/IRB 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 when filing electronically.

.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) *2011 General Instructions for Certain Information Returns* and the 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.
- (e) *Publication 4810, Specifications for Filing Form 8955-SSA, Annual Registration Statement of Identifying Separated Participants With Deferred Vested Benefits, Electronically.*

.08 This Revenue Procedure supersedes Rev. Proc. 2010-26 published as Publication 1220 (Rev. 08/2010), Specifications for Filing Forms 1097-BTC, 1098, 1099, 3921, 3922, 5498, 8935 and W-2G Electronically.

Sec. 2. Nature of Changes—Current Year (Tax Year 2011)

.01 In this publication, all pertinent changes for Tax Year 2011 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) Penalties associated with Information Return filing have increased significantly. Please see Part A, Sec.11.02 for specific information.
- (2) New Form 1099-K, Merchant Card and Third Party Network Payments, has been added.

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 updated with the four-digit reporting year (2010 to 2011), unless reporting prior year data.
- (2) In the Payer “A” Record, the Amount Codes field was expanded 2 positions. The field is now sixteen positions 28–43.
- (3) For Form 1098-T Payee “B” Record, Half-time Student Indicator and Graduate Student Indicator are now **Required** fields.
- (4) For Form 1099-B Payer “A” Record, added Amount Code A, Cost or other basis, and Amount Code B, Wash sale loss disallowed.
- (5) For Form 1099-B, Payee “B” Record, deleted Number of shares exchanged, positions 608–615, and Class of stock exchanged, positions 616–625. Added Non-covered security indicator in position 545. Allowable characters are 1 for Non-covered security and blank. Added Type of gain or loss indicator in position 546. Allowable characters are 1 for Short term, 2 for Long term and blank. Added Date of Acquisition, positions 608–615.
- (6) New Form 1099-K, Merchant Card and Third Party Network Payments, In the Payer “A” Record added:
 - field positions 26–27, Type of Return, added new code MC
 - field positions 28–43 added Amount Codes:
 - 1 Gross amount of merchant card/third party network payments
 - 5 January payments

- 6 February payments
- 7 March payments
- 8 April payments
- 9 May payments
- A June payments
- B July payments
- C August payments
- D September payments
- E October payments
- F November payments
- G December payments

In the Payee "B" Record added:

Type of Filer Indicator, position 547

Payment Settlement Entity's Name, positions 565–604

Merchant Category Code, positions 605–608

- (7) Form 1097-BTC has numerous changes. In the Payer "A" Record, Amount Code 3 changed to Other Allowance Date Credit. In the Payee "B" Record, many Indicator Fields had description changes. The following fields were added: Other Allowance Identification Number, March Allowance Identification Number, June Allowance Identification Number, September Allowance Identification Number, December Allowance Identification Number. The following fields were deleted: Bond issue date, CUSIP number, Maturity Date, Bond Code, Bond Issuer's identification number, and Bond issuer's name.
- (8) For Form 1099-R, Payer "A" Record, added Amount Code B, Amount Allocable to IRR within 5 years. In the Payee "B" Record field positions 545–546, deleted distribution code D, Excess contributions plus earnings/excess deferrals taxable in 2008.

Sec. 3. Where to File and How to Contact the IRS, Information Returns Branch (IRB)

.01 All information returns filed through the FIRE system are processed at IRS/IRB. General inquiries concerning the filing of information returns should be sent to the following address:

Internal Revenue Service
Information Returns Branch
230 Murall Drive, Mail Stop 4360
Kearneysville, WV 25430

.02 All requests for an extension of time to file information returns with IRS/IRB 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:

Internal Revenue Service
Information Returns Branch
Attn: Extension of Time Coordinator
240 Murall Drive, Mail Stop 4360
Kearneysville, WV 25430

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

Information Returns Branch
1-866-455-7438
Outside the U.S. 1-304-263-8700
1-304-579-4827 — TDD
(Telecommunication Device for the Deaf)

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

Electronic Filing — FIRE System
Production URL — <http://fire.irs.gov>
Test URL — <http://fire.test.irs.gov>

Information Returns Branch

TO OBTAIN FORMS:

By phone — 1-800-TAX-FORM (1-800-829-3676)

IRS.gov — Online Ordering for Information Returns and Employer Returns
<http://www.irs.gov/businesses/page/0,,id=23108,00.html>

Note: Because paper forms are scanned during processing, filers cannot use Form 1096 and Copy A of Forms 1097, 1098, 1099, 3921, 3922, or 5498 printed from the IRS website to file with the IRS.

.04 The *2011 General Instructions for Certain Information Returns* are included in Publication 1220 for the convenience of filers. Form 1096 is used to transmit Copy A of paper Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G to the IRS. 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, 1097, 1098, 1099, 3921, 3922, 5498, and W-2G, by calling the IRS at **1-800-TAX-FORM (1-800-829-3676)** or **ordering online from the IRS website at [IRS.gov](http://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/IRB 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/IRB does not issue penalty notices and does not have the authority to abate penalties. For penalty information, refer to the Penalties section of the *2011 General Instructions for Certain Information Returns*.

.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 Returns Branch (IRB), answers electronic, paper filing, and tax law questions from the payer community relating to the correct preparation and filing of information returns (Forms 1096, 1097, 1098, 1099, 3921, 3922, 5498, 8027, 8935 and W-2G). IRB also answers questions about the electronic filing of Forms 1042-S, 8027, and 8955-SSA. In addition, IRB answers questions about 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. Assistance is available year-round to payers, transmitters, and employers nationwide, Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Time (ET), by calling **1-866-455-7438**. IRB 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, 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, February, and March. 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 individual tax returns.

.10 IRB assistors 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 (FIRE), 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/IRB 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:

1097-BTC
1098
1098-C
1098-E
1098-T
1099-A
1099-B
1099-C
1099-CAP
1099-DIV
1099-G
1099-H
1099-INT
1099-K
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

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 a payer 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.

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

Sec. 5. Vendor List

.01 IRS/IRB 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/IRB 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 [IRS.gov](http://irs.gov). For an additional list of software providers, log on to [IRS.gov](http://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/IRB. 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 (FIRE)

.01 Transmitters are required to submit Form 4419, Application for Filing Information Returns Electronically (FIRE), to request authorization to file information returns with IRS/IRB. 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 1097, 1098, 1099, 3921, 3922, 5498, 8935 and W-2G) will be filed, the transmitter should not submit a new Form 4419. Form 4419 is subject to review before approval to transmit electronically is

granted. IRS may require additional documentation. 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.

Note: 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, Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, and Form 8955-SSA, Annual Registration Statement Identifying Separated Participants with Deferred Vested Benefits. See the back of Form 4419 for detailed instructions.

.02 Electronically filed returns may not be submitted to IRS/IRB until the application has been approved. Please read the instructions on the back of Form 4419 carefully. Form 4419 is included in 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 **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/IRB uses the TCC to identify payers/transmitters and to track files through the processing system.

.04 IRS/IRB 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/IRB for the payer. Other service bureaus will prepare the file and return the file to the payer for submission to IRS/IRB. 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/IRB at least 30 days before the due date of the return(s) for current year processing. This allows IRS/IRB the time necessary to process and respond to applications. Form 4419 may be faxed to IRS/IRB at **877-477-0572**. In the event that computer equipment or software is not compatible with IRS/IRB, 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/IRB. Payers who know that the assigned TCC will no longer be used are requested to notify IRS/IRB 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/IRB and wishes to prepare the 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 should be used for all departments.

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

.10 If **any** of the information (name, EIN, or address) on Form 4419 changes, notify IRS/IRB in writing by fax or mail to update the IRS/IRB database. Include the TCC in all correspondence.

.11 Approval to file does not imply endorsement by IRS/IRB 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 four years all information returns when backup withholding is imposed.
- (b) 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 apply:

Due Dates

Forms 1097-BTC, 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> <p>*February 15, for Forms 1099-B and 1099-S</p> <p>*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.</p>
<p>Forms 5498*, 5498-SA and 5498-ESA Forms 5498 and 5498-SA</p> <p>Form 5498-ESA</p>	<p>Participant Copy — May 31* IRS Copy — May 31</p> <p>Participant Copy — April 30</p> <p>*Participant copy of Form 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/IRB, but contained erroneous information.
- While IRS/IRB encourages electronic filing of corrections, filers may file up to 249 paper corrections even though the originals were filed electronically.
- **DO NOT SEND THE ENTIRE ORIGINAL FILE AGAIN.** Only correct the information returns that were erroneous.
- 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 a correction file, review the correction guidelines chart carefully.
- 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.

.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

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 that waiver.

.02 Corrections should be filed as soon as possible. Corrections filed after August 1 may be subject to the maximum penalty of \$100 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 *2011 General Instructions for Certain Information Returns*. 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 the entire original 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 filer 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 by IRS 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 the original file, they must not code these documents as corrections. The file must be coded and submitted as original.

.06 If a payer realizes duplicate reporting has occurred, IRS/IRB 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, the IRS/IRB underreporter section should be contacted at 1-866-455-7438 for additional requirements.

.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." A separate transmission must be made for each tax year.

.09 In general, filers should submit corrections for returns filed within the last three calendar years (four years if backup withholding under section 3406 of the Code was imposed 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/IRB 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/IRB (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 payees. The account number is required if there are multiple accounts for a recipient for whom more than one information return of the same type is being filed. This number will 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 must appear on the initial return and on the corrected return for IRS 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 the 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 must 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, and/or payee name 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) 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.

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/IRB 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 must be the End of Transmission "F" Record.

Note 4: See the 2011 General Instructions for Certain Information Returns 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/IRB for any forms filed electronically.** This may result in duplicate filing and erroneous notices could be generated.

.02 Payers are responsible for providing statements to the payees as outlined in the *2011 General Instructions for Certain Information Returns*. 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, 1097, 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/IRB 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.

.01 The Combined Federal/State Filing (CF/SF) Program was established to simplify information returns filing for payers. IRS/IRB 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/IRB between November 1, 2011, and *February 15, 2012*.

.03 If the test file is coded for the Combined Federal/State Filing Program and is acceptable, an approval letter will be sent.

.04 A test file is only required for the first year a filer applies to participate in the program. However, it is highly recommended that a test file be submitted every year. Each record, both in the test and the actual data file, must conform to the current Revenue Procedure.

.05 Within two days after a file has been submitted, a filer will be notified via e-mail as to the acceptability of the file if a valid e-mail address was provided on the “Verify Your Filing Information” screen. If using e-mail filtering software, configure 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.test.irs.gov> to determine what errors are in the file by clicking on CHECK FILE STATUS. If the test file was unacceptable a new test file can be transmitted no later than February 15, 2012.

.06 Only code the records for participating states.

.07 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 is duplicate reporting.

.08 Some participating states require separate notification that the payer is filing in this manner. IRS/IRB acts as a forwarding agent only. It is the payer’s responsibility to contact the appropriate states for further information.

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

.10 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.

.11 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.

.12 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 24 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 24. "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:

- **\$30 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 \$250,000 per year (\$75,000 for small businesses).
- **\$60 per information return** if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$500,000 per year (\$200,000 for small businesses).
- **\$100 per information return** if you file after August 1 or you do not file required information returns; maximum penalty \$1.5 million per year (\$500,000 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 \$250 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 the *2011 General Instructions for Certain Information Returns*.

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 ZIP Codes beginning with 090–098, AA for ZIP 340, and AP for ZIP Codes 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 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 2:00 a.m. to 5:00 a.m. ET for programming updates and for two weeks at the end of the year for yearly updates. The FIRE system will not be available for submissions during these times.

Sec. 1. General

.01 Electronic filing of Forms 1097, 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 8935, Airline Payments Report, originals, corrections, and replacements may also be filed electronically.

.02 All electronic filing of information returns are received at IRS/IRB via the FIRE (Filing Information Returns Electronically) system. To connect to the FIRE system, point the 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/IRB.

.04 Files submitted to IRS/IRB electronically must be in standard ASCII code. Do not send paper forms with the same information as electronically submitted files. This creates 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. Filers that do not already have a User ID and password should 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. Filers should print the approval page for their 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 must create their own User ID, password and PIN (Personal Identification Number). See Part B, Sec. 5, for more information about PIN requirements.

.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 eight alpha/numeric characters containing at least one uppercase, one lowercase, and one numeric. Filers who forget their password or PIN, can call **1-866-455-7438** for assistance. *The FIRE system requires users to change passwords every 90 days or at the first logon attempt after that time period.* Users can change passwords at any time from the Main Menu. *The previous 24 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 2011 (returns to be filed in 2012), it must be submitted to IRS/IRB no earlier than **November 1, 2011**, and no later than **February 15, 2012**. *To connect to the FIRE Test System, point the browser to <http://fire.test.irs.gov>.*

.02 IRS/IRB 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 about 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 eleven "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/IRB 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 software reflects any programming changes.

.06 Filers who encounter problems while transmitting the electronic test file can contact IRS/IRB at **866-455-7438** for assistance.

.07 Within two days after a file has been submitted, filers will be notified via e-mail as to the acceptability of the file, if a valid e-mail address was provided on the "Verify Your Filing Information" screen. If using e-mail filtering software, configure 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.test.irs.gov> to determine what errors are in the file by clicking on CHECK FILE STATUS.* If the results indicate:

- (a) **"Good, Federal Reporting"** – The test file is good for federal reporting only.
- (b) **"Good, Federal/State Reporting"** – The file is good for the Combined Federal and State Filing Program (see Part A, Section 10, for further details).
- (c) **"Bad"** – The test file contains errors. Click on the filename for a list of the errors.

(d) **“Not Yet Processed”** — The file has been received, but results are not available. Please check back in a few days.

Sec. 4. Electronic Submissions

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

.02 The **FIRE system will be down from 6 p.m. ET December 16, 2011, through January 3, 2012**. This allows IRS/IRB to make yearly updates to reflect current year changes. In addition, the FIRE system may be down every Wednesday from 2:00 a.m. to 5:00 a.m. ET for programming updates.

.03 A file may not exceed 2.5 million records. When sending files larger than 10,000 records electronically, data compression is encouraged. WinZip and PKZIP are the only acceptable compression packages. IRS/IRB 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.** If you are having trouble transmitting files with a scripting process, please contact IRS/IRB at **1-866-455-7438** for assistance.

.04 The FIRE system can accept multiple files for the same type of return providing duplicate data is not transmitted. For example, if a company has several branches issuing Forms 1099-INT, 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 the submission type, the filer's TCC and a four-digit sequence number. The sequence number will be incremental for every file sent. For example, if this is the first original file for the calendar year and the TCC is 44444, the IRS assigned filename would be ORIG.44444.0001. **Record the filename.** This information will be needed by IRS/IRB 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/IRB, 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/IRB 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 ten (10) numeric characters when establishing an 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. Authorized agents 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 there is a problem with a PIN, filers should call **1-866-455-7438** for assistance.

.03 If the file is good, it is released for mainline processing after ten (10) calendar days from receipt. Contact IRB at **1-866-455-7438** within this ten (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, 1097, 1098, 1099, 3921, 3922, 5498, 8027, 8935, 8955-SSA and W-2G.

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

.03 Within two days of file submission, a filer will be notified via e-mail as to the acceptability of the file, if a valid e-mail address was provided on the “Verify Your Filing Information” screen. If using e-mail filtering software, configure 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> (or <http://fire.test.irs.gov> if a test file) to determine what errors are in the file by clicking on **CHECK FILE STATUS**.

Sec. 7. Connecting to the FIRE system

.01 Have the TCC and TIN available before connecting.

.02 Turn off pop-up blocking software before transmitting files.

.03 Make sure the browser supports the security standards listed below.

.04 Set the browser to receive “cookies.” Cookies are used to preserve the User ID status.

.05 Point the browser to <http://fire.irs.gov> to connect to the FIRE system or <http://fire.test.irs.gov> to connect to the FIRE test system (Nov 1 through Feb. 15).

.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

TLS 1.0 Specifications

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)

First time connection to the FIRE system (If there has been a previous logon, skip to “Subsequent Connections to the FIRE system.”)

—Click “**Create New Account**”

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

—Create **User ID**

—Create and verify **password** (The password is user created and must be eight alpha/numeric characters, containing at least one uppercase, one lowercase, one numeric and cannot contain the User ID. *The FIRE system requires passwords to be changed every 90 days or at the first logon attempt after 90 days. The previous 24 passwords cannot be used.*)

—Click “**Create**”

—If the message “**Account Created**” is received, click “**OK**”

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

—Click “**Submit**”

—If the message “**Your PIN has been successfully created!**” is received, click “**OK**”

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

Subsequent connections to the FIRE System

—Click “**Log On**”

—Enter the **User ID**

—Enter the **Password** (the password is case sensitive).

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

Uploading a file to the FIRE System

At the Menu Options:

—Click “**Send Information Returns**”

—Enter the **TCC**

—Enter the **TIN**

—Click “**Submit**”

Uploading a file to the FIRE System

The system will 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 the transmission. Update as appropriate and/or click **“Accept”**.

