

HIGHLIGHTS OF THIS ISSUE

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

INCOME TAX

Rev. Rul. 96-2, page 5.

Insurance companies; interest rate tables. Prevailing state assumed interest rates are provided for the determination of reserves under section 807 of the Code for contracts issued in 1995 and 1996. Rev. Rul. 92-19 supplemented in part.

Rev. Rul. 96-6, page 8.

Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term exempt rate. For purposes of sections 1274, 1288, 382, and other sections of the Code, tables set forth the rates for January 1996.

EMPLOYEE PLANS

Notice 96-2, page 15.

Guidelines are set forth for determining for December 1995, the weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability for purposes of the full funding limitation of section 412(c)(7) of the Code as amended by the Omnibus Budget Reconciliation Act of 1987 and by the Uruguay Round Agreements Act (GATT).

EXEMPT ORGANIZATIONS

Announcement 96-3, page 57.

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

Rev. Proc. 96-10, page 17.

Information returns, organizations not required to file. This procedure lists a class of organizations, affiliated with a church or convention or association of churches, and exempt from federal income tax under section

501(c)(3) of the Internal Revenue Code, that is not required to file an annual information return Form 990, Return of Organizations Exempt from Income Tax.

ESTATE TAX

Rev. Rul. 96-3, page 14.

Valuation of annuities. Interest for life or a term of years, and remainder and reversionary interests when the individual, who is the measuring life, is terminally ill. Rev. Ruls. 80-80 and 66-307 are obsolete effective December 14, 1995.

EXCISE TAXES

Announcement 96-2, page 57.

A petition has been filed to add butyl benzyl phthalate to the list of taxable substances in section 4672(a)(3) of the Code.

ADMINISTRATIVE

Rev. Proc. 96-9, page 15.

Early referral of unagreed issues from examination to appeals. This procedure describes the method by which a taxpayer requests early referral of one or more unagreed issues from Examination to Appeals.

Rev. Proc. 96-11, page 18.

Electronic filing; magnetic media; 1995 Form 1042S specifications. Specifications are set forth for the magnetic or electronic filing of 1995 Form 1042-S. The form may be filed with the Service using 1/2 inch magnetic tape; IBM 3480/3490 or AS400 compatible tape cartridges; or 5 1/4-, 3 1/2-inch diskettes. Rev. Proc. 93-16 superseded.

(Continued on page 4)

Finding Lists begin on page 60.

Mission of the Service

The purpose of the Internal Revenue Service is to collect the proper amount of tax revenue at the least cost; serve the public by continually improving the

quality of our products and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness.

Statement of Principles of Internal Revenue Tax Administration

The function of the Internal Revenue Service is to administer the Internal Revenue Code. Tax policy for raising revenue is determined by Congress.

With this in mind, it is the duty of the Service to carry out that policy by correctly applying the laws enacted by Congress; to determine the reasonable meaning of various Code provisions in light of the Congressional purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Service, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is "protecting the revenue." The revenue is properly protected only when we ascertain and apply the true meaning of the statute.

The Service also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised by examining officers when they have merit, never arbitrarily or for trading purposes. At the same time, the examining officer should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Service position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

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 of a permanent nature are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

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

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

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

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

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and 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.

With the exception of the Notice of Proposed Rulemaking and the disbarment and suspension list included in this part, none of these announcements are consolidated in the Cumulative Bulletins.

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

The Bulletin Index-Digest System, a research and reference service supplementing the Bulletin, may be obtained from the Superintendent of Documents on a subscription basis. It consists of four Services: Service No. 1, Income Tax; Service No. 2, Estate and Gift Taxes; Service No. 3, Employment Taxes; Service No. 4, Excise Taxes. Each Service consists of a basic volume and a cumulative supplement that provides (1) finding lists of items published in the Bulletin, (2) digests of revenue rulings, revenue procedures, and other published items, and (3) indexes of Public Laws, Treasury Decisions, and Tax Conventions.

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

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HIGHLIGHTS OF THIS ISSUE—Continued

ADMINISTRATIVE—Continued

T.D. 8640, page 10.

Final regulations under section 6033 of the Code that exempt certain integrated auxiliaries of churches from filing information returns.

Announcement 96-1, page 57.

Executors and return preparers should continue to use the August 1993 revision of Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, after December 31, 1995. The Service anticipates that a revised Form 706 will be available in early 1996.

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

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 170.—Charitable, etc., contributions and gifts

26 CFR 1.170A-1: Charitable, etc., contributions and gifts; allowance of deduction.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

26 CFR 1.170A-6: Charitable contributions in trust.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which holds that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted federal long-term rate is set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term,

mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 642.—Special rules for credits and deductions

26 CFR 1.642(c)-6: Valuation of a remainder interest in property transferred to a pooled income fund after April 30, 1989.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

Section 664.—Charitable remainder trusts

26 CFR 1.664-1: Charitable remainder trusts.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of

the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

Section 807.—Rules for Certain Reserves

Insurance companies; interest rate tables. Prevailing state assumed interest rates are provided for the determination of reserves under section 807 of the Code for contracts issued in 1995 and 1996. Rev. Rul. 92-19 supplemented in part.

Rev. Rul. 96-2

For purposes of § 807(d)(4) of the Internal Revenue Code, for taxable years beginning after December 31, 1994, this ruling supplements the schedules of prevailing state assumed interest rates set forth in Rev. Rul. 92-19, 1992-1 C.B. 227. This information is to be used by insurance companies in computing their reserves for (1) life insurance and supplementary total and permanent disability benefits, (2) individual annuities and pure endowments, and (3) group annuities and pure endowments. As § 807(d)(2)(B) requires that the interest rate used to compute these reserves be the greater of (1) the applicable federal interest rate, or (2) the prevailing state assumed interest rate, the table of applicable federal interest rates in Rev. Rul. 92-19 is also supplemented.