Note: Please provide an accurate e-mail address for the correct person to receive the e-mail and to avoid having the e-mail returned to IRS/IRB as undeliverable. If SPAM filtering software is being used, configure it to allow an e-mail from fire@irs.gov and irs.e-helpmail@irs.gov.

—Click one of the following:

Original File

Replacement File

Correction File

Test File (This option will only be available from November 1 through February 15 at <http://fire.test.irs.gov>.)

—Enter the ten-digit PIN (If sending a test file, there is no prompt for this.)

—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 the IRS assigned filename for the file. **IF THIS INFORMATION IS NOT DISPLAYED ON THE SCREEN, IRS/IRB MAY NOT HAVE RECEIVED THE FILE.** To verify, go to the **“CHECK FILE STATUS”** option on the Main Menu. If the filename is displayed, the count is equal to **“0,”** and the results indicate **“not yet processed,”** IRB received the file. If the filename is not displayed, send the file again.

If there are more files to upload for that TCC:

—Click **“File Another?”** otherwise,

—Click **“Main Menu”**

It is the filer’s responsibility to check the acceptability of submitted files. If an e-mail is not received within two business days or an e-mail is received and it indicates the file is bad, log back into the FIRE system and click on **“CHECK FILE STATUS” to view the results of the file(s).**

Checking the 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 the FILE STATUS. If the results in the e-mail indicate **“Good, not Released”** and the **“Count of Payees”** is correct, the filer is finished with this file. If the e-mail indicates any other results, follow the instructions below.

At the Main Menu:

—Click **“Check File Status”**

—Enter the **TCC**

—Enter the **TIN**

—Click **“Search”**

If the results on <http://fire.irs.gov> indicate:

“Good, Not Released” – If the **“Count of Payees”** is correct, the filer is finished with this file. The file will automatically be released after ten calendar days unless the filer contacts IRB within this timeframe.

“Good, Released” – The file has been released to our mainline processing.

“Bad” – The file has errors. Click on the filename to view the error message(s), fix the errors, and resubmit the file timely as a **“replacement”**.

“Not yet processed” – The file has been received, but results are not available. Please check back in a few days.

—When finished, click **“Log Out”**

—Click **“Close Web Browser”**

Sec. 8. Common Problems and Questions

IRS/IRB 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/IRB 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/IRB. These problems may result in IRS/IRB requesting replacement files.

1. Discrepancy between IRS/IRB 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 numeric and right-justified. Unused positions must be zero (0) filled. Do not use blanks in money amount fields.

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 must 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 year data.

5. Incorrect use of Test Indicator.

When sending a test file, position 28 of the Transmitter “T” Record must contain a “T”, otherwise the position should be blank filled. 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” records must consist of nine numeric characters 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), refer to the chart 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 and in ascending order. Unused positions must be blank filled. 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 Code field.

NON-FORMAT ERRORS

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

To receive e-mails concerning files, processing results, reminders, and notices, set the 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 the 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.

Generally, the results of a 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 the FILE STATUS. If the results in the e-mail indicate “Good, Not Released” and the “Count of Payees” is correct, the filer is finished with this file. If any other results are received, follow the instructions in the “Check File Status” option. If the file contains errors, get an online listing of the errors. If the file is good, but the file should not be processed, contact IRS/IRB within ten calendar days of the transmission of the file.

4. Incorrect file is not replaced timely.

If a file is bad, fix the file, and resubmit timely 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. Improper submission can result in duplicate reporting of payee information.

6. Transmitter sends a file and “CHECK FILE STATUS” indicates that the file is good, but the transmitter wants to send another file containing the same information.

Once a file has been transmitted, a replacement file cannot be sent unless the “CHECK FILE STATUS” indicates the file is bad (one to two business days after the file was transmitted). If a file should not be processed, contact IRS/IRB at **1-866-455-7438** within ten calendar days to see if this is a possibility.

7. Transmitter compresses several files into one.

Only compress one file at a time. For example, if there are ten uncompressed files to send, compress each file separately and send ten separate compressed files.

8. File is formatted as EBCDIC.

All files submitted electronically must be in standard ASCII code.

9. Transmitter has one TCC, but is filing for multiple companies. Which TIN should be used when logging into the FIRE system to send a file?

When sending the file electronically, enter the TIN of the company assigned to the TCC. The uploaded file must contain the TINs of the businesses (payers) that made payments that are subject to reporting on information returns. The payer TIN is the information that will be passed forward.

10. Transmitter sent the wrong file. What should be done?

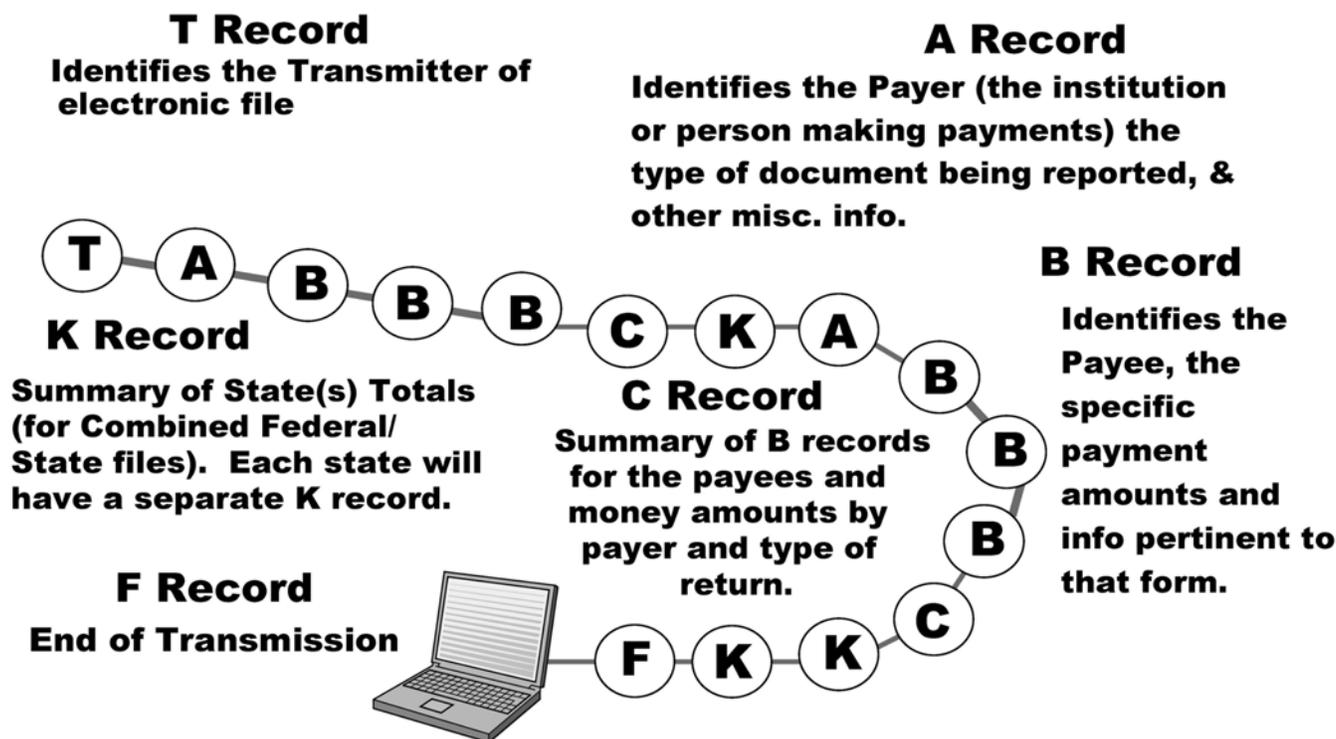
Call IRS/IRB at **1-866-455-7438**. IRB may be able to stop the file before it has been processed.

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/IRB 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/IRB 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 "2011." If reporting prior year data report the year which applies (2010, 2009, 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 the tax year is 2011.
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/IRB. 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 information 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 and fill unused positions with blanks.
281-295	Blank	15	Enter blanks.
296-303	Total Number of Payees	8	Enter the total number of Payee "B" Records reported in the file. Right-justify information and fill unused positions with zeros.
304-343	Contact Name	40	Required. Enter the name of the person to be contacted if IRS/IRB encounters problems with the file or transmission.

Record Name: Transmitter "T" Record (Continued)

Field Position	Field Title	Length	Description and Remarks						
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/IRB 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 the 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 the file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on the file and the file can have only one "T" Record. Each record, thereafter, must be incremental 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 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 the software used to produce this file was provided by a vendor or produced in-house. <table border="0"> <thead> <tr> <th align="left"><u>Indicator</u></th> <th align="left"><u>Usage</u></th> </tr> </thead> <tbody> <tr> <td>V</td> <td>The software was purchased from a vendor or other source.</td> </tr> <tr> <td>I</td> <td>The software was produced by in-house programmers.</td> </tr> </tbody> </table>	<u>Indicator</u>	<u>Usage</u>	V	The software was purchased from a vendor or other source.	I	The software was produced by in-house programmers.
<u>Indicator</u>	<u>Usage</u>								
V	The software was purchased from a vendor or other source.								
I	The software was produced by in-house programmers.								
Note: In-house programmer is defined as an employee or a hired contract programmer. If the 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 the software was purchased.						
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.						
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 and fill unused positions with blanks.						
650-689	Vendor Contact Name	40	Required. Enter the name of the person to be contacted concerning any software questions.						

Record Name: Transmitter "T" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
690-704	Vendor Contact Phone 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 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 99,000.

.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 "2011." If reporting prior year data report the year which applies (2010, 2009, etc.).
6	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 the Combined Federal/State Filing Program, there must be coding in the Payee "B" Records and the State Totals "K" Records.			
Note 2: If "1" (one) is entered 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. Review the table carefully as some states have dropped out of the program.			
7-11	Blank	5	Enter blanks.
12-20	Payer's Taxpayer Identification Number (TIN)	9	Required. Enter 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).			

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks																																																												
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, determine the name control using the following simple rules or 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 a blank.																																																												
26-27	Type of Return	2	<p>Required. Enter the appropriate code from the table below. Left-justify information and fill unused positions with blanks.</p> <table border="1"> <thead> <tr> <th><u>Type of Return</u></th> <th><u>Code</u></th> </tr> </thead> <tbody> <tr><td>1097-BTC</td><td>BT</td></tr> <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-K</td><td>MC</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>	1097-BTC	BT	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-K	MC	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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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																																																														
28-43	Amount Codes (See Note.)	16	<p>Required. Enter the appropriate amount code(s) 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 information and fill unused positions with blanks.</p>																																																												

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 Tax Credit	Form 1097-BTC — Bond		For Reporting Bond Tax Credit on Form 1097-BTC:
		<u>Amount Code</u>	<u>Amount Type</u>
		3	<i>Other Allowance Date Credit</i>
		4	March 15, 2011 Allowance Date Credit
		5	June 15, 2011 Allowance Date Credit
		6	September 15, 2011 Allowance Date Credit
		7	December 15, 2011 Allowance Date Credit
Amount Codes Interest Statement	Form 1098 — Mortgage		For Reporting Mortgage Interest Received From Payers/Borrowers (Payer of Record) on Form 1098:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Mortgage interest received from payer(s)/borrower(s)
		2	Points paid on purchase of principal residence
		3	Refund (or credit) of overpaid interest
		4	Mortgage Insurance Premiums
		5	Blank (Filer's use)
Amount Codes and Airplanes	Form 1098-C — Contributions of Motor Vehicles, Boats,		For Reporting Gross Proceeds From Sales on Form 1098-C:
		<u>Amount Code</u>	<u>Amount Type</u>
		4	Gross proceeds from sales
		6	Value of goods or services in exchange for vehicle
Amount Code Loan Interest	Form 1098-E — Student		For Reporting Interest on Student Loans on Form 1098-E:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Student loan interest received by lender
Amount Codes Statement	Form 1098-T — Tuition		For Reporting Tuition Payments on Form 1098-T:
		<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

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
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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** — For Reporting the Acquisition or Abandonment of Secured Property on Form 1099-A:
 Acquisition or Abandonment of Secured Property

<u>Amount Code</u>	<u>Amount Type</u>
2	Balance of principal outstanding
4	Fair market value of property

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 2011 (See Note 2.)
7	Unrealized profit (or loss) on open contracts - 12/31/2010 (See Note 2.)
8	Unrealized profit (or loss) on open contracts - 12/31/2011 (See Note 2.)
9	Aggregate profit (or loss) (See Note 2.)
A	<i>Cost or other basis</i>
B	<i>Wash sale loss disallowed</i>

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** — For Reporting Payments on Form 1099-C:
 Cancellation of Debt

<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** — For Reporting Payments on Form 1099-CAP:
 Changes in Corporate Control and Capital Structure

<u>Amount Code</u>	<u>Amount Type</u>
2	Aggregate amount received

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
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
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	Market Gain
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

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes	Form 1099-INT —		For Reporting Payments on Form 1099-INT:
Interest Income			
		<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
<i>Amount Codes</i>	<i>Form 1099-K — Merchant Card and Third Party Network Payments</i>		
		<u>Amount Code</u>	<u>Amount Type</u>
		<i>1</i>	<i>Gross amount of merchant card/third party network payments</i>
		<i>5</i>	<i>January payments</i>
		<i>6</i>	<i>February payments</i>
		<i>7</i>	<i>March payments</i>
		<i>8</i>	<i>April payments</i>
		<i>9</i>	<i>May payments</i>
		<i>A</i>	<i>June payments</i>
		<i>B</i>	<i>July payments</i>
		<i>C</i>	<i>August payments</i>
		<i>D</i>	<i>September payments</i>
		<i>E</i>	<i>October payments</i>
		<i>F</i>	<i>November payments</i>
		<i>G</i>	<i>December payments</i>
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

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
Amount Codes Miscellaneous Income (See Note 1.)	Form 1099-MISC —		For Reporting Payments on Form 1099-MISC:
		<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 only reporting a direct sales indicator (see "B" record field position 547), use Type of Return "A" in Field Positions 26–27, 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 Original Issue Discount	Form 1099-OID —		For Reporting Payments on Form 1099-OID:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Original issue discount for 2011
		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 Taxable Distributions Received From Cooperatives	Form 1099-PATR —		For Reporting Payments on Form 1099-PATR:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Patronage dividends
		2	Nonpatronage distributions
		3	Per-unit retain allocations
		4	Federal income tax withheld (backup withholding)
		5	Redemption of nonqualified notices and retain allocations
		6	Deduction for qualified production activities income

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
			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.)
B	<i>Amount allocable to IRR within 5 years</i>

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.

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. If lump-sum timber payments are being reported, enter "LUMP-SUM TIMBER PAYMENT" in the description field of the "B" record.

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
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 422(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(b)		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
		8	Exercise price per share determined as if the option was exercised on the date the option was granted
Amount Codes	Form 5498 — IRA Contribution		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

Note 1: If reporting IRA contributions for a participant in a military operation, see the 2011 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 <i>2011</i> and <i>2012</i> for <i>2011</i>
		2	Total contributions made in <i>2011</i> (See the <i>2011</i> Instructions.)
		3	Total HSA/MSA contributions made in <i>2012</i> for <i>2011</i>
		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 2011 after a distribution from another MSA. For detailed information on reporting, see the 2011 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 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
<i>44-51</i>	<i>Blank</i>	<i>8</i>	<i>Enter blanks.</i>
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.)

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
93-132	Second Payer Name Line	40	If the Transfer (or Paying) Agent Indicator (position 133) contains a "1" (one), this field must contain the name of the transfer (or paying) agent. If the indicator contains a "0" (zero), this field may contain either a continuation of the First Payer Name Line or blanks. Left-justify information and fill unused positions with blanks.
133	Transfer Agent Indicator	1	Required. Identifies the entity in the Second Payer Name Line Field.
		<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.
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 52 must contain a "1" (one).			
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 Telephone 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 the file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on the file and the file can have only one "T" Record. Each record, thereafter, must be incremental 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 the final record of the file, the "F" Record.
508-748	Blank	241	Enter blanks.

Record Name: Payer "A" Record (Continued)

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

Sec. 6. Payer "A" Record — Record Layouts

Record Type	Payment Year	Combined Federal/State Filer	Blank	Payer TIN	Payer Name Control	Last Filing Indicator
1	2-5	6	7-11	12-20	21-24	25

Type of Return	Amount Codes	Blank	Foreign Entity Indicator	First Payer Name Line
26-27	28-43	44-51	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 Telephone 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 **sixteen** Payment Amount Fields. **For those fields not used, enter "0" (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 filers. The information will not be used by IRS/IRB.

.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 "2011." If reporting prior year data, report the year which applies (2010, 2009, etc.).								
6	Corrected Return Indicator (See Note.)	1	<p>Required for corrections only. Indicates a corrected return. Enter the appropriate code from the following table.</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Code</u></th> <th style="text-align: left;"><u>Definition</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">G</td> <td>If this is a one-transaction correction or the first of a two-transaction correction</td> </tr> <tr> <td style="padding-left: 20px;">C</td> <td>If this is the second transaction of a two-transaction correction</td> </tr> <tr> <td style="padding-left: 20px;">Blank</td> <td>If this is not a return being submitted to correct information already processed by IRS</td> </tr> </tbody> </table>	<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
<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										
<p>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.</p>											
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 is usually 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 embedded 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, e.g., for Van Elm, the name control would be VANE. For a sole proprietorship, use the name of the owner to create the name control and report the owner's name in positions 248-287, First Payee Name Line.								

Note: Embedded 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.

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
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The following examples may be helpful to filers in developing the Name Control:

<u>Name</u>	<u>Name Control</u>
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Individuals:

Jane Brown	BROW
John A. Lee	LEE*
James P. En , Sr.	EN*
John O'Neil	ONEI
Mary Van Buren	VANB
Juan De Jesus	DEJE
Gloria A. El-Roy	EL-R
Mr. John Smith	SMIT
Joe McCarthy	MCCA
Pedro Torres-Lopes **	TORR
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 and Bess Willow	ASPE
Harold Fir , Bruce Elm, and Joyce Spruce et al Ptr	FIR*

Estate:

Frank White Estate	WHIT
Estate of Sheila Blue	BLUE

Trusts and Fiduciaries:

Daisy Corporation Employee Benefit Trust	DAIS
Trust FBO The Cherryblossom Society	CHER

Exempt Organizations:

Laborer's Union, AFL-CIO	LABO
St. Bernard's Methodist Church Bldg. Fund	STBE

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

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

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks																		
11	Type of TIN	1	<p>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:</p> <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> <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>	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	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>																			
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																			
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	<p>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.</p>																		
<p>Note: If filer is required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the 2011 General Instructions for Certain Information Returns for reporting instructions.</p>																					
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. 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	<p>Enter the office code of the payer; otherwise, enter blanks. For payers with multiple locations, this field may be used to identify the location of the office submitting the information returns. This code will also appear on backup withholding notices.</p>																		

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	The amount reported in this field represents payments for Amount Code F in the "A" Record.

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 Lines.
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 information 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 a filer is required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the 2011 General Instruction for Certain Information Returns.			
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. Do not enter address information. It is important that filers provide as much payee information to IRS/IRB as possible to identify the payee associated with the TIN. Left-justify information and fill unused positions with blanks. See the Note above under the First Payee Name Line.
328–367	Blank	40	Enter blanks.
368–407	Payee Mailing Address	40	Required. Enter the mailing address of the payee. The street address should include number, street, apartment or suite number, or PO Box if mail is not delivered to a 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 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 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 the file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on the file and the file can have only one "T" Record in a file. Each record, thereafter, must be incremental 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 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 1097-BTC
- (2) Form 1098
- (3) Form 1098-C
- (4) Form 1098-E
- (5) Form 1098-T
- (6) Form 1099-A
- (7) Form 1099-B
- (8) Form 1099-C
- (9) Form 1099-CAP
- (10) Form 1099-DIV*
- (11) Form 1099-G*
- (12) Form 1099-H
- (13) Form 1099-INT*
- (14) *Form 1099-K*
- (15) Form 1099-LTC
- (16) *Form 1099-MISC**
- (17) Form 1099-OID*
- (18) Form 1099-PATR*
- (19) Form 1099-Q
- (20) Form 1099-R*
- (21) Form 1099-S
- (22) Form 1099-SA
- (23) Form 3921
- (24) Form 3922
- (25) Form 5498*
- (26) Form 5498-ESA
- (27) Form 5498-SA
- (28) Form W-2G
- (29) Form 5498*
- (30) Form 5498-ESA
- (31) Form 5498-SA
- (32) Form 8935
- (33) Form W-2G

* These forms may be filed through the Combined Federal/State Filing Program. IRS/IRB 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 1097-BTC

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.

(1) Payee “B” Record — Record Layout Positions 544–750 for Form 1097-BTC (Continued)

Field Position	Field Title	Length	Description and Remarks						
547	Issuer Indicator	1	Required. 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>Issuer of bond or its agent filing initial 2011 Form 1097-BTC for credit being reported</td> </tr> <tr> <td>2</td> <td>An entity that received a 2011 Form 1097-BTC for credit being reported</td> </tr> </tbody> </table>	Indicator	Usage	1	Issuer of bond or its agent filing initial 2011 Form 1097-BTC for credit being reported	2	An entity that received a 2011 Form 1097-BTC for credit being reported
Indicator	Usage								
1	Issuer of bond or its agent filing initial 2011 Form 1097-BTC for credit being reported								
2	An entity that received a 2011 Form 1097-BTC for credit being reported								
548–555	Blanks	8	Enter blanks.						
556–563	Other Allowance Date	8	Enter other allowance date formatted as YYYYMMDD. Otherwise, enter blanks.						
564–576	Other Allowance Identification Number	13	Enter the unique identification number assigned to the bond. This can be an alpha/numeric identifier such as the CUSIP number. Right-justify information and fill unused positions with blanks.						
577–589	March Allowance Identification Number	13	Enter the unique identification number assigned to the bond. This can be an alpha/numeric identifier such as the CUSIP number. Right-justify information and fill unused positions with blanks.						
590–602	June Allowance Identification Number	13	Enter the unique identification number assigned to the bond. This can be an alpha/numeric identifier such as the CUSIP number. Right-justify information and fill unused positions with blanks.						
603–615	September Allowance Identification Number	13	Enter the unique identification number assigned to the bond. This can be an alpha/numeric identifier such as the CUSIP number. Right-justify information and fill unused positions with blanks.						
616–628	December Allowance Identification Number	13	Enter the unique identification number assigned to the bond. This can be an alpha/numeric identifier such as the CUSIP number. Right-justify information and fill unused positions with blanks.						
629–662	Blank	33	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 1097-BTC

Blank	Issuer Indicator	Blank	Other Allowance Date	Other Allowance Identification Number	March Allowance Identification Number
544–546	547	548–555	556–563	564–576	577–589

June Allowance Identification Number	September Allowance Identification Number	December Allowance Identification Number	Blank	Special Data Entries	Blank	Blank or CR/LF
590–602	603–615	616–628	629–662	663–722	723–748	749–750

(2) 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.
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

(3) 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 the vehicle. Left-justify information 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 information 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 information 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, 2011, would be 20110105). 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="0"> <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								

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

Field Position	Field Title	Length	Description and Remarks
661	Intangible Religious Benefits Indicator	1	Enter a "1" (one) if only intangible religious benefits were provided in exchange for the vehicle; otherwise, enter blanks.
662	Deduction \$500 or Less Indicator	1	Enter a "1" (one) if under the law the donor cannot claim a deduction of more than \$500 for the vehicle; otherwise, 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.
723–730	Date of Sale	8	Enter the date of sale, in the format YYYYMMDD (e.g., January 5, 2011, would be 20110105). Do not enter hyphens or slashes.
731–746	Goods and Services	16	Enter a description of any goods and services received for the vehicle; otherwise, enter blanks. Left-justify information and fill unused positions with blanks.
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 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
652–659	660	661	662	663–722	723–730	731–746	747–748

Blank or CR/LF
749–750

(4) 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	Origination Fees/Capitalized Interest Indicator	1	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.
548–662	Blank	115	Enter blanks.

(4) Payee “B” Record — Record Layout Positions 544–750 for Form 1098-E (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.
723–748	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

(5) 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	Required. Enter “1” (one) if the student was at least a half-time student during any academic period that began in 2011. Otherwise, enter a blank.
548	Graduate Student Indicator	1	Required. 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 2011. Otherwise, enter a blank.
550	Method of Reporting 2010 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 2010 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

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

Field Position	Field Title	Length	Description and Remarks						
544–546	Blank	3	Enter blanks.						
547	Personal Liability Indicator	1	Enter the appropriate indicator from the table below: <table border="0"> <tr> <td>Indicator</td> <td>Usage</td> </tr> <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> </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, 2011, would be 20110105). 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

(7) 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	<i>Non-covered Security Indicator</i>	1	<i>Enter a “1” (one) for a non-covered security; otherwise, enter a blank.</i>						
546	<i>Type of Gain or Loss Indicator</i>	1	<i>Enter the appropriate indicator from the following table, to identify the amount reported in Amount Code 2; otherwise, enter a blank.</i> <table><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Short term</td></tr><tr><td>2</td><td>Long term</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Short term	2	Long term
<u>Indicator</u>	<u>Usage</u>								
1	Short term								
2	Long term								
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 (e.g., January 5, 2011, would be 20110105). 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 (e.g., 100 shares of XYZ Corp). For regulated futures and forward contracts, enter “RFC” or other appropriate description. For bartering transactions, show the services or property provided. If fewer than 39 characters are required, left-justify information and fill unused positions with blanks.						
608–615	<i>Date of Acquisition</i>	8	<i>Enter the date of acquisition in the format YYYYMMDD (e.g., January 5, 2011, would be 20110105). Enter blanks if this is an aggregate transaction. Do not enter hyphens or slashes.</i>						
616–625	<i>Blank</i>	10	<i>Enter blanks.</i>						
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.)						

(7) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-B (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	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)	Non-covered Security Indicator	Type of Gain or Loss Indicator	Gross Proceeds Indicator	Date of Sale or Exchange	CUSIP Number	Description	Date of Acquisition
544	545	546	547	548–555	556–568	569–607	608–615

Blank	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

(8) 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, 2011, would be 20110105). 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	Personal Liability Indicator	1	Enter "1" (one) if the borrower is personally liable for repayment or leave blank if not personally liable for repayment.
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.

(8) 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	Personal Liability 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

(9) 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 (<i>e.g.</i> , January 5, 2011, would be 20110105). 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 numbers 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

(10) 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

(11) 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"> <thead> <tr> <th style="text-align: left;"><u>Indicator</u></th> <th style="text-align: left;"><u>Usage</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Income tax refund applies exclusively to a trade or business.</td> </tr> <tr> <td>Blank</td> <td>Income tax refund is a general tax refund.</td> </tr> </tbody> </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 was made, not the tax year of Form 1099-G. The tax year must be in the four-position format of YYYY (e.g., 2010). The valid range of years for the refund is 2001 through 2010.						
<p>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.</p>									
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

(12) 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 the recipient is eligible for health insurance advance payments. Right-justify information and fill unused positions with blanks.
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

(13) 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.
587-599	CUSIP Number	13	Enter CUSIP Number. If the tax-exempt interest is reported in the aggregate for multiple bonds or accounts, enter: VARIOUS. Right-justify information and fill unused positions with blanks.
600-662	Blank	63	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.

(13) 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	CUSIP Number	Blank	Special Data Entries
544	545–546	547–586	587- 599	600–662	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

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

Field Position	Field Title	Length	Description and Remarks								
544–546	Blank	3	Enter blanks.								
547	Type of Filer Indicator	1	Required. Enter the appropriate indicator from the following table; otherwise, enter blanks. <table border="0"> <thead> <tr> <th><u>Indicator</u></th> <th><u>Usage</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Payment Settlement Entity (PSE)</td> </tr> <tr> <td>2</td> <td>Electronic Payment Facilitator (EPF)</td> </tr> <tr> <td>3</td> <td>Third Party Payer (TPP)</td> </tr> </tbody> </table>	<u>Indicator</u>	<u>Usage</u>	1	Payment Settlement Entity (PSE)	2	Electronic Payment Facilitator (EPF)	3	Third Party Payer (TPP)
<u>Indicator</u>	<u>Usage</u>										
1	Payment Settlement Entity (PSE)										
2	Electronic Payment Facilitator (EPF)										
3	Third Party Payer (TPP)										
548–564	Blank	17	Enter blanks.								
565–604	Payment Settlement Entity's Name	40	Enter the payment settlement entity's name if different from the filers name; otherwise, enter blanks. Left-justify information, and fill unused positions with blanks.								

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

Field Position	Field Title	Length	Description and Remarks
605–608	Merchant Category Code(MCC)	4	Required. Enter the Merchant Category Code(MCC) Right-justify and zero fill. Each MCC must be filled with four numeric characters. Codes can be found in Rev. Proc. 2004–43. If no code is provided, zero fill.
609–748	Blank	140	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-K

<i>Blank</i>	<i>Type of Filer Indicator</i>	<i>Blank</i>	<i>Payment Settlement Entity’s Name</i>	<i>Merchant Category Code</i>	<i>Blank</i>	<i>Blank or CR/LF</i>
544–546	547	548–564	565–604	605–608	609–748	749–750

(15) 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.						
597–636	Address of Insured	40	Required. Enter the address of the insured. The 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 the 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 and fill 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.						

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

Field Position	Field Title	Length	Description and Remarks						
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><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Chronically ill</td></tr><tr><td>2</td><td>Terminally ill</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Chronically ill	2	Terminally ill
<u>Indicator</u>	<u>Usage</u>								
1	Chronically ill								
2	Terminally ill								
689–696	Date Certified (Optional)	8	Enter the latest date of a doctor's certification of the status of the insured's illness. The format of the date is YYYYMMDD (e.g., January 5, 2011, would be 20110105). 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 a 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. Right-justify information and fill unused positions with zeros.						
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 information and fill unused positions with zeros.						
747–748	Blank	2	Enter blanks.						
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.						

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

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

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

(16) 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 <i>only</i>, use Type of Return “A” in Field Positions 26- 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.
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		

(17) 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 (e.g., NYSE XYZ 12/2011). 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.
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 I. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

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

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

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

(18) 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 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-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

(19) 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 a 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										

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

Field Position	Field Title	Length	Description and Remarks
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.
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

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

Field Position	Field Title	Length	Description and Remarks
544	Blank	1	Enter blank.
545–546	Distribution Code (For a detailed explanation of distribution codes, see the <i>2011 Instructions for Forms 1099-R and 5498.</i>) See the chart at the end of this record layout for a diagram of valid combinations of Distribution Codes.	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, 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. Code Category 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

(20) 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>
		6	Section 1035 exchange (a tax-free exchange of life insurance, annuity, qualified long-term care insurance, or endowment contracts)
		7	*Normal distribution
		8	*Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2011
		9	Cost of current life insurance protection (premiums paid by a trustee or custodian for current insurance protection)
		A	May be eligible for 10-year tax option
		B	Designated Roth account distribution
		E	Distribution under Employee Plans Compliance Resolution System (EPCRS)
		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 2011
		P	*Excess contributions plus earnings/excess deferrals taxable in 2010
		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 2010 (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	Distribution from ESOP under Section 404(k).
		W	Charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements.

***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).

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

Field Position	Field Title	Length	Description and Remarks
547	Taxable Amount Not Determined Indicator	1	Enter “1” (one) only if the taxable amount of the payment entered for Payment Amount Field 1 (Gross distribution) of the “B” Record cannot be computed; otherwise, enter a blank. (If the 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.
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 2011 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 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 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.

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

FORM 1099-R DISTRIBUTION CODE CHART 2011

POSITION 546

	blank	1	2	3	4	5	6	7	8	9	A	B	E	F	G	H	J	L	N	P	Q	R	S	T	U	W	
P O S I T I O N	1	X							X			X						X		X							
	2	X							X			X								X							
	3	X																									
	4	X							X		X	X			X	X		X		X							
	5	X																									
	6	X																								X	
	7	X										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		
	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														
	W	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

(21) 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, 2011 would be 20110105). 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

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

Field Position	Field Title	Length	Description and Remarks														
544	Blank	1	Enter blank.														
545	Distribution Code	1	<p>Required. Enter the applicable code from the table below to indicate the type of payment.</p> <table border="1"> <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 the year of death to a nonspouse beneficiary. (Do not use for a 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 the year of death to a nonspouse beneficiary. (Do not use for a 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 the year of death to a nonspouse beneficiary. (Do not use for a 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

(23) 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 the date the option was granted as YYYYMMDD (<i>e.g.</i> January 5, 2011, would be 20110105). Otherwise, enter blanks.
555-562	Date Option Exercised	8	Enter the date the option was exercised as YYYYMMDD (<i>e.g.</i> January 5, 2011, would be 20110105). Otherwise, enter blanks.
563-570	Number of Shares Transferred	8	Enter the number of shares transferred. Report whole numbers only, using standard rounding rules as necessary. Right-justify information and fill unused positions with zeros. Otherwise, enter blanks.
571-574	Blank	4	Enter blanks.
575-614	If Other Than Transferor Information	40	Enter other than transferor information, left-justify and fill unused positions with blanks. Otherwise, enter blanks.
615-662	Blank	48	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 3921

Blank	Date Option Granted	Date Option Exercised	Number of Shares Transferred	Blank
544-546	547-554	555-562	563-570	571-574

If Other Than Transferor Information	Blank	Special Data Entries	Blank	Blank or CR/LF
575-614	615-662	663-722	723-748	749-750

(24) Payee “B” Record — Record Layout Positions 544–750 for Form 3922

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547–554	Date Option Granted to Transferor	8	Enter the date the option was granted to the transferor as YYYYMMDD (<i>e.g.</i> January 5, 2011 as 20110105). Otherwise, enter blanks.
555–562	Date Option Exercised by Transferor	8	Enter the date the option was exercised by the transferor as YYYYMMDD (<i>e.g.</i> January 5, 2011, as 20110105). Otherwise, enter blanks.
563–570	Number of Shares Transferred	8	Enter the number of shares transferred. Report whole numbers only, using standard rounding rules as necessary. Right-justify information and fill unused positions with blanks. Otherwise, enter blanks.
571–578	Date Legal Title Transferred by Transferor	8	Enter the date the legal title was transferred by the transferor as YYYYMMDD (<i>e.g.</i> January 5, 2011 as 20110105). Otherwise, enter blanks.
579–662	Blank	84	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 3922

Blank	Date Option Granted to Transferor	Date Option Exercised by Transferor	Number of Shares Transferred	Date Legal Title Transferred by Transferor
544–546	547–554	555–562	563–570	571–578

Blank	Special Data Entry Fields	Blank	Blank or CR/LF
579–662	663–722	723–748	749–750

(25) Payee “B” Record — Record Layout Positions 544–750 for Form 5498

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	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.
548	SEP Indicator (Simplified Employee Pension)	1	Required, if applicable. Enter “1” (one) if reporting a rollover (Amount Code 2) or Fair Market Value (Amount Code 5) for a SEP. Otherwise, enter a blank.