Following are supplements to schedules A, B, C, and D to Part III of Rev. Rul. 92-19, providing prevailing state assumed interest rates for insurance products with different features issued in 1995 and 1996, and a supplement to the table in Part IV of Rev. Rul. 92-19, providing the applicable federal interest rate under § 807(d) for 1995 and 1996. This ruling does not supplement Parts I and II of Rev. Rul. 92-19.

This is the fourth supplement to the interest rates provided in Rev. Rul. 92-19. Earlier supplements were published in Rev. Rul. 93-58, 1993-2 C.B. 241 (interest rates for insurance products issued in 1992 and 1993), Rev. Rul. 94-11, 1994-1 C.B. 196 (1993 and 1994), and Rev. Rul. 95-4, 1995-1 C.B. 141 (1994 and 1995).

Schedule A

*STATUTORY VALUATION INTEREST RATES
BASED ON THE 1980 AMENDMENTS TO THE
NAIC STANDARD VALUATION LAW*

A. Life insurance valuation:

<i>Guarantee Duration (years)</i>	<i>Calendar Year of Issue 1996</i>
10 or fewer	5.50**
More than 10 but not more than 20	5.25**
More than 20	4.50**

Source: Rates calculated from the monthly averages, ending June 30, 1995, of Moody's Corporate Bond Yield Average—Monthly Average Corporates.

**As the applicable federal interest rate for 1996 of 6.63 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 6.63 percent.

*The terms used in the schedules in this ruling and in Part III of Rev. Rul. 92-19 are those used in the Standard Valuation Law; the terms are defined in Rev. Rul. 92-19.

Part III, Schedule B

*STATUTORY VALUATION INTEREST RATES
BASED ON THE 1980 AMENDMENTS TO THE
NAIC STANDARD VALUATION LAW*

B. Single premium immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options:

<i>Calendar Year of Issue</i>	<i>Valuation Interest Rate</i>
1995	7.25*

Source: Rates calculated from the monthly averages, ending June 30, 1995, of Moody's Corporate Bond Yield Average—Monthly Average Corporates. The terms used in this schedule are those used in the Standard Valuation Law as defined in Rev. Rul. 92-19.

*As this prevailing state assumed interest rate exceeds the applicable federal interest rate for 1995 of 6.99 percent, the interest rate to be used for this product under § 807 is 7.25 percent.

Part III, Schedule C13—1995

STATUTORY VALUATION INTEREST RATES
 BASED ON NAIC STANDARD VALUATION LAW
 FOR 1995 CALENDAR YEAR BUSINESS
 GOVERNED BY THE 1980 AMENDMENTS

C. Valuation interest rates for other annuities and guaranteed interest contracts that are valued on an issue year basis:

<i>Cash Settlement Options?</i>	<i>Future Interest Guarantee?</i>	<i>Guarantee Duration (years)</i>	<i>Valuation Interest Rate For Plan Type</i>		
			<i>A</i>	<i>B</i>	<i>C</i>
Yes	Yes	5 or fewer	7.25	6.25*	5.75*
		More than 5, but not more than 10	7.00	6.25*	5.75*
		More than 10, but not more than 20	6.25*	5.50*	5.25*
		More than 20	5.25*	4.75*	4.75*
Yes	No	5 or fewer	7.50	6.50*	6.00*
		More than 5, but not more than 10	7.25	6.50*	6.00*
		More than 10, but not more than 20	6.50*	5.75*	5.50*
		More than 20	5.50*	5.00*	5.00*
No	Yes or No	5 or fewer	7.25	NOT APPLICABLE	
		More than 5, but not more than 10	7.00		
		More than 10, but not more than 20	6.50*		
		More than 20	5.50*		

Source: Rates calculated from the monthly averages, ending June 30, 1995 of Moody's Corporate Bond Yield Average—Monthly Average Corporates.

*As the applicable federal interest rate for 1995 of 6.99 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 6.99 percent.

Part III, Schedule D13—1995

STATUTORY VALUATION INTEREST RATES
 BASED ON NAIC STANDARD VALUATION LAW
 FOR 1995 CALENDAR YEAR BUSINESS
 GOVERNED BY THE 1980 AMENDMENTS

D. Valuation interest rates for other annuities and guaranteed interest contracts that are contracts with cash settlement options and that are valued on a change in fund basis:

<i>Cash Settlement Options?</i>	<i>Future Interest Guarantee?</i>	<i>Guarantee Duration (years)</i>	<i>Valuation Interest Rate For Plan Type</i>		
			<i>A</i>	<i>B</i>	<i>C</i>
Yes	Yes	5 or fewer	8.25	7.50	6.00*
		More than 5, but not more than 10	8.00	7.50	6.00*
		More than 10, but not more than 20	7.25	7.00	5.75*
		More than 20	6.25*	6.25*	5.25*
Yes	No	5 or fewer	8.50	8.00	6.25*
		More than 5, but not more than 10	8.25	8.00	6.25*
		More than 10, but not more than 20	7.50	7.25	6.00*
		More than 20	6.50*	6.50*	5.50*

Source: Rates calculated from the monthly averages, ending June 30, 1995, of Moody's Corporate Bond Yield Average—Monthly Average Corporates.

*As the applicable federal interest rate for 1995 of 6.99 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 6.99 percent.

Part IV. Applicable Federal Interest Rates.

TABLE OF
APPLICABLE FEDERAL INTEREST RATES
FOR PURPOSES OF § 807

Year	Interest Rate
1995	6.99
1996	6.63

Sources: Rev. Rul. 94-73, 1994-2 C.B. 197 for the 1995 rate and Rev. Rul. 95-79, 1995-49 I.R.B. 4 (at 6) for the 1996 rate.