(25) Payee “B” Record — Record Layout Positions 544–750 for Form 5498 (Continued)

Field Position	Field Title	Length	Description and Remarks												
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 2012. Otherwise, enter a blank.												
552–555	Year of Postponed Contribution	4	Enter the year in YYYY format. Otherwise, enter blanks.												
556–557	Postponed Contribution Code	2	Required. Enter the two-digit alpha Postponed Contribution Code from the table below. Otherwise, enter blanks. <table border="1"><thead><tr><th><u>Code</u></th><th><u>Category</u></th></tr></thead><tbody><tr><td>AF</td><td>Allied Force</td></tr><tr><td>JE</td><td>Joint Endeavor</td></tr><tr><td>EF</td><td>Enduring Freedom</td></tr><tr><td>IF</td><td>Iraqi Freedom</td></tr><tr><td>FD</td><td>Federally Designated Disaster Area</td></tr></tbody></table>	<u>Code</u>	<u>Category</u>	AF	Allied Force	JE	Joint Endeavor	EF	Enduring Freedom	IF	Iraqi Freedom	FD	Federally Designated Disaster Area
<u>Code</u>	<u>Category</u>														
AF	Allied Force														
JE	Joint Endeavor														
EF	Enduring Freedom														
IF	Iraqi Freedom														
FD	Federally Designated Disaster Area														
558–559	Repayment Code	2	Required. Enter the two character alpha Repayment Code. Otherwise, enter blanks. <table border="1"><thead><tr><th><u>Code</u></th><th><u>Category</u></th></tr></thead><tbody><tr><td>QR</td><td>Qualified Reservist Distribution</td></tr><tr><td>DD</td><td>Federally Designated Disaster Distribution</td></tr></tbody></table>	<u>Code</u>	<u>Category</u>	QR	Qualified Reservist Distribution	DD	Federally Designated Disaster Distribution						
<u>Code</u>	<u>Category</u>														
QR	Qualified Reservist Distribution														
DD	Federally Designated Disaster Distribution														
560–561	Blank	2	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 (<i>e.g.</i> January 5, 2012 as 20120105). 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.												
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

Year of Postponed Contribution	Postponed Contribution Code	Repayment Code	Blank	RMD Date
552–555	556–557	558–559	560–561	562–569

Blank	Special Data Entries	Blank	Combined Federal/State Code	Blank or CR/LF
570–662	663–722	723–746	747–748	749–750

(26) 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

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

(27) 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 a Medicare Advantage MSA. Otherwise, enter a blank.
548	HSA Indicator	1	Enter “1” (one) for an HSA. Otherwise, enter a blank.
549	Archer MSA Indicator	1	Enter “1” (one) for an Archer MSA. Otherwise, enter a blank.
550–662	Blank	113	Enter blanks.

(27) Payee “B” Record — Record Layout Positions 544–750 for Form 5498-SA (Continued)

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

Payee “B” Record - Record Layout Positions 544–750 for Form 5498-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

(28) 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 the first payment as YYYY. Otherwise, enter blanks.
551–554	Year of Second Payment	4	Enter the year of the second payment as YYYY. Otherwise, enter blanks.
555–558	Year of Third Payment	4	Enter the year of the third payment as YYYY. Otherwise, enter blanks.
559–562	Year of Fourth Payment	4	Enter the year of the fourth payment as YYYY. Otherwise, enter blanks.
563–566	Year of Fifth Payment	4	Enter the year of the 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

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

Field Position	Field Title	Length	Description and Remarks																				
544-546	Blank	3	Enter blanks.																				
547	Type of Wager Code	1	<p>Required. Enter the applicable type of wager code from the table below.</p> <table border="0"> <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>Poker Winnings</td> </tr> <tr> <td>9</td> <td>Any other type of gambling winnings</td> </tr> </tbody> </table>	<u>Code</u>	<u>Category</u>	1	Horse race track (or off-track betting of a horse track nature)	2	Dog race track (or off-track betting of a dog track nature)	3	Jai-alai	4	State-conducted lottery	5	Keno	6	Bingo	7	Slot machines	8	Poker Winnings	9	Any other type of gambling winnings
<u>Code</u>	<u>Category</u>																						
1	Horse race track (or off-track betting of a horse track nature)																						
2	Dog race track (or off-track betting of a dog track nature)																						
3	Jai-alai																						
4	State-conducted lottery																						
5	Keno																						
6	Bingo																						
7	Slot machines																						
8	Poker Winnings																						
9	Any other type of gambling winnings																						
548-555	Date Won	8	<p>Required. Enter the date of the winning transaction in the format YYYYMMDD (e.g., January 5, 2011, would be 20110105). 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).</p>																				
556-570	Transaction	15	<p>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.</p>																				
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.																				

(29) Payee "B" Record — Record Layout Positions 544–750 for Form W-2G (Continued)

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

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

Blank	Type of Wager Code	Date Won	Transaction	Race	Cashier	Window	First ID
544–546	547	548–555	556–570	571–575	576–580	581–585	586–600

Second ID	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
601–615	616–662	663–722	723–734	735–746	747–748	749–750

Sec. 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 eighteen 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.

Record Name: End of Payer "C" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
10-15	Blank	6	Enter blanks.
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 eighteen 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 the file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on the file and the file can have only one "T" Record in a file. Each record, thereafter, must be incremental 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 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 Sequence Number	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 eighteen 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 eighteen 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	

**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
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 the file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on the file and the file can have only one "T" Record in a file. Each record, thereafter, must be incremental 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 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 filers. Aggregate totals of the state income tax withheld field in the Payee "B" Records; otherwise, enter blanks.
725–742	Local Income Tax Withheld Total	18	Local income tax withheld total is for the convenience of filers. 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 1.)
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 Sequence Number	Blanks	State Income Tax Withheld Total	Local Income Tax Withheld Total	Blank	Com-bined 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 information and fill unused positions with zeros or enter all zeros.
10-30	Zero	21	Enter zeros.
31-49	Blank	19	Enter blanks.
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 this total was entered in the "T" Record, this field may be blank filled.
58-499	Blank	442	Enter blanks.
500-507	Record Sequence Number	8	Required. Enter the number of the record as it appears within the file. The record sequence number for the "T" Record will always be "1" (one), since it is the first record on the file and the file can have only one "T" Record in a file. Each record, thereafter, must be incremental 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 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 1042-S, 1097, 1098, 1099, 3921, 3922, 5498, 8027 and W-2G.

Note: IRS encourages the payer/transmitter community to utilize the online fill-in form in lieu of the paper Form 8809. Requests for more than one payer must be filed through the Filing Information Returns Electronically (FIRE) system using the Fill-in option. 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 .11 of this Section.)

.03 A paper Form 8809, Application for Extension of Time to File Information Returns, may be submitted to IRS/IRB at the address listed below. This form may be used to request an extension of time to file information returns submitted on paper. A signature is not required when requesting an automatic 30-day extension. Form 8809 may be obtained by calling 1-800-TAX-Form (1-800-829-3676). The form is also available at www.irs.gov. These requests must be sent using the following address:

Internal Revenue Service
Information Returns Branch
Attn: Extension of Time Coordinator
240 Murall Drive, Mail Stop 4360
Kearneysville, WV 25430

Note: Due to the large volume of mail received by IRS/IRB 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.

.04 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/IRB 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, 1997-17 I.R.B. 6, 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/IRB 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 I.R.B. 1030 the actual date of receipt by IRS/IRB will be used as the filing date. The timely mailing rule also applies to furnishing statements to recipients and participants.

.05 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 an extension 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.

.06 **As soon as it is apparent** that a 30-day extension of time to file is needed, an extension request should be submitted. IRS/IRB does not begin processing extension requests until January. It may take up to 30 days for IRS/IRB to respond to a paper extension request. **Extensions completed online via the FIRE System receive instant results.**

.07 Under certain circumstances, a request for an extension of time may be denied. When a denial letter is received, any additional or necessary information must be resubmitted within 20 calendar days.

.08 Requesting an extension of time for multiple payers should be done by completing the online fill-in form via the FIRE System. A separate Form 8809 must be completed online for each payer.

.09 Transmitters requesting an extension of time via an electronic file (see Sec. 3 for the record layout) will receive the file status results online.

.10 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/IRB or to the service center where the paper returns are filed.

.11 If an additional extension of time is needed, a Form 8809 and/or extension file must be sent by the initial extended due date. Check line 3 on the form to indicate that an additional extension is being requested. 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. A second 30-day extension will be approved only in cases of extreme hardship or catastrophic event. Be sure to include the reason an additional extension is needed. **If requesting a second 30-day extension of time, submit the information return files as soon as prepared. Do not wait for IRS/IRB's response to your second extension request.**

Sec. 2. Specifications for Filing Extensions of Time Electronically

.01 The specifications in Sec.3 include the required 200-byte record layout for requesting extensions of time submitted in an electronic file. The instructions for the information that is to be entered in the record are also included. **Filers are advised to read this section in its entirety to ensure proper filing.**

.02 If a filer does not have an IRS/IRB assigned Transmitter Control Code (TCC), Form 4419, Application for Filing Information Returns Electronically (FIRE) **must** be submitted to obtain a TCC. This number **must** be used to submit extension requests in an electronic file. (See Part A, Sec. 6.)

.03 If requesting an additional extension of time, a signed Form 8809 must be faxed to IRB the same day as the transmission. Be sure to include the reason an additional extension is needed and a signature.

.04 Do not submit tax year 2011 extension requests filed electronically before *January 4, 2012*.

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. Enter 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	Required.. If additional space is needed, this field may be used to continue name line information (<i>e.g.</i> , <i>c/o</i> First National Bank); otherwise, enter blanks.
95–134	Payer Address	40	Required. Enter the payer’s address. The street address should include the 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.

Record Layout for Extension of Time (Continued)

Field Position	Field Title	Length	Description and Remarks																
186	Document Indicator (See Note.)	1	Required. From the table below, enter the appropriate document code that indicates the form for which an extension of time is being requested																
			<table border="1"> <thead> <tr> <th><u>Code</u></th> <th><u>Document</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>W-2</td> </tr> <tr> <td>2</td> <td>1097-BTC, 1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-DIV, 1099-G, 1099-H, 1099-INT, 1099-K, 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>5</td> <td>8027</td> </tr> <tr> <td>6</td> <td>5498-SA</td> </tr> <tr> <td>7</td> <td>5498-ESA</td> </tr> </tbody> </table>	<u>Code</u>	<u>Document</u>	1	W-2	2	1097-BTC, 1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-DIV, 1099-G, 1099-H, 1099-INT, 1099-K, 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	5	8027	6	5498-SA	7	5498-ESA
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4	1042-S																		
5	8027																		
6	5498-SA																		
7	5498-ESA																		

Note: Do not enter any other values in this field. Submit a separate record for each document. For example, when 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. When 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 returns.
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 1097, 1098 series, 1099 series, 3921, 3922, 5498 series, W-2G, W-2 series, and 1042-S by submitting a letter to IRS/IRB 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 1097, 1098 series, 1099 series, 3921, 3922, 5498 series, W-2G, W-2 series, and 1042-S are not automatically approved. If approved, an extension will allow a **maximum** of 30 additional days from the due date. The request must be postmarked no later than the date the statements are due to the recipients.

.03 Generally, only the payer may sign the letter requesting the extension for recipient copies. If a transmitter has a contractual agreement with a payer to submit extension requests on the payer's behalf, the transmitter should state so in the letter requesting the extension.

.04 Requests for extensions of time to file recipient copies for more than 10 payers are **required** to be submitted electronically. (See Sec.3, for the record layout.). When requesting extensions of time for recipient copies, a signed letter must be faxed to IRB by the transmitter the same day as the transmission. Be sure to include the reason an extension for the recipient copies is needed.

.05 *Transmitters submitting an extension of time for recipient copies via an electronic file should not submit a list of payer names and TINs with the letter since this information is included in the electronic file.*

.06 **The online 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 \$100 per return in excess of 250. (For penalty information, refer to the Penalty Section of the *2011 General Instructions for Certain Information Returns*.)

.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/IRB. Form 8508 can be obtained on the IRS website at IRS.gov or by calling 1-800-829-3676.

.03 Although a payer may submit as many as 249 corrections on paper, IRS/IRB encourages electronic filing. Once the 250 threshold has been met, filers are required to submit any returns in excess of 250 electronically. 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/IRB 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/IRB at least 45 days before the due date of the returns. IRS/IRB does not process waiver requests until January. Waiver requests received prior to January are processed on a first come, first serve basis.

.10 All waiver requests must be sent to the following address:

Internal Revenue Service
Information Returns Branch
Attn: Extension of Time Coordinator
240 Murall Drive, Mail Stop 4360
Kearneysville, WV 25430

.11 **File Form 8508 for the W-2 series of forms with IRS/IRB, 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/IRB 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 with the appropriate service center on the official IRS paper forms or an acceptable substitute form.

Rev. Proc. 2011-42

SECTION 1. PURPOSE

This revenue procedure provides taxpayers with guidance regarding the use and evaluation of statistical samples and sampling estimates.

SECTION 2. BACKGROUND

The use of statistical sampling is provided in several items of published guidance. See, for example, Rev. Proc. 2011-35, 2011-25 I.R.B. 890 (provides safe harbor methodologies to determine basis in stock acquired in transfer basis transactions); Rev. Proc. 2004-29, 2004-1 C.B. 918 (provides the statistical sampling methodology that a taxpayer may use in establishing the amount of substantiated meal and entertainment expenses that are excepted from the 50% deduction disallowance under section 274(n)(1)); Rev. Proc. 2007-35, 2007-1 C.B. 1349 (addresses when statistical sampling may be used for purposes of section 199 (income attributable to domestic production activities)); and Rev. Proc. 72-36, 1972-2 C.B. 771 (sets forth statistical sampling guidelines for determining the redemption rate of trading stamps). If statistical sampling is determined to be appropriate under prior published guidance or under this revenue procedure, a taxpayer may use only the statistical sampling procedures set forth in this revenue procedure. Thus, any published guidance in effect prior to the effective date of this revenue procedure that permits statistical sampling is modified and amplified by this revenue procedure.

SECTION 3. SCOPE

When permitted by the Service, taxpayers may use statistical sampling procedures to support items on their income tax returns. The Service will use the criteria set forth in Section 4 of this revenue procedure in determining whether to accept a statistical sampling estimate as adequate substantiation for a return position. Statis-

tical samples that fail to meet these criteria will be rejected.

SECTION 4. APPLICATION

.01 *In general.* When permitted by the Service, a taxpayer may use statistical sampling in establishing, with respect to its income tax liability, items on its return by following the procedures provided in Appendix A (Sampling Plan Standards), Appendix B (Sampling Documentation Standards) and Appendix C (Technical Formulas) of this revenue procedure.

.02 *Evaluation of a probability sample: Two-step method.*

(1) *Appropriateness.* The appropriateness of using a probability sample, to either support or be primary evidence of a tax amount, is a facts and circumstances determination. Factors to be used in determining whether a probability sample is appropriate include, but are not limited to, the following: the time required to analyze large volumes of data; the cost of analyzing data; and the other books and records that may independently exist or have greater probative value. Probability samples generally will not be considered appropriate if evidence is readily available from another source that can be demonstrated to provide a more accurate answer, or if the use of sampling does not conform to applicable financial accounting standards (e.g., Generally Accepted Accounting Principles (GAAP)).

(2) *Validity of the final estimate.* Second, taxpayers must determine whether the final estimate represents a valid estimate. In general, a final estimate will be considered valid (without regard to audit adjustment(s)) provided that all of the following conditions are met.

(a) *Documentation.* Taxpayers must maintain all of the proper documentation to support the statistical application, sample unit findings, and all aspects of the sample plan. Proper supportive documentation generally includes all of the information contained in Appendix A and Appendix B of this revenue procedure.

(b) *Known chance of selection.* The estimate must be based on a probability (i.e., statistical) sample, in which each sampling unit in the population has a known (non-zero) chance of selection, using either a simple random sampling method or stratified random sampling method.