EFFECT ON OTHER REVENUE
RULINGS

Rev. Rul. 92-19 is supplemented by the addition to Part III of that ruling of prevailing state assumed interest rates under § 807 for certain insurance products issued in 1995 and 1996 and is further supplemented by an addition to the table in Part IV of Rev. Rul. 92-19 listing applicable federal interest rates. Parts I and II of Rev. Rul. 92-19 are not affected by this ruling.

DRAFTING INFORMATION

The principal author of this revenue ruling is Ann H. Logan of the Office of Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling contact her on (202) 622-3970 (not a toll-free call).

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 00.

**Section 846.—Discounted Unpaid
Losses Defined**

The adjusted applicable federal short-term, mid-term, and long-term rates are set for the month of January 1996. See Rev. Rul. 96-6, page 00.

**Section 1274.—Determination of
Issue Price in the Case of Certain
Debt Instruments Issued for Property**

(Also Sections 42, 280G, 382, 412, 467, 468, 483, 807, 846, 1288, 7520, 7872.)

Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term exempt rate. For purposes of sections 1274, 1288, 382, and other sections of the Code, tables set forth the rates for January 1996.

Rev. Rul. 96-6

This revenue ruling provides various prescribed rates for federal income tax purposes for January 1996 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current

month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Finally, Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

Rev. Rul. 95-79, 1995-49 I.R.B. 4, which set forth the applicable federal rates and various other rates for December 1995, incorrectly provided in Table 1 that the Long-Term 120% Applicable Federal Rate based on annual compounding was 7.01%. The correct percentage is 7.65%. This correction will be made to Rev. Rul. 95-79 when it is published in issue 1995-2 of the Cumulative Bulletin.

REV. RUL. 96-6 TABLE 1

Applicable Federal Rates (AFR) for January 1996

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	5.50%	5.43%	5.39%	5.37%
110% AFR	6.06%	5.97%	5.93%	5.90%
120% AFR	6.63%	6.52%	6.47%	6.43%
<i>Mid-Term</i>				
AFR	5.73%	5.65%	5.61%	5.58%
110% AFR	6.32%	6.22%	6.17%	6.14%
120% AFR	6.89%	6.78%	6.72%	6.69%
150% AFR	8.66%	8.48%	8.39%	8.33%
175% AFR	10.13%	9.89%	9.77%	9.69%
<i>Long-Term</i>				
AFR	6.19%	6.10%	6.05%	6.02%
110% AFR	6.82%	6.71%	6.65%	6.62%
120% AFR	7.45%	7.32%	7.25%	7.21%

REV. RUL. 96-6 TABLE 2

Adjusted AFR for January 1996

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.68%	3.65%	3.63%	3.62%
Mid-term adjusted AFR	4.37%	4.32%	4.30%	4.28%
Long-term adjusted AFR	5.31%	5.24%	5.21%	5.18%

REV. RUL. 95-79 TABLE 3

Rates Under Section 382 for January 1996

Adjusted federal long-term rate for the current month	5.31%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months).	5.65%

REV. RUL. 95-79 TABLE 4

Appropriate Percentages Under Section 42(b)(2)
for January 1996

Appropriate percentage for the 70% present value low-income housing credit	8.40%
Appropriate percentage for the 30% present value low-income housing credit	3.60%

Rate Under Section 7520 for January 1996

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest

6.8%

Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

Section 2031.—Definition of gross estate

26 CFR 20.2031-7: Valuation of annuities, interests for life or term of years, and remainder or reversionary interests for estate of decedents for which the valuation date of the gross estate is after April 30, 1989.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

Section 2512.—Valuation of gifts

26 CFR 25.2512-5: Valuation of annuities, unitrust interests, interests for life or term of years, and remainder or reversionary interests transferred after April 30, 1989.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

Section 6033.—Returns by Exempt Organizations

26 CFR 1.6033-2: Returns by exempt organizations (taxable years beginning after December 31, 1969) and returns by certain nonexempt organizations (taxable years beginning after December 31, 1980).

Organizations, affiliated with a church or convention or association of churches, and

exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, that are not required to file an annual information Form 990, Return of Organizations Exempt from Income Tax. See Rev. Proc. 96-10, page 17.

26 CFR 1.6033-2: Returns by exempt organizations (taxable years beginning after December 31, 1969) and returns by certain nonexempt organizations (taxable years beginning after December 31, 1980).

T.D. 8640

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Exempt Organizations Not Required To File Annual Returns: Integrated Auxiliaries Of Churches

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations that exempt certain integrated auxiliaries of churches from filing information returns. These regulations incorporate the rules of Rev. Proc. 86-23 (1986-1 C.B. 564), into the regulations defining integrated auxiliary for purposes of determining what entities must file information returns. The new definition focuses on the sources of an organization's financial support in addition to the nature of the organization's activities.

DATES: These regulations are effective December 20, 1995.

For dates of applicability of these regulations, see §1.6033-2(h)(6).

FOR FURTHER INFORMATION CONTACT: Terri Harris or Paul Accettura, of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations), IRS, at 202-622-6070 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On December 15, 1994 proposed regulations §§1.6033-2 and 1.508-1 [EE-41-86 (1995-1 C.B. 841)] under sections 6033(a)(2) and 508 of the Internal Revenue Code of 1986, respectively, were published in the Federal Register (59 FR 64633). The proposed regulations adopted the rules of Rev. Proc. 86-23 (1986-1 C.B. 564) as the definition of integrated auxiliary of a church replacing the current definition set forth in §1.6033-2(g)(5). Additionally, section 508(c) excepts integrated auxiliaries of a church from the requirement that new organizations notify the Secretary of the Treasury that they are applying for recognition of section 501(c)(3) status (Form 1023). For consistency, §1.508-1(a)(3)(i)(a), which gives several examples of integrated auxiliaries, was proposed to be amended by deleting the examples and by adding a cross-reference to §1.6033-2(h) for the definition of integrated auxiliary of a church. After IRS and Treasury consideration of the public comments received regarding the proposed regulations, the regulations are adopted as revised by this Treasury decision.

Explanation of Provisions

Section 6033(a)(1) requires organizations that are exempt from income tax under section 501(a) to file annual returns. Section 6033(a)(2)(A) provides exceptions to this requirement for certain specified types of organizations, including, among others, churches, their integrated auxiliaries, and conventions or associations of churches. Section 6033(a)(2)(B) provides that the Secretary may relieve any organization from the filing requirement where the Secretary determines that filing is not necessary to the efficient administration of the internal revenue laws.

Prior to this Treasury decision, §1.6033-2(g)(5)(i) defined the term integrated auxiliary of a church as an organization that is: (1) exempt from taxation as an organization described in section 501(c)(3); (2) affiliated with a church (within the meaning of §1.6033-2(g)(5)(iii)); and (3) engaged in a principal activity that is “exclusively religious.” Section 1.6033-2(g)(5)(ii) provides that an organization’s principal activity is not “exclusively religious” if that activity is educational, literary, charitable, or of another nature (other than religious) that would serve as a basis for exemption under section 501(c)(3).

The “exclusively religious” element of the definition was litigated in *Lutheran Social Service of Minnesota v. United States*, 583 F. Supp. 1298 (D. Minn. 1984), *rev’d* 758 F.2d 1283 (8th Cir. 1985), and *Tennessee Baptist Children’s Homes, Inc. v. United States*, 604 F. Supp. 210 (M.D. Tenn. 1984) *aff’d*, 790 F.2d 534 (6th Cir. 1986). While the litigation over the “exclusively religious” standard was proceeding, Congress enacted section 3121(w) of the Internal Revenue Code, Tax Reform Act of 1984, Pub. L. 98-369, section 2603(b), 98 Stat. 494, 1128 (1984), which permits certain church-related organizations to elect out of social security coverage if they meet a standard based on the degree of financial support they receive from a church. In light of this litigation and the enactment of section 3121(w), IRS personnel met with representatives of various church organizations to encourage voluntary compliance with the filing requirements and to develop a less controversial and more objective standard for identifying an integrated auxiliary of a church.

Subsequent to these meetings the IRS published Rev. Proc. 86-23, which provides that, for tax years beginning after December 31, 1975, an organization is not required to file Form 990 if it is: (1) described in sections 501(c)(3) and 509(a)(1), (2), or (3); (2) affiliated with a church or a convention or association of churches; and (3) internally supported. With respect to this last criterion, Rev. Proc. 86-23 sets forth an internal support standard that is similar to the financial support standard in section 3121(w).

The proposed regulations adopted the rules of Rev. Proc. 86-23 as the definition of the term integrated auxiliary of a church replacing the current definition set forth in §1.6033-2(g)(5).

The final regulations retain the definition of an integrated auxiliary of a church that is contained in the proposed regulations.

Under this Treasury decision, to be an integrated auxiliary of a church an organization must first be described in section 501(c)(3) and section 509(a)(1), (2), or (3), and be affiliated with a church in accordance with standards set forth in the regulations. An organization meeting those tests is an integrated auxiliary if it either: (1) does not offer admissions, goods, services, or facilities for sale, other than on an incidental basis, to the general public; or (2) offers admissions, goods, services, or facilities for sale, other than on an incidental basis, to the general public and not more than 50 percent of its support comes from a combination of government sources, public solicitation of contributions, and receipts other than those from an unrelated trade or business.

Some commentators have noted that certain church-related organizations that finance, fund and manage pension programs were originally excused from filing by Notice 84-2 (1984-1 C.B. 331), which was issued pursuant to the Commissioner’s discretionary authority under section 6033(a)(2)(B). Rev. Proc. 86-23 states that Notice 84-2 is superseded by Rev. Proc. 86-23 because the organizations excused from filing under the notice are excused from filing by the revenue procedure. The commentators have expressed concern that the proposed regulations did not relieve church pension plans described in Notice 84-2 from the filing requirement. The organizations excused from filing under Notice 84-2 do not necessarily meet the definition of an integrated auxiliary of a church under these final regulations. Nevertheless, the proposed regulations were not intended to alter the exemption from filing provided in Notice 84-2 and reaffirmed in Rev. Proc. 86-23. To make this intent clear, the IRS is issuing Revenue Procedure 96-10 at the same time that it issues these final regulations. Rev. Proc. 96-10 carries over the exemption from filing for church pension plan organizations that was set forth in Notice 84-2. Having reaffirmed those parts of Rev. Proc. 86-23 that were not incorporated into these final regulations, Rev. Proc. 96-10 also obsoletes Rev. Proc. 86-23.

The IRS developed the internal support test contained in the proposed

regulations based on its conclusion that Congress intended that organizations receiving a majority of their support from public and government sources, as opposed to those receiving a majority of their support from church sources, should file annual information returns in order that the public have a means of inspecting the returns of these organizations. The annual information return also was intended to serve as a means by which the IRS could examine, if necessary, those organizations receiving substantial non-church support.

One commentator has suggested that the definition of an integrated auxiliary of a church should consist of a church-related structural test rather than an internal support test. The IRS and the Treasury Department believe that the use of a structural test could lead to problems similar to those caused by the “exclusively religious” test. Additionally, the suggested definition would frustrate Congress’ intended objective of allowing ongoing public scrutiny of organizations receiving the majority their support from public and government sources.

A commentator has also suggested that by using the internal support test as part of the new definition of an integrated auxiliary of a church, the IRS is attempting to “overrule” the holdings in the previously mentioned court cases (*i.e. Tennessee Baptist Children’s Home and Lutheran Social Service of Minnesota*). The IRS and the Treasury Department believe that the courts’ rulings questioned the validity of the “exclusively religious” activity requirement contained in the former regulation on the basis that it is not within the Service’s discretion to assess the religious nature of a church’s activities. Having eliminated the “exclusively religious” activity test from the definition of integrated auxiliary of a church, the IRS and the Treasury Department believe that the definition in the final regulation is consistent with the courts’ holdings as well as the statute and the legislative history.