(c) *Taxpayer uses the least advantageous 95% one-sided confidence limit.* The estimate must be computed at the least advantageous 95% one-sided confidence limit. The “least advantageous” confidence limit is either the upper or lower limit that results in the least benefit to the taxpayer. If the relative precision for a sampling plan, as described in section 4.03(4) of this revenue procedure, does not exceed 10%, the point estimate may be used in place of the least advantageous 95% one-sided confidence limit. When the relative precision is less than 15% and greater than 10%, the estimate will be computed as an amount between the least advantageous 95% one-sided confidence limit and the point estimate determined as follows:

$$\text{Estimate} = \text{Point Estimate} - (\text{Relative Precision} - .10) / .05 * (\text{Point Estimate} - \text{Least Advantageous 95\% One-Sided Confidence Limit})$$

Although many methods exist to estimate population values from the sample data, only the following estimators will be considered for acceptance: (i) Variable estimators permitted include the Mean (also known as the direct projection method); (ii) Difference (using “paired variables”); (iii) (combined) Ratio (using a variable of interest and a “correlated” variable); and (iv) (combined) Regression (using a variable of interest and a “correlated” variable). The first variable used for the difference, ratio and regression estimators must be the variable used in the mean estimator. The second variable used for the difference, ratio, and regression estimators must be a variable that can be paired with the first variable and should be related to the first variable.

To be accepted by the Service as a method to estimate population values from the sample data, taxpayers who choose to use methods (iii) or (iv) described above must first demonstrate that the statistical bias inherent in those methods is negligible. See section 4.03(3) of this revenue procedure. The formulas for these estimators are provided in Appendix C and assume sampling without replacement. Attribute estimators permitted include (combined) proportion or total count.

.03 *Variable Sampling Plans.*

(1) *Use estimate with smallest overall standard of error.* Of all the final estimates determined as qualifying, the estimate with

the smallest overall standard of error, as an absolute value, will generally be used (*i.e.*, the size of the estimate is irrelevant in the determination of the value to be reported). Situations may exist when only a single estimator may be appropriate for the plan objective. In those specialized situations, the relevant estimator may be evaluated without consideration of other methods.

(2) *Calculation of confidence limits.* Confidence limits are calculated by adding and subtracting the precision of the estimate from the point estimate when precision is determined by multiplying the standard error by (i) the 95% one-sided confidence coefficient based on the Student's t-distribution with the appropriate degrees of freedom, or (ii) 1.645 (*i.e.*, the normal distribution), assuming the sample size is at least 100 in each non-100% stratum.

(3) *Demonstration of statistical bias.* For either the (combined) Ratio or Regression methods (as described in section 4.02(2)(c)), in order to demonstrate that little statistical bias exists, the following applies after excluding all strata tested on a 100% basis (*i.e.*, the entire population of a stratum is selected for evaluation): (i) the total sample size of all strata must be at least 100 units; (ii) each stratum for which a population estimate is made should contain at least 30 sample units; (iii) the coefficient of variation of the paired variable must be 15% or less; (iv) the coefficient of variation of the primary variable of interest, represented by either the corrected value or the difference between the reported and corrected values in common accounting situations, must be 15% or less; and (v) for only the (combined) Ratio method, the reported values of the units must be of the same sign. Definitional formulas for the paired variable (described in (iii) above), and the corrected value and the difference between the reported and corrected values (each described in (iv) above) are provided in Appendix C (Technical Formulas).

(4) *Calculating the relative precision for each estimator.* The relative precision for each estimator is commonly calculated by dividing the precision at the 95% one-sided confidence limit (sometimes referred to as sampling error) of the estimate by the estimator. When an estimate may be calculated using either a corrected value or difference perspective, as in the case of

Ratio and Regression methods, or solely a corrected value perspective as in the case of a Mean method, the test will be applied on the basis of a difference perspective. In these cases the numerator of the calculation is the sampling error of the adjustment and the denominator the point estimate of the adjustment.

(5) *Specialized situations.* For specialized situations, the 10% test that applies to the particular sampling objective must be appropriate for the plan, and adjusted accordingly to reflect an acceptable level of precision. Additional modifications may be necessary for other unique types of sampling plans.

(6) *Exclusion of certain items for purposes of the 10% relative precision test.* For the purpose of the 10% relative precision test, any stratum, when the sampling units or the process of evaluating the sampling units are different from those in other strata, must be excluded in calculating the relative precision.

.04 Attribute Sampling Plans

(1) *Determining confidence limits.* When using simple random samples, the confidence limits are determined using the Hypergeometric, Poisson, or Binomial distribution. If the proportion being estimated is between 30% and 70%, then the normal distribution approximation may be used in lieu of one of the above distributions. For stratified random samples, when at least two strata are sampled (*i.e.*, not 100% samples), the confidence limits must be determined using the normal distribution approximation. If stratified random samples are not used, then confidence limits will be determined using the Hypergeometric, Poisson, or Binomial distribution.

(2) *Calculating the relative precision.* For the normal distribution approximation, the precision is calculated by multiplying the standard error by (i) the 95% one-sided confidence coefficient based on the Student's t-distribution with the appropriate degrees of freedom, or (ii) 1.645 (*i.e.*, the normal distribution), assuming the sample size is at least 100 in each non-100% stratum.

(3) *Point estimate.* One of the following two tests must be achieved for the use of the point estimate from an attribute sampling plan. A relative precision of 10% or less must be achieved on the point estimate (*i.e.*, the estimated proportion, p) and on its

complement (*i.e.*, 1 - p). A simple random sample size of at least 300 must be used to determine the point estimate, when the sample size of 300 excludes dummy and null sampling units.

.05 Limitations.

(1) The Service's allowance of a taxpayer's estimate does not correspondingly require acceptance by the Service of the taxpayer's use of an estimate for the determination of associated adjustments, allocation, or subdivision of the findings for other purposes.

(2) This revenue procedure only addresses the statistical requirements that must be met for a probability sample to meet preliminary acceptance. It is not intended to further require acceptance of individual sample unit determinations. Valuation or attribute determinations remain subject to independent verification along with other non-statistical issues such as missing sampling items. Likewise, the statistical procedures followed may be examined and adjusted if the procedures are found to be in error. Any fatal error in statistical methodology that renders the probability sample invalid will preclude the use of any statistical estimate based on the sample and will only allow for consideration of the sample findings on an actual basis. When a probability sample is determined to be not appropriate and is raised as an issue, the examining agent may pursue a more accurate determination or allow the findings of units examined on an actual basis. The computational validity of the estimator should still be considered and addressed along with other alternative issues in un-agreed cases.

(3) This revenue procedure does not preclude the Service from raising or pursuing any income, employment, or other tax issues identified in the review of a statistical sample.

(4) It is recognized that existing industry practices and specific taxpayers may be using techniques that are not covered by this revenue procedure. If a taxpayer employed a probability sample or method not covered by this revenue procedure, then the estimate may be referred to a Statistical Sampling Coordinator for resolution or issue development.

(5) This revenue procedure does not relieve taxpayers of their responsibility to maintain any documentation required by section 6001, other sections, or subsec-

tions that have specific documentation requirements for the entire population. Issues regarding documentation or support may be raised as appropriate.

(6) This revenue procedure does not supersede any specific rules for substantiation, such as those under section 274(d).

SECTION 5. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies and amplifies Rev. Proc. 2007-35, Rev. Proc. 2011-35, Rev. Proc. 2004-29, and Rev. Proc. 72-36.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for taxable years ending on or after August 19, 2011. With respect to the use of statistical sampling by a taxpayer for a taxable year ending before August 19, 2011, for which the applicable period of limitations has not expired, the Service will permit, but will not require, application of this revenue procedure.

SECTION 7. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been reviewed and approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-0123.

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

The collection of information in this revenue procedure is in Appendix B. This information is required to ensure compliance with the statistical sampling methodology contained in this revenue procedure. The information will be used to evaluate compliance with the procedures described in this revenue procedure. The collection of information is mandatory. The likely recordkeepers are businesses or other for-profit institutions.

The estimated total annual recordkeeping burden is 2400 hours. The estimated

annual burden per recordkeeper is 8 hours. The estimated number of recordkeepers is 300.

Books or records relating to a collection of information must be retained as long as their contents may be material in the administration of any internal revenue law. Generally tax returns and tax return information are confidential, as required by section 6103.

DRAFTING INFORMATION

The principal author of this revenue procedure is Amanda F. Dunlap of the Office of Associate Chief Counsel (Procedure & Administration). For further information regarding this revenue procedure, contact Amanda F. Dunlap at (202) 622-4910 (not a toll-free call). For further information regarding Appendices A, B or C, or any substantive statistical sampling questions, contact Gerald Goguen of the Large Business and International Division at (415) 837-6510, or Michael J. Curley of the Large Business and International Division at (630) 699-6020.

APPENDIX A
Sampling Plan Standards

Taxpayers are required to have a written sampling plan prior to the execution of a sample. The plan must include the following items:

- (1) The objective of the plan including a description of what value is being estimated and for which tax year(s) the estimate is applicable;
- (2) Population definition and reconciliation of the population to the tax return;
- (3) Definition of the sampling frame;
- (4) Definition of the sampling unit;
- (5) Source of the random numbers, the starting point or seed, and the method used in selecting them;
- (6) Sample size, along with supporting factors in the determination;
- (7) Method used to associate random numbers to the frame;
- (8) Steps to be taken to insure that the serialization of the frame is carried out independent of the drawing of random numbers;
- (9) Steps to be taken in evaluating the sampling unit; and
- (10) The appraisal method(s) to be used in appraising the sample.

APPENDIX B

Sampling Documentation Standards

Sample Execution Documentation

Taxpayers must retain adequate documentation to support the statistical application, sample unit findings, and all aspects of the sample plan and execution. The execution of the sample must be documented and include information for each of the following:

- (1) The seed or starting point of the random numbers;
- (2) The pairing of random numbers to the frame along with supporting information to retrace the process;
- (3) List of the sampling units selected and the results of the evaluation of each unit;
- (4) Supporting documentation such as notes, invoices, purchase orders, project descriptions, etc., which support the conclusion reached about each sample item;
- (5) The calculation of the projected estimate(s) to the population, including the computation of the standard error of the estimate(s);
- (6) A statement as to any slips or blemishes in the execution of the sampling procedure and any pertinent decision rules; and
- (7) Computation of all associated adjustments. (An example of an associated adjustment would be the amount of depreciation allowable based on a probability determination of an amount capitalized).

APPENDIX C
Technical Formulas

UNSTRATIFIED (SIMPLE RANDOM SAMPLE)
MEAN ESTIMATOR

STRATIFIED
MEAN ESTIMATOR

Sample Mean of Audited Amounts

$$\bar{x} = \frac{\sum x_j}{n}$$

Estimate of Total Audited Amount

$$\hat{X}_M = N \bar{x}$$

$$\hat{X}_{Ms} = \sum (N_i \bar{x}_i)$$

Estimated Standard Deviation of the Audited Amount

$$S_x = \sqrt{\frac{[\sum (x_j^2)] - n (\bar{x}^2)}{n - 1}}$$

Estimated Standard Error of the Total Audited Amount

$$\hat{\sigma}(\hat{X}_M) = \frac{N S_x \sqrt{1 - n/N}}{\sqrt{n}}$$

$$\hat{\sigma}(\hat{X}_{Ms}) = \sqrt{\sum \left[N_i (N_i - n_i) \frac{S_{x_i}^2}{n_i} \right]}$$

Achieved Precision of the Total Audited Amount

$$A'_M = \frac{N U_R S_x \sqrt{1 - n/N}}{\sqrt{n}}$$

$$A'_{Ms} = U_R \sqrt{\sum \left[N_i (N_i - n_i) \frac{S_{x_i}^2}{n_i} \right]}$$

UNSTRATIFIED (SIMPLE RANDOM SAMPLE)
DIFFERENCE ESTIMATOR

STRATIFIED
DIFFERENCE ESTIMATOR

Estimate of Total Difference

$$\hat{D} = N \bar{d}$$

$$\hat{D}_s = \sum (N_i \bar{d}_i)$$

Estimate of Total Audited Amount

$$\hat{X}_D = Y + \hat{D}$$

$$\hat{X}_{Ds} = Y + \hat{D}_s$$

Estimated Standard Deviation of the Difference Amount

$$S_D = \sqrt{\frac{[\sum (d_j^2)] - n (\bar{d}^2)}{n - 1}}$$

**UNSTRATIFIED (SIMPLE RANDOM SAMPLE)
DIFFERENCE ESTIMATOR**

**STRATIFIED
DIFFERENCE ESTIMATOR**

Estimated Standard Error of the Difference Amount

$$\hat{\sigma}(\hat{D}) = \frac{NS_D\sqrt{1-n/N}}{\sqrt{n}}$$

$$\hat{\sigma}(\hat{D}_S) = \sqrt{\sum \left[N_i(N_i - n_i) \frac{S_{D_i}^2}{n_i} \right]}$$

Achieved Precision of the Difference Amount

$$A'_D = \frac{NU_R S_D \sqrt{1-n/N}}{\sqrt{n}}$$

$$A'_{D_s} = U_R \sqrt{\sum \left[N_i(N_i - n_i) \frac{S_{D_i}^2}{n_i} \right]}$$

**UNSTRATIFIED (SIMPLE RANDOM SAMPLE)
RATIO ESTIMATOR**

**STRATIFIED
COMBINED RATIO ESTIMATOR**

Estimated Ratio of Audited Amount to Recorded Amount

$$R = \frac{\sum x_j}{\sum y_j} = 1 + \frac{\sum d_j}{\sum y_j}$$

$$\hat{R}_C = \frac{\sum (N_i \bar{x}_i)}{\sum (N_i \bar{y}_i)} = 1 + \frac{\sum (N_i \bar{d}_i)}{\sum (N_i \bar{y}_i)}$$

Estimate of Total Audited Amount

$$\hat{X}_R = Y \hat{R}$$

$$\hat{X}_{Rc} = Y \hat{R}_C$$

Estimated Standard Deviation of the Ratio

$$S_R = \sqrt{\frac{\sum (x_j^2) + \hat{R}^2 \sum (y_j^2) - 2\hat{R} \sum (x_j y_j)}{n-1}}$$

Estimated Standard Deviation of the Ratio in i^{th} Stratum

$$S_{Rc_i} = \sqrt{\frac{\left[\left(\sum x_{ij}^2 - (\sum x_{ij})^2 / n_i \right) \right] + \left[\hat{R}_C^2 \left(\sum y_{ij}^2 - (\sum y_{ij})^2 / n_i \right) \right] - \left[2\hat{R}_C (\sum x_{ij} y_{ij} - n_i \bar{x}_i \bar{y}_i) \right]}{n_i - 1}}$$

Estimated Standard Error of the Ratio Amounts

$$\hat{\sigma}(\hat{X}_R) = \frac{NS_R \sqrt{1-n/N}}{\sqrt{n}}$$

$$\hat{\sigma}(\hat{X}_{Rc}) = \sqrt{\sum \left[N_i(N_i - n_i) \frac{S_{Rc_i}^2}{n_i} \right]}$$

Achieved Precision of the Ratio Amounts

$$A'_R = \frac{NU_R S_R \sqrt{1-n/N}}{\sqrt{n}}$$

$$A'_{Rc} = U_R \sqrt{\sum \left[N_i(N_i - n_i) \frac{S_{Rc_i}^2}{n_i} \right]}$$

**UNSTRATIFIED (SIMPLE RANDOM SAMPLE)
REGRESSION ESTIMATOR**

**STRATIFIED
COMBINED REGRESSION ESTIMATOR**

Estimated Regression Coefficient

$$b = \frac{[\Sigma (x_j y_j)] - n \bar{x} \bar{y}}{[\Sigma (y_j^2)] - n (\bar{y}^2)} = 1 + \frac{[\Sigma (d_j y_j)] - n \bar{d} \bar{y}}{[\Sigma (y_j^2)] - n (\bar{y}^2)} \quad b_c = \frac{\Sigma N_i (N_i - n_i) S_{XY_i} / n_i}{\Sigma N_i (N_i - n_i) S_{Y_i}^2 / n_i} = 1 + \frac{\Sigma N_i (N_i - n_i) S_{DY_i} / n_i}{\Sigma N_i (N_i - n_i) S_{Y_i}^2 / n_i}$$

Estimate of Total Audited Amount

$$\hat{X}_G = N \bar{x} + b (Y - N \bar{y}) \quad \hat{X}_{Gc} = \Sigma (N_i \bar{x}_i) + b_c [Y - \Sigma (N_i \bar{y}_i)]$$

Estimated Standard Deviation of the Regression Amounts

$$S_G = \sqrt{\frac{1}{n-2} \left[[\Sigma (x_j^2)] - n (\bar{x}^2) - \frac{(\Sigma (x_j y_j) - n \bar{x} \bar{y})^2}{\Sigma (y_j^2) - n (\bar{y}^2)} \right]}$$

Estimated Covariance between the Audited and Recorded Amounts in i^{th} Stratum

$$S_{XY_i} = \frac{[\Sigma (x_{ij} y_{ij})] - n_i \bar{x}_i \bar{y}_i}{n_i - 1}$$

Estimated Standard Deviation between the Audited and Recorded Amounts in i^{th} Stratum

$$S_{Gc_i} = \sqrt{S_{X_i}^2 - 2b_c S_{XY_i} + b_c^2 S_{Y_i}^2}$$

Estimated Standard Error of the Audited and Recorded Amounts

$$\hat{\sigma} (\hat{X}_G) = \frac{N S_G \sqrt{1 - n/N}}{\sqrt{n}} \quad \hat{\sigma} (\hat{X}_{Gc}) = \sqrt{\Sigma \left[N_i (N_i - n_i) \frac{S_{Gc_i}^2}{n_i} \right]}$$

Achieved Precision of the Audited and Recorded Amounts

$$A'_G = \frac{N U_R S_G \sqrt{1 - n/N}}{\sqrt{n}} \quad A'_{Gc} = U_R \sqrt{\Sigma \left[N_i (N_i - n_i) \frac{S_{Gc_i}^2}{n_i} \right]}$$

Definition of Symbols

TERM	DEFINITION
n	Sample Size
N	Population Size
x	The value of the sampling unit that is being used as the primary variable of interest. In audit sampling, this would be the audited (or revised) value of the transaction.
y	The value of the sampling unit that is being used as the “paired” variable that is related to the variable of interest. In audit sampling, this would be the reported (or original) value of the transaction.
d	The value of the sampling unit that is the difference between “paired” variable (y) and the variable of interest (x). That is, $d = x - y$. In audit sampling, this would be the difference (or the change) of each transaction’s value.
X	The total value of the primary variable of interest. In audit sampling, this would be the estimated total audited value of the population. Typically, this value is not known for the entire population and is estimated based on the statistical sample selected.
Y	The total value of the variable that is paired with variable of interest. In audit sampling, this would be the total reported value of the population. Typically, this value is known for the entire population and may be estimated based on the statistical sample selected.
D	The total value of the difference between the “paired” variable and the variable of interest. In audit sampling, this would be the estimated total difference of the population. Typically, this value is not known for the entire population and is estimated based on the statistical sample selected.
U_R	The confidence coefficient which is based on either the Student’s t-distribution or the normal distribution. For example, a 95% one-sided confidence coefficient based on the normal distribution is 1.645. This term is often referred to as the t-value and the z-value.