Some commentators have suggested that the first sentence of §1.6033-2(g)(5)(iv) of the regulations in effect prior to this Treasury decision should be included in the final regulations. That sentence identified specific types of organizations as integrated auxiliaries of churches in accordance with legislative history. Although §1.6033-2(h) of the proposed regulations was

intended to provide a general definition that could apply in all instances, the IRS and the Treasury Department agree that, in order to be consistent with the legislative history, parts of §1.6033-2(g)(5)(iv) of the regulations should be included in these final regulations. Therefore, these final regulations include §1.6033-2(h)(5) that states that “a men’s or women’s organization, a seminary, a mission society, or a youth group” is an integrated auxiliary of a church regardless of whether it meets the internal support test in to §1.6033-2(h)(1)(iii). (The tests under §1.6033-2(h)(1)(i) and (ii) must still be met.)

Comments were received objecting that *Example 4* relating to seminaries did not describe a realistic set of facts and, therefore, could lead to confusion. Accordingly, *Example 4* has been eliminated. Also, the treatment of seminaries has been clarified by §1.6033-2(h)(5). We also note that, in addition to the exception for seminaries, §1.6033-2(g)(1)(vii) of the regulations excepts certain schools below college level that are affiliated with a church or operated by a religious order from the filing requirements of section 6033. Except for a paragraph numbering change contained in a cross-reference, §1.6033-2(g)(1)(vii) is unchanged by these final regulations.

Several commentators have suggested that expanded definitions of certain terms used in the internal support test be included in this Treasury decision. The final regulations do not incorporate this suggestion. The IRS and the Treasury Department intend for these final regulations to reissue the test published in Rev. Proc. 86-23 as the new definition for an integrated auxiliary of a church. If guidance is necessary on the application of the definition to specific cases, that guidance is more appropriately provided in non-regulatory form, such as through private letter rulings or revenue rulings.

The amendment to §1.6033-2(g)(5) is effective with respect to returns filed for taxable years beginning after December 31, 1969. However, for returns filed for taxable years beginning after December 31, 1969, but before December 20, 1995, the exclusively religious test contained in §1.6033-2(g)(5) prior to its amendment by these final regulations may, at the entity’s option, be used as an alternative to the financial support test in determining whether an entity is an integrated auxiliary of a

church. The remainder of the amendments are effective with respect to returns for taxable years beginning after December 31, 1969. Therefore, for returns filed for taxable years beginning after December 20, 1995, the definition of integrated auxiliary of a church contained in §1.6033-2(h) will be used in determining whether an entity is an integrated auxiliary of a church.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in EO 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) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of this Treasury decision is Terri Harris, Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations), IRS. However, personnel from other offices of the IRS and the Treasury Department participated in their development.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

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

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

Par. 2. Section 1.508-1 is amended by revising paragraphs (a)(3)(i) introductory text and (a)(3)(i)(a) to read as follows:

§1.508-1 Notices.

(a) * * *

(3) * * * (i) Paragraphs (a)(1) and (2) of this section are inapplicable to the following organizations:

(a) Churches, interchurch organizations of local units of a church, conventions or associations of churches, or integrated auxiliaries of a church. See §1.6033-2(h) regarding the definition of integrated auxiliary of a church;

* * * * *

Par. 3. Section 1.6033-2 is amended as follows:

1. Paragraphs (g)(1)(i) and (g)(vii) are revised.

2. Paragraph (g)(5) is removed and reserved.

3. Paragraphs (h) through (j) are redesignated as paragraphs (i) through (k).

4. New paragraph (h) is added.

The added and revised provisions read as follows:

§1.6033-2 Returns by exempt organizations (taxable years beginning after December 31, 1969) and returns by certain nonexempt organizations (taxable years beginning after December 31, 1980).

* * * * *

(g) * * *

(1) * * *

(i) A church, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church (as defined in paragraph (h) of this section);

* * * * *

(vii) An educational organization (below college level) that is described in section 170(b)(1)(A)(ii), that has a program of a general academic nature, and that is affiliated (within the meaning of paragraph (h)(2) of this section) with a church or operated by a religious order.

* * * * *

(h) *Integrated auxiliary*—(1) *In general.* For purposes of this title, the term *integrated auxiliary of a church* means an organization that is—

(i) Described both in sections 501(c)(3) and 509(a)(1), (2), or (3);

- (ii) Affiliated with a church or a convention or association of churches; and
- (iii) Internally supported.

(2) *Affiliation.* An organization is affiliated with a church or a convention or association of churches, for purposes of paragraph (h)(1)(ii) of this section, if—

(i) The organization is covered by a group exemption letter issued under applicable administrative procedures, (such as Rev. Proc. 80-27 (1980-1 C.B. 677); See §601.601(a)(2)(ii)(b)), to a church or a convention or association of churches;

(ii) The organization is operated, supervised, or controlled by or in connection with (as defined in §1.509(a)-4) a church or a convention or association of churches; or

(iii) Relevant facts and circumstances show that it is so affiliated.

(3) *Facts and circumstances.* For purposes of paragraph (h)(2)(iii) of this section, relevant facts and circumstances that indicate an organization is affiliated with a church or a convention or association of churches include the following factors. However, the absence of one or more of the following factors does not necessarily preclude classification of an organization as being affiliated with a church or a convention or association of churches—

(i) The organization's enabling instrument (corporate charter, trust instrument, articles of association, constitution or similar document) or by-laws affirm that the organization shares common religious doctrines, principles, disciplines, or practices with a church or a convention or association of churches;

(ii) A church or a convention or association of churches has the authority to appoint or remove, or to control the appointment or removal of, at least one of the organization's officers or directors;

(iii) The corporate name of the organization indicates an institutional relationship with a church or a convention or association of churches;

(iv) The organization reports at least annually on its financial and general operations to a church or a convention or association of churches;

(v) An institutional relationship between the organization and a church or a convention or association of churches is affirmed by the church, or convention or association of churches, or a designee thereof; and

(vi) In the event of dissolution, the organization's assets are required to be distributed to a church or a convention or association of churches, or to an affiliate thereof within the meaning of this paragraph (h).