26 CFR 1.263(a)-1: Capital expenditures; in general.
(Also: §§ 162 and 446.)

Rev. Proc. 2011-43

SECTION 1. PURPOSE

This revenue procedure provides a safe harbor method of accounting that taxpayers may use to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under § 263(a) of the Internal Revenue Code. This revenue procedure also provides procedures for obtaining automatic consent to change to the safe harbor method of accounting.

SECTION 2. BACKGROUND

.01 Taxpayers that transmit and distribute electricity incur significant expenditures to maintain, replace, and improve transmission and distribution property.

Whether these expenditures are deductible as repairs under § 162 or must be capitalized as improvements under § 263(a) depends on whether the expenditures materially increase the value of the property or substantially prolong its useful life. See § 1.162-4 of the Income Tax Regulations. Applying capitalization principles to electric transmission and distribution property can be particularly difficult, largely because the property consists of a network of interconnected items such as poles, conductor, and transformers. Taxpayers and the Internal Revenue Service often do not agree on which items within this network constitute discrete units of property and whether the replacement of a particular item materially increases the value or substantially prolongs the useful life of a unit of property.

.02 To minimize disputes regarding the deductibility or capitalization of expenditures to maintain, replace, or improve transmission and distribution property, this revenue procedure provides a “transmission and distribution property safe harbor method of accounting” for determining

the amount of expenditures required to be capitalized under § 263(a). This revenue procedure classifies transmission and distribution property as either linear property (for example, conductor, poles) or non-linear property (for example, transformers, customer electric meters). For linear property, this revenue procedure defines the appropriate units of property and provides a simplified method of determining when the cost of replacing a portion of a unit of linear property must be capitalized. For non-linear property, this revenue procedure defines the appropriate units of property but does not provide a simplified method of determining when the cost of replacing a portion of a unit of non-linear property must be capitalized. Taxpayers must follow the principles of § 263(a) to determine whether the replacement of a portion of a non-linear unit of property is deductible or capitalizable. This revenue procedure also identifies certain expenditures that are *per se* treated as capital expenditures.

.03 A taxpayer’s method for determining whether an expenditure is deductible

or is capitalizable is a method of accounting under § 446. Section 446(e) and § 1.446-1(c) require taxpayers to secure the consent of the Commissioner before changing a method of accounting for federal income tax purposes. Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures setting forth the limitations, terms, and conditions necessary to permit a taxpayer to obtain consent to change a method of accounting.

SECTION 3. SCOPE

This revenue procedure applies to a taxpayer that—

(1) has a depreciable interest in electric transmission or distribution property (as described in section 4 of this revenue procedure) used primarily to transport, deliver, or sell electricity; and

(2) applies the transmission and distribution property safe harbor method of accounting provided in this revenue procedure to all of its electric transmission and distribution property as defined in this revenue procedure. The determination of whether a taxpayer is within the scope of this revenue procedure is made by each member of a consolidated group, by a partnership, or by an S corporation.

SECTION 4. DEFINITIONS

The following definitions apply solely for purposes of this revenue procedure:

.01 Linear property. “Linear property” means all electric transmission and distribution property except non-linear property.

.02 Non-linear property. “Non-linear property” means all electric transmission and distribution property that is substation property, storage battery property, line transformers, customer electric meters (including smart electric meters), or property installed on a customer’s premises.

.03 Electric transmission and distribution property. “Electric transmission and distribution property” means real and personal property that is used to conduct and control electricity at any point between an electric generating station and the location of consumption of the electricity by the customer. The electric generating station is not included in this definition. Examples include wires (conductor), tow-

ers, poles, structures and fittings mounted on towers and poles, electrical interrupters (such as circuit breakers, fuses, and other switches), transformers, capacitors, instrumentation, security structures, and pads on which equipment is mounted. In addition and solely for the purposes of this revenue procedure, electric transmission and distribution property includes (a) street lighting and (b) traffic and similar signal systems. Electric transmission and distribution property does not include personal or real property, such as a corporate office building, not directly used to conduct and control electricity.

.04 Substation property. “Substation property” means transformers and devices (such as fuses, breakers, other switches, insulators, fencing, walls, and enclosures or other structures) that are installed at an electrical substation, *i.e.*, a subsidiary station of an electricity generation, transmission, and distribution system where voltage is transformed from high to low, or the reverse, using transformers.

.05 Storage battery property. “Storage battery property” means one or more interconnected batteries and the devices that connect the batteries to other transmission and distribution property.

.06 Line transformer. “Line transformer” means the electrical device that causes an interim or final reduction of the voltage of electricity to the voltage at which the electricity is delivered to one or more customers. Line transformers are typically located on a pole when overhead service is provided or in a box or vault when underground service is provided. A transformer located at a substation is not a line transformer.

.07 Customer electric meter. “Customer electric meter” means the device that measures the amount of electricity delivered to a customer. In addition to traditional electric meters, this term includes smart electric meters, advanced electric meters that enable two-way communication between the electric meter and the central system for monitoring and billing purposes.

.08 Property installed on a customer’s premises. “Property installed on a customer’s premises” means the devices, such as electrical usage controls on appliances, which are owned by the taxpayer but installed on property owned by the

taxpayer’s customer (excluding customer electric meters).

.09 Circuit. “Circuit” means the linear property: (1) between a generating station and the initial substation; (2) between any two substations; or (3) between the final substation (the last substation before the line transformer) and the customer’s electric meter.

.10 Blanket work order procedure. “Blanket work order procedure” means a procedure under which a taxpayer charges multiple replacements over a specific period of time to a single work order.

SECTION 5. TRANSMISSION AND DISTRIBUTION PROPERTY SAFE HARBOR METHOD OF ACCOUNTING

.01 In general. A taxpayer using the transmission and distribution property safe harbor method provided by this revenue procedure must determine its units of transmission and distribution property as provided in section 5.02 of this revenue procedure. For each replacement of a portion of a unit of linear property, the taxpayer must determine whether more than 10 percent of the unit of linear property is replaced. If more than 10 percent of the unit of linear property is replaced, the cost of the replacement must be capitalized. If 10 percent or less of the unit of property is replaced, the cost of the replacement is not required to be capitalized under § 263(a). In general, individual replacements within a circuit are not aggregated in determining the percentage of a unit of linear property replaced. But see section 5.04 of this revenue procedure for situations where aggregation is required. The safe harbor method described in this section 5 provides the exclusive means for taxpayers using the transmission and distribution property safe harbor method to determine whether an expenditure for linear property is deductible or must be capitalized.

.02 Units of property.

(1) *Units of linear property.* For purposes of this revenue procedure, the “unit of linear property” is determined on a circuit-by-circuit basis; each circuit contains the following eight units of linear property:

(a) All conductor and any associated devices, whether overhead or underground, used to conduct electricity (not including customer service lines and substation

property) constitute a single unit of linear property.

(b) All towers and poles and all structures and fittings mounted on towers and poles (“fully-dressed poles”) (not including the line transformers) constitute a single unit of linear property.

(c) All underground conduit constitutes a single unit of linear property.

(d) All boxes and vaults, and structures and fittings mounted in boxes or vaults (not including the line transformers) constitute a single unit of linear property.

(e) All the customer service drops (the conductor and any associated devices running from a utility pole or underground box or vault to a customer’s building or other premises) constitute a single unit of linear property.

(f) All the street lighting constitutes a single unit of linear property.

(g) All the traffic and similar signal systems constitute a single unit of linear property.

(h) All the smart grid property (as defined in § 168(i)(19)(B)) not located at a substation (including access points, relays, and e-bridges, but excluding smart electric meters) constitutes a single unit of linear property.

(2) *Units of non-linear property.* For purposes of this revenue procedure, the following are the units of property for non-linear property:

(a) Each transformer at a substation constitutes a single unit of non-linear property.

(b) All fencing, walls, enclosures, other structures surrounding each substation or supporting the substation electrical devices (excluding enclosures or buildings suitable for occupation), and land improvements that are not properly capitalized to land constitute a single unit of non-linear property.

(c) Each set of installed storage battery property constitutes a single unit of non-linear property.

(d) All smart grid property, as defined in § 168(i)(19)(B), located at each substation constitutes a single unit of non-linear property.

(e) All other electrical devices at each substation, such as fuses, breakers, other switches, regulators, insulators, meters, and the pad on which the equipment is installed constitute a single unit of non-linear property.

(f) Each line transformer constitutes a single unit of non-linear property.

(g) Each customer electric meter (including each smart electric meter) constitutes a single unit of non-linear property.

(h) All other property installed on each customer’s premises (*i.e.*, all installations on a single premises) constitutes a single unit of non-linear property.

.03 *Determining the percentage of a unit of linear property replaced.*

(1) *In general.* The percentage of a unit of linear property replaced is determined based on the number of items (or other denominating factor) existing in a unit of property at the beginning of a taxable year as follows:

(a) For conductor and associated devices used to conduct electricity (not including customer service lines), the number of feet of conductor replaced is divided by the number of feet of conductor in the unit of property (for example, if 100 feet of conductor is replaced in a circuit that contains 2,000 feet of conductor, the percentage of the conductor replaced is 5 percent [$100 / 2,000 = .05$]).

(b) For poles and towers, the number of poles and towers replaced is divided by the number of poles and towers in the unit of property.

(c) For underground conduit, the number of feet of conduit replaced is divided by the number of feet of conduit in the unit of property.

(d) For boxes and vaults, the number of boxes and vaults replaced is divided by the number of boxes and vaults in the unit of property.

(e) For customer service drops, the number of customer service drops replaced is divided by the number of customer service drops in the unit of property.

(f) For street lighting, the number of street lights replaced is divided by the number of street lights in the unit of property.

(g) For traffic and similar signal systems, the number of traffic and similar signals replaced is divided by the number of traffic and similar signals in the unit of property.

(h) For smart grid property as defined in §168(i)(19)(B), but excluding smart electric meters as defined in § 168(i)(18)(B), the historical cost of smart grid devices replaced is divided by the historical cost of the smart grid unit of property.

(2) *Per se capital expenditures excluded.* For purposes of determining whether more than 10 percent of a unit of linear property is replaced, replacements that are required to be capitalized under section 5.06 of this revenue procedure are excluded (*i.e.*, *per se* capital expenditures are not included in either the numerator or the denominator of the ratio used to determine the percentage of a unit of property replaced).

(3) *Transition rule.* For the first three taxable years ending on or after December 31, 2010, a taxpayer using the transmission and distribution property safe harbor method provided by this revenue procedure may determine the percentage of a unit of linear property replaced on the basis of an average circuit within a county.

.04 *Aggregation requirement.*

(1) *Aggregation rule.* For purposes of determining whether more than 10 percent of the unit of linear property is replaced, a taxpayer must aggregate multiple replacements within a circuit if—

(a) the replacements are initiated at the same time;

(b) the replacements are required by the occurrence of a single event; or

(c) a regulatory commission decision authorizes the replacements as part of an identified program aimed at a specific purpose.

(2) *Initiated at the same time.* Specific multiple replacements are initiated at the same time by any action that provides the final approval for the physical conduct of the replacements. In general, such final approval includes the issuance of a work order under the taxpayer’s operating procedures that authorizes workers to perform the replacements. However, work orders that authorize a replacement before the need for the replacement is identified by the taxpayer, such as a blanket work order, do not constitute final approval for the physical conduct of the replacement.

.05 *Special rules for blanket work orders.*

(1) *Allocation of costs among circuits.* A taxpayer that uses a blanket work order procedure may use the following simplifying assumptions for purposes of determining whether more than 10 percent of the unit of linear property in a circuit is replaced:

(a) A taxpayer that replaces property in multiple circuits and charges the replace-

ments to a single blanket work order may allocate the replacements among the multiple circuits either (1) on a *pro-rata* basis (equally among the circuits) or (2) proportionately based on the length of each circuit.

(b) A taxpayer whose blanket work order procedure uses a standard cost accounting system may determine the number of replacements charged to a blanket work order by dividing the total cost of replacements charged to the blanket work order by the applicable standard cost.

(c) A taxpayer whose blanket work order system accumulates the dollars expended under the blanket work order, but not the quantity of replacements, may determine the percentage of a unit of linear property replaced by dividing the total dollar amount charged to the blanket work order for replacements to the linear unit of property over a fixed period of time by the total replacement cost of the whole unit of linear property. The fixed period of time used for the calculation cannot exceed one year.

(2) *Blanket work order de minimis rule.* A taxpayer that adheres to a policy that limits per-event charges under a blanket work order procedure to replacements of property costing \$50,000 or less is not required to capitalize the costs of linear property replacements charged to the blanket work order.

.06 *Per se capital expenditures.* The following expenditures must be capitalized, notwithstanding any other provision of this revenue procedure:

(1) The costs of replacing overhead conductor with underground conductor within a circuit, regardless of the percentage of conductor in the circuit that is replaced.

(2) The costs of property necessary to add one or more new customers.

(3) The costs of property that materially increases rated capacity (i) in a unit of property or (ii) to one or more customers.

(4) The costs of property that extends an existing circuit.

.07 *CLADR percentage repair allowance exclusion.* An eligible taxpayer that changes its treatment of transmission and distribution property expenditures to adopt the safe harbor method described in this revenue procedure may not elect the Class Life Asset Depreciation Range System (ADR) repair allowance under

§ 1.167(a)–11(d)(2) in any taxable year that the taxpayer uses the safe harbor method permitted under this revenue procedure. In addition, for any taxable year in which the § 1.167(a)–11(d)(2) repair allowance election was made, the safe harbor method described in section 5.01 of this revenue procedure may not be applied to change the taxpayer's treatment of property to which the taxpayer elected to apply the repair allowance under § 1.167(a)–11(d)(2).

.08 *Statistical sampling.* By following the sampling procedures provided in Rev. Proc. 2011–42, taxpayers adopting the safe harbor method of accounting provided in this revenue procedure may use statistical sampling to determine whether costs to maintain, replace, and improve transmission and distribution property are deductible as repairs under § 162 or must be capitalized as improvements under § 263(a). Sampling methodologies not described in Rev. Proc. 2011–42 are not permitted under the transmission and distribution property safe harbor method of accounting.

SECTION 6. EXAMPLES

The following examples illustrate the application of this revenue procedure. In each example, it is assumed that X, the taxpayer, files its federal income tax return on a calendar year basis and uses the transmission and distribution property safe harbor method of accounting provided by this revenue procedure.

Example 1. On July 20 of Year 1, X received authorization from its regulatory commission to replace a number of defective poles in Circuit A, which consists of 2,000 poles in total. On July 21 of Year 1, X approves the replacement of and replaces three of the defective poles. On July 22 of Year 1, X approves the replacement of and replaces two additional defective poles. Although final approval of the July 21 and July 22 replacements occurred on different days, the replacements are aggregated because the replacement of all five poles was required by a single event, the July 20 authorization. X's cost of replacing the five poles is currently deductible because the replacement of five poles represents 0.25 percent of the poles in Circuit A, which is 10 percent or less of the poles in the circuit.

Example 2. In addition to the facts provided in *Example 1*, in response to a regulatory commission decision rendered in a prior year to replace utility poles with fungus damage, between November 1 of Year 1 and January 21 of Year 2, X replaces 500 poles in Circuit A. X authorized the replacement of the 500 poles through the issuance of two work orders: one that authorized the replacements made in Year 1

and another that authorized the replacements made in Year 2. The replacements are aggregated, however, because the replacement of all 500 poles was required by the regulatory commission decision. X's costs of replacing the 500 poles are capital expenditures because the replacement of 500 poles represents 25 percent of the poles in Circuit A, which is more than 10 percent of the poles in the circuit.

Example 3. In addition to the facts provided in *Examples 1 and 2*, during a routine inspection of Circuit A, X determined that 50 poles were unstable. X replaces the 50 unstable poles on December 15 of Year 1. The pole replacement project was authorized by managers on the day the work crews were assigned and the poles were replaced. X's costs of replacing the 50 poles are currently deductible because the replacement of 50 poles represents 2.5 percent of the poles in the circuit, which is 10 percent or less of the poles in the circuit.

Example 4. In addition to the facts provided in *Examples 1–3*, Circuit A contains five miles (26,400 feet) of overhead conductor. During Year 1, X initiates two separate projects: one to replace 2,000 feet of overhead conductor with new overhead conductor and one to replace 150 feet of overhead conductor with underground conductor. X's costs of replacing the 2,000 feet of overhead conductor are currently deductible because the replacement of 2,000 feet of conductor represents 7.6 percent of the conductor in Circuit A, which is 10 percent or less of the conductor in Circuit A. X's costs of replacing 150 feet of overhead conductor with underground conductor are capital expenditures because, even though X replaced less than 0.6 percent of the conductor in Circuit A, the costs of replacing overhead conductor with underground conductor must be capitalized. If these two replacement projects occurred as part of one single project, the length of replacement conductor required to be capitalized under section 5.06 of this revenue procedure would be excluded from both the numerator and the denominator of the ratio used to determine the percentage of conductor replaced in Circuit A.

Example 5. X uses a blanket work order system under which certain replacements or additions are charged to blanket work orders. X follows its policy limiting per event charges to blanket work orders to replacements of linear property costing \$50,000 or less. The cost of linear property replacements charged on these blanket work orders are accumulated over the full tax year and then are charged to X's accounts. In Year 1, X charges \$800,000 of linear property replacements to blanket work orders. Because X adheres to a policy that limits the per event charges to blanket work orders to replacements of linear property costing \$50,000 or less, X may deduct the \$800,000 of linear property replacements charged to the blanket work orders in Year 1.

Example 6. X owns Circuit B, which serves at the outer edge of a growing residential community. A plat exists for housing development P, on which construction has not begun. Circuit B contains 2,000 poles. On March 1 of Year 1, X receives authorization to extend Circuit B to serve housing development P. X extends Circuit B between May and September of Year 1, placing 180 poles into service as part of Circuit B. X's costs of placing 180 poles into service as part of Circuit B are capital expenditures because, even though X increased the number of poles in Cir-

cuit *B* by less than 10 percent, the costs of extending an existing circuit must be capitalized.

SECTION 7. CHANGE IN METHOD OF ACCOUNTING

.01 *In general.* A change to the transmission and distribution property safe harbor method described in this revenue procedure is a change in method of accounting to which the provisions of §§ 446 and 481, and the regulations thereunder, apply. A taxpayer that wants to change to the method of accounting described in this revenue procedure must use the automatic change in method of accounting provisions in Rev. Proc. 2011–14, or its successor, as modified by this revenue procedure.

.02 *Statistical sampling and extrapolation.* Taxpayers adopting the safe harbor method of accounting provided in this revenue procedure may use statistical sampling to determine the § 481(a) adjustment amount attributable to any single taxable year by following the sampling procedures provided in Rev. Proc. 2011–42. In addition, taxpayers adopting the safe harbor method of accounting provided in this revenue procedure may extrapolate results to determine the § 481(a) adjustment amount for certain years by following the relevant procedures provided in Appendix A to this revenue procedure. Sampling or extrapolation methodologies not described in Rev. Proc. 2011–42 or Appendix A to this revenue procedure are not permitted under the safe harbor method of accounting.

.03 *Automatic change.* Rev. Proc. 2011–14 is modified to add new section 3.09 to the APPENDIX, to read as follows:

.09 *Method of accounting under Rev. Proc. 2011–43 for taxpayers in the busi-*

ness of transporting, delivering, or selling electricity.

(1) *Description of change.* This change applies to a taxpayer that is within the scope of Rev. Proc. 2011–43 and wants to change its treatment of transmission and distribution property expenditures to adopt the method of accounting described in Rev. Proc. 2011–43.

(2) *Waiver of scope limitations.* The scope limitations in section 4.02 of this revenue procedure do not apply to an electric transmission or distribution company that changes to the method of accounting provided in Rev. Proc. 2011–43 for its first or second taxable year ending after December 30, 2010.

(3) *Section 481(a) adjustment.* A taxpayer must take the entire net § 481(a) adjustment into account (whether positive or negative) in computing taxable income in the year of change. The § 481(a) adjustment shall not include any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)–11(d)(2) for any taxable year in which the election was made. For guidance regarding permissible § 481(a) calculation methodologies, see Rev. Proc. 2011–43, section 7.02 and Appendix A.

(4) *Ogden copy of Form 3115 required in lieu of national office copy.* A taxpayer changing its method of accounting under section 3.09 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT, (Ogden copy) in lieu of filing the national office copy no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B)

(providing the general rules) and section 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(5) *Designated automatic accounting method change numbers.* The designated automatic accounting method change number for a change to the method of accounting provided in Rev. Proc. 2011–43 is “160.”

(6) *Contact information.* For further information regarding a change under this section, contact Alan S. Williams at (202) 622–4950 (not a toll-free call).

SECTION 8. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2011–14 is modified to include the accounting method change in this revenue procedure in section 3 of the Appendix.

SECTION 9. EFFECTIVE DATE

This revenue procedure is effective for taxable years ending on or after December 31, 2010.

SECTION 10. DRAFTING INFORMATION

The principal author of this revenue procedure is Alan S. Williams of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Alan S. Williams at 202–622–4950 (not a toll-free call).

APPENDIX A
Sampling and Extrapolation Guidance

SECTION 1. INTRODUCTION

.01 *In general.* This appendix provides an extrapolation methodology an eligible taxpayer may use to adopt the safe harbor method of accounting provided by this revenue procedure.

.02 *Statistical sampling.* A taxpayer who either is filing an original return or is under examination may use statistical sampling and sampling estimates, as provided in Rev. Proc. 2011–42, as part of the safe harbor method of accounting provided in this revenue procedure.

.03 *Extrapolation.* A taxpayer desiring to change its treatment of transmission and distribution property expenditures to adopt the safe harbor method of accounting described in this revenue procedure may use the extrapolation procedures provided in this Appendix A for purposes of determining the proper § 481(a) adjustment resulting from properly making a change in method of accounting. The extrapolation methodology described in this Appendix A provides the exclusive extrapolation methodology that is permitted under the safe harbor method of accounting provided in this revenue procedure.

SECTION 2. EXTRAPOLATION METHODOLOGY

.01 *In general.* A taxpayer using the safe harbor method of accounting provided by this revenue procedure may use the extrapolation procedures provided in this Appendix A for purposes of redetermining, in connection with calculating a § 481(a) adjustment, whether costs to maintain, replace, and improve transmission and distribution property are deductible as repairs under § 162 or must be capitalized as improvements under § 263(a).

.02 *Calculation methodology.* In order to determine the amount of the § 481(a) adjustment for a year in which extrapolation is applied, the following calculation methodology must be utilized:

(1) First, a repair deduction percentage shall be computed as follows using data from a minimum of the three most recent taxable years, including the year of change (“testing period”).

(a) For each taxable year of the testing period, the sum of deductible repair expenses under the safe harbor method provided in this revenue procedure must be reduced by the sum of the repair expenses the taxpayer had taken under its method of accounting prior to application of the safe harbor. The results of this subtraction are added together into a total sum of additional (or reduced) deductions resulting from the application of the safe harbor method during the testing period.

(b) The total sum of additional (or reduced) deductions calculated in step (a) is divided by the sum of all capital additions during the testing period. The resulting ratio represents the weighted average percentage of capitalized additions that are properly treated as additional (or reduced) deductible repair expenses (“tentative repair deduction percentage”). For this purpose, to determine the sum of all capital additions taxpayers shall use capital additions for financial statement purposes.

(c) Multiply the tentative repair deduction percentage by a haircut percentage for each taxable year prior to the testing period for which the taxpayer will use extrapolation. For each taxable year that extrapolation is used the haircut percentage is determined by using the formula $(1 - (0.10 * (X/Y)))$ where X equals the number of years the extrapolation year precedes the year of change and Y equals the total of number of taxable years in the testing period. The haircut percentage for a taxable year multiplied by the tentative repair deduction percentage equals the repair deduction percentage for the taxable year.

(2) Second, a repair deduction amount for each taxable year outside the testing period (for which extrapolation is being used) shall be calculated by multiplying the repair deduction percentage for the taxable year by the capital additions for the year (except property which was subject to the repair allowance under § 1.167(a)–11(d)(2)). For this purpose, capital additions must include all basis adjustments required by § 1011 (including any applicable audit adjustments for the taxable year) except for the following:

(a) any adjustments that require tax basis to be reduced before depreciation is computed (*e.g.*, § 179, § 179D, or similar provisions; § 44 and § 46, or similar provisions), and

(b) adjustments described in § 1016(a)(2) and § 1016(a)(3).

(3) Basis adjustments required by § 1011 include, but are not limited to, the following:

(a) adjustments resulting from a change in accounting method permitted under Rev. Proc. 2000–7, 2000–1 C.B. 227, involving the treatment of the costs incurred in removing retired assets;

(b) adjustments resulting from a change in the treatment of capitalized amounts determined under § 263A, including reductions for additional mixed service costs allocated to inventory and adjustments to account for changes to interest capitalization amounts;

(c) adjustments arising from casualty loss deductions recognized under § 165; and

(d) adjustments resulting from research and experimental expenditures deducted under § 174.

(4) The basis of electric transmission and distribution property calculated after taking into account the repair deduction basis adjustment and other basis adjustments under section 2.02(2) above is the basis that should be used to determine the deductions allowable or income tax credits available that require tax basis to be reduced before any depreciation is computed (for example, § 179, § 179D,

or similar provisions; § 44 and § 46; or similar provisions). The net amount for each asset after the reduction in basis for such deductions and credits is that property's § 1.168(b)-1(a)(3) unadjusted depreciable basis, which is the basis before taking into account § 1016(a)(2) and (3) adjustments.

(5) For each taxable year in which the § 1.167(a)-11(d)(2) repair allowance election was made, the repair deduction amount determined in section 2.02(2) of this Appendix A for the taxable year must exclude additional repairs attributable to property for which the taxpayer elected to apply the § 1.167(a)-11(d)(2) repair allowance. To determine the amount to exclude from the § 481(a) adjustment, taxpayers must use a method comparable to the method actually used to allocate qualified repair expenditures to repair allowance property for that year. For example, if in applying § 1.167(a)-11(d)(2)(b) for the 1997 taxable year a taxpayer determined that 73 percent of its 1997 qualified repair expenditures were attributable to eligible repair allowance property, then that same percentage (73%) must be applied to determine the reduction to the repair deduction amount otherwise calculated under section 2.02(2) of this Appendix A.

(6) The § 481(a) adjustment must account for any tax credit and depreciation deduction adjustments in each taxable year resulting from the additional (or reduced) repair deductions claimed under the safe harbor method provided in this revenue procedure.

.03 *Consecutive year requirement.* Under the extrapolation calculation methodology, if sufficient data is available to calculate the repair deduction percentage for more than three years, the taxpayer may use data from such additional years only if the additional years are consecutive to the testing period and prior to the year of change.

.04 *Representative years required.* The data from the taxable years used to calculate the repair deduction percentage must be representative of all years included in the § 481(a) adjustment.

(1) In determining whether the sampled years are representative, a taxpayer must take into account restructuring transactions including acquisitions and dispositions, as well as any other events that may have triggered large capital additions.

(2) If events or transactions create an aberration in a sampled year, then consideration should be given to expanding the sampled years, expanding the number of sample items drawn from that year, or removing the year from the sample.

.05 *Example.* X changes its method of accounting to the transmission and distribution property safe harbor method of accounting in 2010. X uses the extrapolation methodology provided in section 2 of this Appendix A to determine the amount of its § 481(a) adjustment attributable to taxable years 2007 through 2001. X's capital additions for financial statement purposes for 2002 are \$10,000. In 2002 X elected to apply the repair allowance under § 1.167(a)-11(d)(2), which applied to 25% of X's transmission and distribution property.

Step 1. X calculates its tentative repair deduction percentage using data from the three consecutive taxable years 2010, 2009, and 2008. Capital additions for financial statement purposes properly treated as additional deductible repair expenses resulting from the application of the safe harbor method for 2010, 2009, and 2008 are \$500, \$300, and \$200, respectively. Capital additions for financial statement purposes for 2010, 2009, and 2008 are \$ 6,000, \$3,000, and \$1,000, respectively. The tentative repair deduction percentage is computed as follows:

$$\$1,000/\$10,000= 10\%$$

Step 2. X calculates the haircut percentage for each taxable year that extrapolation is used using the formula $(1 - 0.10 * (X/Y))$, where X equals the number of years the extrapolation year precedes the year of change and Y equals the total of number of taxable years in the testing period. The haircut percentage for each taxable year that extrapolation is used is calculated as follows:

<i>Taxable Year</i>	<i>Haircut Percentage Calculation (Step A)</i>	<i>Haircut Percentage Calculation (Step B)</i>
2007	$0.10 * (3/3) = 0.10$	$1 - 0.10 = 0.90 = 90\%$
2006	$0.10 * (4/3) = 0.133$	$1 - 0.133 = 0.867 = 86.7\%$
2005	$0.10 * (5/3) = 0.167$	$1 - 0.167 = 0.833 = 83.3\%$
2004	$0.10 * (6/3) = 0.20$	$1 - 0.20 = 0.80 = 80\%$
2003	$0.10 * (7/3) = 0.233$	$1 - 0.233 = 0.767 = 76.7\%$
2002	$0.10 * (8/3) = 0.267$	$1 - 0.267 = 0.733 = 73.3\%$
2001	$0.10 * (9/3) = 0.30$	$1 - 0.30 = 0.70 = 70\%$

Step 3. X's repair deduction percentage for 2002 is 7.33%, which is computed by multiplying the tentative repair deduction percentage (10%) by the haircut percentage for 2002 (73.3%).

Step 4. X's repair deduction amount for 2002 before additional tax adjustments and exclusion of additional repairs attributable to property for which the taxpayer elected to apply the § 1.167(a)-(11)(d)(2) repair allowance is \$733 ($\$10,000 * 7.33\%$).

Step 5. X determines that tax adjustments reduce the 2002 calculated repair deduction amount by \$33. X reduces the calculated repair deduction amount for 2002 by \$33, resulting in a repair deduction of \$700 before excluding repair amounts attributable to property for which the taxpayer elected to apply the § 1.167(a)-(11)(d)(2) repair allowance.

Step 6. X must reduce its repair deduction amount for 2002 to exclude additional repairs attributable to property for which the taxpayer elected to apply the § 1.167(a)-11(d)(2) repair allowance. In 2002, X determined that 25 percent of its 2002 qualified repair expenditures were attributable to eligible transmission and distribution property. Therefore, X reduces the repair deduction amount for 2002 by 25%. Accordingly, X reduces the \$700 calculated through Step 5 by \$175 ($\$700 * 25\%$), resulting in a repair deduction amount for 2002 of \$525 ($\$700 - \175).

Step 7. To determine its § 481(a) adjustment amount for 2002, X must account for its decreased depreciation deductions resulting from the additional \$525 of deductible repair expenditures resulting from the application of the safe harbor method. Assuming that the additional \$525 of deductible repair expenditures for 2002 results in a \$300 reduction in depreciation deductions through the year of change, X's § 481(a) adjustment amount attributable to 2002 is negative \$225 ($-\$525 + \300).

Part IV. Items of General Interest

Notice of Proposed Rulemaking by Cross-Reference to Temporary Regulations and Notice of Public Hearing

Modifications of Certain Derivative Contracts

REG-109006-11

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing.

SUMMARY: In this issue of the Bulletin, the IRS is issuing temporary regulations (T.D. 9538) relating to whether an exchange for purposes of §1.1001-1(a) occurs for the nonassigning counterparty when there is an assignment of certain derivative contracts. The text of those regulations also serves as the text of these proposed regulations. This document also provides notice of a public hearing on these proposed regulations.