(4) *Internal support.* An organization is internally supported, for purposes of paragraph (h)(1)(iii) of this section, unless it both—

(i) Offers admissions, goods, services or facilities for sale, other than on an incidental basis, to the general public (except goods, services, or facilities sold at a nominal charge or for an insubstantial portion of the cost); and

(ii) Normally receives more than 50 percent of its support from a combination of governmental sources, public solicitation of contributions, and receipts from the sale of admissions, goods, performance of services, or furnishing of facilities in activities that are not unrelated trades or businesses.

(5) *Special rule.* Men's and women's organizations, seminaries, mission societies, and youth groups that satisfy paragraphs (h)(1)(i) and (ii) of this section are integrated auxiliaries of a church regardless of whether such an organization meets the internal support requirement under paragraph (h)(1)(iii) of this section.

(6) *Effective date.* This paragraph (h) applies for returns filed for taxable years beginning after December 31, 1969. For returns filed for taxable years beginning after December 31, 1969 but beginning before December 20, 1995, the definition for the term *integrated auxiliary of a church* set forth in §1.6033-2(g)(5) (as contained in the 26 CFR edition revised as of April 1, 1995) may be used as an alternative definition to such term set forth in this paragraph (h).

(7) *Examples of internal support.* The internal support test of this paragraph (h) is illustrated by the following examples, in each of which it is assumed that the organization's provision of goods and services does not constitute an unrelated trade or business:

Example 1. Organization A is described in sections 501(c)(3) and 509(a)(2) and is affiliated (within the meaning of this paragraph (h)) with a church. Organization A publishes a weekly newspaper as its only activity. On an incidental basis, some copies of Organization A's publication are sold to nonmembers of the church with which it is affiliated. Organization A advertises for subscriptions at places of worship of the church. Organization A is internally supported,

regardless of its sources of financial support, because it does not offer admissions, goods, services, or facilities for sale, other than on an incidental basis, to the general public. Organization A is an integrated auxiliary.

Example 2. Organization B is a retirement home described in sections 501(c)(3) and 509(a)(2). Organization B is affiliated (within the meaning of this paragraph (h)) with a church. Admission to Organization B is open to all members of the community for a fee. Organization B advertises in publications of general distribution appealing to the elderly and maintains its name on non-denominational listings of available retirement homes. Therefore, Organization B offers its services for sale to the general public on more than an incidental basis. Organization B receives a cash contribution of \$50,000 annually from the church. Fees received by Organization B from its residents total \$100,000 annually. Organization B does not receive any government support or contributions from the general public. Total support is \$150,000 (\$100,000 + \$50,000), and \$100,000 of that total is from receipts from the performance of services (66-2/3% of total support). Therefore, Organization B receives more than 50 percent of its support from receipts from the performance of services. Organization B is not internally supported and is not an integrated auxiliary.

Example 3. Organization C is a hospital that is described in sections 501(c)(3) and 509(a)(1). Organization C is affiliated (within the meaning of this paragraph (h)) with a church. Organization C is open to all persons in need of hospital care in the community, although most of Organization C's patients are members of the same denomination as the church with which Organization C is affiliated. Organization C maintains its name on hospital listings used by the general public, and participating doctors are allowed to admit all patients. Therefore, Organization C offers its services for sale to the general public on more than an incidental basis. Organization C annually receives \$250,000 in support from the church, \$1,000,000 in payments from patients and third party payors (including Medicare, Medicaid and other insurers) for patient care, \$100,000 in contributions from the public, \$100,000 in grants from the federal government (other than Medicare and Medicaid payments) and \$50,000 in investment income. Total support is \$1,500,000 (\$250,000 + \$1,000,000 + \$100,000 + \$100,000 + \$50,000), and \$1,200,000 (\$1,000,000 + \$100,000 + \$100,000) of that total is support from receipts from the performance of services, government sources, and public contributions (80% of total support). Therefore, Organization C receives more than 50 percent of its support from receipts from the performance of services, government sources, and public contributions. Organization C is not internally supported and is not an integrated auxiliary.

* * * * *

Margaret Milner Richardson,
*Commissioner of
Internal Revenue.*

Approved November 27, 1995.

Leslie Samuels,
*Assistant Secretary of
the Treasury.*

Section 7121.—Closing Agreements

26 CFR 301.7121-1: Closing agreements.

What is the method by which a taxpayer requests early referral of one or more unagreed issues from Examination to Appeals? See Rev. Proc. 96-9, page 15.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 8.

26 CFR 1.7520-3: Limitation on the application of section 7520.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, this page.

26 CFR 20.7520-3: Limitation on the application of section 7520. (Also §§ 170, 642, 664, 2031, 2512; 1.170A-1, 1.170A-6, 1.642(c)-6, 1.664-1, 20.2031-7, 25.2512-5, 1.7520-3, 25.7520-3.)

Valuation of annuities. Interest for life or a term of years, and remainder and reversionary interests when the individual, who is the measuring life, is terminally ill. Rev. Ruls. 80-80 and 66-307 are obsolete effective December 14, 1995.

Rev. Rul. 96-3

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer. These revenue rulings have been superseded by § 20.7520-3(b)(3) of the Estate Tax Regulations, effective with respect to estates of decedents dying after December 13, 1995. Similar provisions are set forth in §§ 1.7520-3(b)(3) of the Income Tax Regulations and 25.7520-3(b)(3) of the Gift Tax Regulations. Section 1.7520-3(b)(3) is effective with respect to transactions after December 13, 1995 and § 25.7520-3(b)(3) is effective with respect to gifts made after December 13, 1995.

EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 80-80, 1980-1 C.B. 194,

and Rev. Rul. 66-307, 1966-2 C.B. 429 are obsolete effective December 14, 1995.

DRAFTING INFORMATION

The principal author of this revenue ruling is William L. Blodgett of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling contact Mr. Blodgett on (202) 622-3090 (not a toll-free call).

26 CFR 25.7520-3: Limitation on the application of section 7520.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, this page.

Section 7872.—Treatment of Loans with Below-Market Interest Rates

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 00.

Part III. Administrative, Procedural, and Miscellaneous

Weighted Average Interest Rate Update

Notice 96-2

Notice 88-73 provides guidelines for determining the weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability for the purpose of

the full funding limitation of § 412(c)(7) of the Internal Revenue Code as amended by the Omnibus Budget Reconciliation Act of 1987 and as further amended by the Uruguay Round Agreements Act, Pub. L. 103-465 (GATT).

The average yield on the 30-year Treasury Constant Maturities for November 1995 is 6.26 percent.

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

Month	Year	Weighted Average	90% to 109% Permissible Range	90% to 110% Permissible Range
December	1995	7.09	6.38 to 7.73	6.38 to 7.80

Drafting Information

The principal author of this notice is Donna Prestia of the Employee Plans Division. For further information regarding this notice, call (202) 622-6076 between 2:30 and 4:00 p.m. Eastern time (not a toll-free number). Ms. Prestia's number is (202) 622-7377 (also not a toll-free number).

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability. (Also Part I, Section 7121; 301.7121-1.)

Rev. Proc. 96-9

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SECTION 1. PURPOSE

Early referral is a process to resolve Coordinated Examination Program (CEP) cases more expeditiously through Examination and Appeals working simultaneously. This revenue procedure describes the method by which a taxpayer requests early referral of one or more unagreed issues from Examination to Appeals. This revenue procedure does not alter the District Director's authority to audit the returns of a taxpayer nor limit or expand the District Director's authority to resolve any issues, including the authority in Delegation Order No. 236, 1991-1 C.B. 313.

SECTION 2. SCOPE OF EARLY REFERRAL PROCEDURES

.01 **In general.** Except as provided in section 2.03, a taxpayer may request early referral of any developed, unagreed issue under the jurisdiction of the District Director arising from an examination (audit). Examination will continue to develop other issues arising in the audit. Early referral is:

- (1) optional;
- (2) initiated by the taxpayer;
- (3) subject to the approval of both the District Director and the Assistant Regional Director of Appeals-Large Case (ARDA); and
- (4) limited to CEP taxpayers.

.02 **Appropriate issues for early referral.** Appropriate issues for early referral include those that:

(1) if resolved, can reasonably be expected to result in a quicker resolution of the entire case; and

(2) both the taxpayer and the District Director agree should be referred to Appeals early.

Industry Specialization Program (ISP) and Appeals Coordinated Issues (ACIs) can be referred to Appeals for early resolution under these early referral procedures. ISP issues are listed in Exhibit 8700-1 and ACIs are listed in Exhibit 8700-4 of the Internal Revenue Manual.

.03 Issues excluded from early referral. Early referral does not apply to:

(1) an issue designated for litigation by the Office of Chief Counsel; or

(2) issues for which the taxpayer has filed a request for Competent Authority assistance, or issues for which the taxpayer intends to seek Competent Authority assistance. Taxpayers are encouraged to request the simultaneous Appeals/Competent Authority procedure described in section 8 of Announcement 95-9, 1995-7 I.R.B. 57 or a subsequent revenue procedure. If a taxpayer enters into a settlement with Appeals (including an Appeals settlement through the early referral process), and then requests Competent Authority assistance, the U.S. competent authority will endeavor only to obtain a correlative adjustment with the treaty country and will not take any actions that would otherwise amend the settlement. See section 7.05 of Announcement 95-9.

SECTION 3. PROCEDURES FOR REQUESTING EARLY REFERRAL

.01 Initiating the early referral request. A request for early referral must be submitted in writing by the CEP taxpayer to the CEP case manager. The CEP case manager may suggest that a CEP taxpayer make such a request.

.02 Statement of issues and position. An early referral request must:

(1) state the issues for which early referral is requested;

(2) identify the taxpayer (and, where applicable, all related persons involved in the issue(s)) and the tax period(s) to which those issues relate; and

(3) describe the taxpayer's and the Service's position with regard to the relevant early referral issues. This

statement must contain a brief discussion of the material facts and an analysis of the facts and law as they apply to the early referral issues.

.03 Perjury Statement. The early referral request, and any supplemental submission (including additional documents), must include a declaration in the following form:

Under penalties of perjury, I declare that I have examined this request [or submission], including accompanying documents, and to the best of my knowledge and belief, the facts presented are true, correct, and complete.

This declaration must be signed by any person currently authorized to sign the taxpayer's federal income tax returns.

.04 Signatures. A request for early referral must be signed by the taxpayer or the taxpayer's authorized representative. It is preferred that Form 2848, Power of Attorney and Declaration of Representative, be used with regard to an early referral request under this revenue procedure.

SECTION 4. PROCESSING AN EARLY REFERRAL REQUEST

.01 Approving or denying the request for early referral. An approval of an early referral request requires the concurrence of both the District Director and the ARDA. The early referral request will be processed as follows:

(1) The CEP case manager will send the taxpayer's request for early referral to the District Director. The CEP case manager also may include a recommendation that the early referral request be approved or denied.

(2) The District Director will note the district's approval or denial and forward the request, whether approved or denied, to the ARDA for consideration.

(3) The ARDA will note his or her approval or denial of the early referral request and will return the request to the CEP case manager.