DATES: Written or electronic comments must be received by October 20, 2011. Outlines of topics to be discussed at the public hearing scheduled for October 27, 2011, must be received by October 20, 2011.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-109006-11), room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-109006-11), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC, or sent electronically, via the Federal eRulemaking Portal at www.regulations.gov (IRS REG-109006-11). The public hearing will be held in the IRS Auditorium, Internal Revenue Building, 1111 Constitution Avenue, N.W., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Andrea M. Hoffenson, (202) 622-3920; concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Oluwafunmilayo (Funmi) Taylor, (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

Temporary regulations in this issue of the Bulletin amend the Income Tax Regulations (26 CFR part 1) relating to section 1001. The temporary regulations provide that the transfer or assignment of a derivative contract in certain situations is not an exchange to the nonassigning counterparty for purposes of §1.1001-1(a). The text of the temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the amendments.

Special Analyses

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

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. The IRS and the Treasury Department specifically request com-

ments on the clarity of the proposed rule and how it may be made easier to understand. All comments will be available for public inspection and copying.

A public hearing has been scheduled for October 27, 2011, beginning at 10 a.m. in the IRS Auditorium, Internal Revenue Building, 1111 Constitution Avenue, N.W., Washington, DC. Due to building security procedures, visitors must enter through the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing must submit written or electronic comments and an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by Thursday, October 20, 2011. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Andrea M. Hoffenson, Office of Associate Chief Counsel (Financial Institutions and Products). However, other personnel from the IRS and the Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1—INCOME TAXES

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

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

Par. 2. Section 1.1001-4 is revised to read as follows:

§1.1001-4 Modifications of certain derivative contracts.

[The text of the proposed amendments to §1.1001-4 is the same as the text for §1.1001-4T(a) through (d) published elsewhere in this issue of the Bulletin].

Steven T. Miller,
*Deputy Commissioner for
Services and Enforcement.*

(Filed by the Office of the Federal Register on July 21, 2011, 8:45 a.m., and published in the issue of the Federal Register for July 22, 2011, 76 F.R. 43957)

List of Nonbank Trustees and Custodians

Announcement 2011-59

The following is a list of entities that have been approved by the Commissioner of Internal Revenue, pursuant to § 1.408-2(e) of the Income Tax Regulations, to serve as a nonbank trustee or custodian. This list updates and supersedes the list published with Announcement 2007-47, 2007-1 C.B. 1260.

Archer medical savings accounts (Archer MSAs) established under § 220 of the Internal Revenue Code, health savings accounts described in § 223, custodial accounts of retirement plans qualified under § 401, custodial accounts described in § 403(b)(7), trust or custodial accounts of individual retirement accounts (IRAs) established under §§ 408 and 408A (Roth IRAs), Coverdell education savings accounts described in § 530, and custodial accounts of eligible deferred compensation plans described in § 457(b) will not be tax-exempt if the trustee or custodian of such accounts is not a bank (as defined in § 408(n), and in the case of Archer MSAs and health savings accounts, a bank within the meaning of § 408(n) or an insurance company within the meaning of § 816) or an approved nonbank trustee or custodian.

An entity that is not a bank (as defined in § 408(n), and in the case of Archer MSAs and health savings accounts, a bank within the meaning of § 408(n) or an insurance company within the meaning of § 816) must receive approval from the Service to serve as a nonbank trustee or custodian. A prospective nonbank trustee or custodian must file a written application with the Commissioner of Internal Revenue demonstrating that the requirements of § 1.408-2(e)(2) through § 1.408-2(e)(7) of the regulations will be met. If the application is approved, a written Notice of Approval will be issued to the applicant. The Notice of Approval will state the day on which it becomes effective, and (except as otherwise provided therein) will remain effective until revoked by the Service or withdrawn by the applicant. Entities that have received such approval from the Service may also sponsor certain retirement plans, custodial accounts under § 403(b)(7) and individual retirement arrangements established under §§ 408 and 408A (See Rev. Proc. 2005-16, 2005-1 C.B. 674, and Rev. Proc. 87-50, 1987-2 C.B. 647, as modified.)

A prospective nonbank trustee or custodian may not accept any fiduciary account before such Notice of Approval becomes effective. In addition, a nonbank trustee or custodian may not accept a fiduciary account until after the plan administrator or the person for whose benefit the account is to be established is furnished with a copy of the written Notice of Approval issued to the applicant.

The continued reliance on a Notice of Approval is dependent upon the continued satisfaction of the nonbank trustee requirements set forth in the regulations. The Notice of Approval issued to an applicant will be revoked if the Commissioner determines that the applicant is unwilling or unable to administer fiduciary accounts in a manner consistent with the requirements of the regulations. Generally, the notice will not be revoked unless the Commissioner determines that the applicant has knowingly, willfully or repeatedly failed to administer fiduciary accounts in a manner consistent with the requirements of the regulations, or has administered a fiduciary account in a grossly negligent manner.

The written Notice of Approval to serve as a nonbank trustee or custodian is not an endorsement of any investment made with respect to any retirement plan or arrangement handled by the approved nonbank trustee or custodian. The Internal Revenue Service does not review or approve investments.

If the trustee or custodian of an account described above is not a bank (and in the case of Archer MSAs and health savings accounts, a bank or an insurance company) or an approved nonbank trustee or custodian, the amounts held in such account (including earned interest) will be deemed distributed and includible in gross income in the year(s) the account's trustee or custodian was not a bank or, if applicable, an insurance company, or an approved nonbank trustee or custodian. Contributions made to such account are not deductible from gross income and will be disallowed if claimed on an income tax return.

This list of approved nonbank trustees and custodians includes names, addresses and the date each application was approved.

If an approved nonbank trustee or custodian believes that the information on the list below is incorrect or incomplete or it has been improperly omitted from this list, it may notify the Service in writing of any changes it proposes to the list. This notification should include a copy of the original Notice of Approval.

The notification should be addressed to:

Internal Revenue Service
SE:T:EP:RA:T1
1111 Constitution Ave. NW – PE
Washington, DC 20224

Drafting Information

The principal author of this announcement is Eric Slack of the Employee Plans, Tax Exempt and Government Entities Division. Please contact Mr. Slack at 202-283-9576 (not a toll-free number), if there are any questions regarding the publication of this list. Written inquiries concerning this announcement should be addressed to the Internal Revenue Service at the above address.

Approved Nonbank Trustees/Custodians as of September 1, 2011

Nonbank Trustees Approved as of September 1, 2011		
Name	Address	Approval Date
American Enterprise Investment Services, Inc.	5226 Ameriprise Financial Center, Minneapolis, MN 55474	8/4/2009
Bank Leumi Le — Israel B.N., Western Hemisphere Regional Mgt.	420 Lexington Ave., New York, NY 10170	2/10/1982
Barclays Capital, Inc.	200 Park Ave., New York, NY 10166	12/3/2009
Brethren in Christ Foundation	PO Box 290, 413 Grantham Rd., Grantham, PA 17027	3/25/1983
Charles Schwab & Co., Inc.	211 Main Street, San Francisco, CA 94105-1905	1/8/1982
CIBC World Markets Corporation	425 Lexington Ave., New York, NY 1001	7/26/1977
Citi Fund Services, Inc.	3425 Stelzer Rd. Columbus, OH, 43219	12/31/2003
Citigroup Global Markets, Inc.	425 Park Ave., 7 th Floor, New York, NY 10027	7/22/1985
Clearview Correspondent Services, LLC	8006 Discovery Drive, Richmond, VA 23229	9/10/2007
Commonwealth of Kentucky	105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862	6/5/2006
Comprehensive Investment Services	One Moody Plaza, Galveston, TX 77550	6/16/2000
Croatian Fraternal Union Of America	100 Delaney Drive, Pittsburgh, PA 15235	10/12/2006
D.A. Davidson & Co.	Davidson Building #8 Third Street North, Great Falls, MT 59403	6/11/1982
Davenport & Co. of Virginia, Inc.	901 E. Cary Street, Richmond, VA 23219	2/2/1987
Davenport & Company LLC	901 E. Cary Street, Richmond, VA 23219	3/31/1997
Deutsche Bank Securities Inc.	1 South Street, Baltimore, MD 21203	4/11/1994
E*Trade Clearing LLC	135 East 57 th Street, New York, NY 10022	9/3/2002
Edward D. Jones & Co., L.P.	201 Progress Parkway, Maryland Height, MO 63043	5/30/1985
First Clearing, LLC (FKA First Clearing Corporation)	One North Jefferson Ave. (MO-3870), St. Louis, MO 63103	5/30/2003

Gleacher & Company Securities, Inc.	677 Broadway, Albany, NY 12207	9/26/1979
Goldman, Sachs & Co.	200 West Street, New York, NY 10282	12/8/1982
Goldman Sachs Execution and Clearing, L.P.	200 West Street, New York, NY 10282	3/29/1996
Greater Beneficial Union of Pittsburgh	4254 Clairton Blvd., Pittsburgh, PA 15227-3394	9/24/2004
Greek Catholic Union of the U.S.A.	5400 Tuscarawas Rd., Beaver, PA 15009-9513	5/24/2000
GuideStone Trust Services	2401 Cedar Springs Rd., Dallas, TX 75202-1498	4/10/2001
H.G. Wellington & Co., Inc.	140 Broadway, New York, NY 10005	9/13/1993
Hartford Life Insurance Co.	One Hartford Plaza, Hartford, CT 06155	3/3/1982
Hartford Securities Distribution Company	200 Hopmeadow Street, Simsbury, CT 06089	3/9/2006
HealthEquity, Inc.	15 West Scenic Pointe Drive, Suite 400, Draper, UT 84020	2/27/2006
Illinois Mutual Life Insurance Company	300 Southwest Adams Street, Peoria, IL 61634	12/31/2003
ING Direct Investing, Inc.	83 South King Street, Suite 700, Seattle, WA 98104	4/15/2003
ISDA Fraternal Association	419 Wood St., Pittsburgh, PA 15222	10/28/2004
Isler Northwest, LLC	1300 SW Fifth Ave., Suite 2900, Portland, OR 97201-5636	10/5/1978
J.J.B. Hilliard, W.L. Lyons, LLC	500 W. Jefferson Street, Louisville, KY 40202	2/11/1992
J.P. Morgan Clearing Corp.	One Metrotech Center North, Brooklyn, NY 11201-3859	6/24/1991
Janney Montgomery Scott, LLC	1801 Market Street, Philadelphia, PA 19103	3/23/1982
John Hancock Life & Health Insurance Company	380 Stuart Street, Boston, MA 02116	11/10/2009
John Hancock Mutual Life Insurance Company	John Hancock Place, 200 Clarendon, Boston, MA 02117	8/24/1993
Kagin Numismatic Services, Ltd.	1550 Tiburon Blvd., #201, Tiburon, CA 94920	3/18/1980
KH Funding Company	10801 Lockwood Drive, Suite 370, Silver Spring, MD 20901	2/13/2002

MEGA Life and Health Insurance Company (The)	9151 Boulevard 26, North Richland Hills, TX 76180	5/29/1991
Merrill, Lynch, Pierce, Fenner & Smith, Inc.	Attn: Manager, Retirement & Distribution Services, 1400 Merrill Lynch Drive, MSC 0401S, Pennington, NJ 08534	8/3/1987
Merrimack Valley Investment, Inc.	109 Merrimack Street, Haverhill, MA 01830	9/28/1984
Mesirow Financial, Inc.	350 N. Clark Street, Chicago, IL 60610	5/28/1982
Mid-Ohio Securities Corp.	225 Burns Road, Elyria, OH 44036	1/28/1983
MII Life, Inc. dba Select Account	PO Box 64193, St. Paul, MN 55164-0193	6/29/2007
Moody Bible Institute of Chicago	820 N La Salle Boulevard, Chicago, IL 60610-3284	4/25/2003
Morgan Keegan & Company, Inc.	Morgan Keegan Tower, Fifty Front Street, Memphis, TN 38108	1/27/1982
Morgan Stanley & Co. Incorporated	c/o Tax Department, 25 th Floor, 1633 Broadway, New York, NY 10019	3/22/2004
Morgan Stanley Smith Barney	2000 Westchester Ave., Purchase, NY 10577	1/27/2010
National Slovak Society of the USA	351 Valley Brook Road, McMurray, PA 15317-3337	10/28/2004
NBC Securities, Inc.	1927 First Avenue North, Birmingham, AL 35203	7/16/1996
Neuberger Berman LLC	605 Third Ave., New York, NY 10158-3698	10/4/1993
Oxford Life Insurance Company	2721 North Central Avenue, Phoenix, AZ 85004	8/25/2011
PayFlex Systems USA, Inc.	10802 Farnam Drive, Omaha, NE 68154	6/10/2011
Pension Fund of The Christian Church	130 East Washington Street, 11 th Floor, Indianapolis, IN 46204	5/14/2009
Penson Financial Services, Inc.	1700 Pacific Avenue, Suite 1400, Dallas, TX 75201	6/9/2005
Perelman-Carley & Associates, Inc.	Twin Towers 3000 Farnam Street, Omaha, NE 68131	1/13/1989
Perkins Coie, LLP	1201 Third Ave., Suite 4800, Seattle, WA 98101	8/22/2004
Pershing LLC	One Pershing Plaza, Jersey City, NJ 07399	12/4/1985

PFS Investments, Inc.	3120 Breckenridge Boulevard, Duluth, GA 3099	9/28/1995
Pioneer Financial Services, Inc.	4700 Belleview, Suite 300, Kansas City, MO 64112	1/25/1985
Pioneer Investment Management USA.	60 State Street, Boston, MA 02109	2/21/1986
Piper Jaffray & Co.	Piper Jaffray Center, 800 Nicollet Mall, Minneapolis, MN 55402-7020	4/21/1982
Polish Falcons of America	615 Iron City Drive, Pittsburgh, PA 15205-4397	11/3/2004
PrimeVest Financial Services, Inc.	400 First Street South, St. Cloud, MN 56301-3600	12/8/1993
Principal Life Insurance Company	711 High Street, Des Moines, IA 50392-0001	7/27/1988
PWMCO, LLC	311 South Wacker Drive, Suite 2360, Chicago, IL 60606	1/6/2005
Raymond James & Associates, Inc.	880 Carillon Parkway, PO Box 12749, St. Petersburg, FL 33733-2749	3/8/1982
RBC Capital Markets	Dain Rauscher Plaza, 60 South Sixth Street, Minneapolis, MN 55402-4422	1/22/1982
RBC Capital Markets	Dain Rauscher Plaza, 60 South Sixth Street, Minneapolis, MN 55402-4422	3/2/1998
Reserve Management Company, Inc.	1250 Broadway, 32nd Floor, New York, NY 10001	10/18/1989
Ridge Clearing and Outsourcing Solutions, Inc.	1981 Marcus Ave., Lake Success, NY 11042	5/3/1983
Robert W. Baird & Co., Inc.	777 E. Wisconsin Ave., Milwaukee, WI 53202	6/10/2004
Scottrade, Inc.	12800 Corporate Hill Drive, St. Louis, MO 63131	10/9/1996
SMA Services, Inc.	35 Lakeshore Drive, Birmingham, AL 35209	8/27/1998
Smith, Moore & Co.	7777 Bonhomme Ave., Suite 2400, Clayton, MO 63105	1/18/1983
Southwest Securities, Inc.	Renaissance Tower Suite 4300, 1201 Elm Street, Dallas, TX 75270	12/9/1992

Stephens, Inc.	111 Center Street, Little Rock, AR 72201	12/4/1987
Sterne, Agee & Leach, Inc.	800 Shades Creek Pkwy, Suite 700, Birmingham, AL 35209	9/11/1981
Stifel, Nicolaus & Co., Inc.	One Financial Plaza, 501 North Broadway, St. Louis, MO 63102	9/9/1981
StockCross Financial Services, Inc.	9464 Wilshire Boulevard, Beverly Hills, CA 90212	8/2/2010
TD Ameritrade, Inc.	4211 South 102nd Street, Omaha, NE 68127-1031	4/18/1984
TIAA-CREF Individual & Institutional Services, Inc.	730 Third Avenue, New York, NY 10017	9/9/2002
Turlington & Co.	509 East Center Street, Lexington, NC 27292	11/3/1980
UBS Financial Services, Inc.	1200 Harbor Blvd., 8 th Floor, Weehawken, NJ 07086	5/12/1989
Ukrainian National Association	2200 Route 10, Parsippany, NJ 07054	9/24/2004
Unified Financial Securities, Inc.	2960 N. Meridian Street, Suite 300, Indianapolis, IN 46208	10/28/1976
Variable Annuity Life Insurance Company	2929 Allen Parkway, Houston, TX 77019	3/16/2006
W.H. Reaves & Co., Inc,	10 Exchange Place, Jersey City, NJ 07302	12/7/1990
Wedbush Morgan Securities	1000 Wilshire Boulevard, Los Angeles, CA 90030	12/24/1984
Wells Advisors, Inc.	6200 The Corners Pkwy, Norcross, GA 30092	3/20/1992
Wells Fargo Advisors, LLC	1 North Jefferson Ave., St. Louis, MO 63103	7/1/2003

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

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