.02 Notification of action. The CEP case manager will advise the taxpayer of the decision generally within 45 days of receipt of the request. If any issue is approved, the CEP case manager will forward the early referral file for this issue to Appeals as described in section 5 below. If the request for early referral is denied with respect to

any issue, the taxpayer retains the right to pursue the administrative appeal of any proposed deficiency related to that issue at a later time.

.03 No Appeal. There is no formal taxpayer appeal if the early referral request is denied in whole or in part; however, the taxpayer can request a conference with the organization(s) that denied the early referral request.

SECTION 5. TRANSFERRING THE ISSUE FROM EXAMINATION TO APPEALS

.01 In General. Jurisdiction over the issues accepted will be transferred from Examination to Appeals, and the procedures set forth in sections 5.02 through 5.04 will apply.

.02 Examination issues Notice of Proposed Adjustment (Form 5701). Examination will complete a Notice of Proposed Adjustment (Form 5701), for each approved early referral issue, generally within 30 days after the CEP case manager advises the taxpayer of the approved early referral request. Examination will send the Form 5701 to the taxpayer. The Form 5701 will describe the issue and explain Examination's proposed adjustment.

The issuance of the Form 5701 for the early referral issue is not treated as the first letter of proposed deficiency for purposes of computing increased interest under § 6621(c).

.03 Taxpayer response to Form 5701. The taxpayer must respond in writing to Examination's proposed adjustment to each issue set forth in the Form 5701. The response must contain an explanation of the taxpayer's position regarding the issues, similar to that which would be provided in an Appeals protest. The response shall be submitted to the CEP case manager within 30 days (unless extended by the CEP case manager) from the date that the proposed adjustment (Form 5701) is sent to the taxpayer. The procedural requirements of sections 3.03 and 3.04 of this revenue procedure (perjury statement and signatures) also apply to the taxpayer's response to the Form 5701. If a response is not received for any issue within the time provided, the taxpayer's early referral request will be considered withdrawn regarding that particular issue without prejudice to the taxpayer's right to an administrative appeal at a later date. See section 8, Withdrawal from the Early Referral

Process, regarding withdrawal after Appeals has taken jurisdiction over an early referral issue.

.04 Early referral file sent to Appeals. Once the taxpayer has responded to the Form 5701, Examination will send the early referral file to Appeals. Appeals will then take jurisdiction over the issues accepted for early referral. All other issues in the case remain in Examination's jurisdiction. The early referral file should include copies of:

- (1) applicable portions of tax returns and workpapers;
- (2) the approved early referral request;
- (3) the Form 5701;
- (4) the taxpayer's written response to the Form 5701;
- (5) Examination's response to the taxpayer's position, if any; and
- (6) an estimate of the potential tax effect of the proposed adjustment.

SECTION 6. RESOLVING THE EARLY REFERRAL ISSUE

.01 In general. The taxpayer's written response to the Form 5701 generally serves the same purpose as an Appeals protest. Established Appeals procedures, including those governing submissions and taxpayer conferences, apply to early referral issues. See § 601.106 *et seq.* of the Statement of Procedural Rules.

.02 Agreement reached.

(1) If an agreement is reached with respect to an early referral issue, a specific matters closing agreement (Form 906) will be prepared. See § 7121 and also Rev. Proc. 68-16, 1968-1 C.B. 770, which describes the preparation of closing agreements. The closing agreement will be used to compute the corrected tax as a partial agreement prior to or concurrently with the resolution of any other issues in the case.

(2) If an early referral issue results in a refund or credit requiring a report described in § 6405 that must be submitted to the Joint Committee on Taxation, the report must include a copy of the proposed closing agreement signed by or for the taxpayer, but not signed by or on behalf of the Commissioner. The Service will not sign the proposed agreement until after review by the Joint Committee.

.03 Agreement not reached. If an agreement is not reached with respect to an early referral issue:

(1) Appeals will close the early referral file and return jurisdiction over the issue to Examination. Appeals will send a copy of the Appeals Case Memorandum for the issue to the CEP case manager.

(2) Appeals will not reconsider an unagreed early referral issue if the entire case is later protested to Appeals, unless there has been a substantial change in the circumstances regarding the early referral issue.

SECTION 7. EFFECT OF CONCLUSION OF EXAMINATION

If Examination issues a preliminary notice of deficiency ("30-day letter") with respect to any issue that is not accepted for early referral, all unagreed issues, including any early referral issues that have not yet been settled by Appeals, will be combined in the 30-day letter. Likewise, if no issues in the case remain unagreed except for the early referral issues that are pending in Appeals, a 30-day letter will be issued solely with respect to the early referral issues. The issuance of the 30-day letter generally will constitute the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review for purposes of the increased underpayment rate for large corporate underpayments under § 6621(c).

Except as provided in section 6.03(2), once Appeals assumes jurisdiction over the case, all issues, including all early referral issues that have not yet been settled by Appeals, will be considered under established Appeals procedures.

If no issues in the case remain unagreed except for an early referral issue that could not be settled by Appeals and has been returned to Examination, no 30-day letter will be issued. Rather, a statutory notice of deficiency ("90-day letter") will be issued, which will start the period for the increased underpayment rate for large corporate underpayments under § 6621(c).

SECTION 8. WITHDRAWAL FROM THE EARLY REFERRAL PROCESS

If the taxpayer withdraws its early referral request with respect to one or more of the early referral issues after Appeals has taken jurisdiction over the issues, such withdrawal will be treated

in the same manner as if no agreement of those early referral issues was reached. See section 6.03, Agreement not reached. The withdrawal request must be communicated in writing to the ARDA. See section 5.03, Taxpayer response to Form 5701, regarding a withdrawal without prejudice prior to Appeals taking jurisdiction over the issue(s).

SECTION 9. NO USER FEE

There is no user fee for an early referral request.

SECTION 10. EFFECT ON OTHER DOCUMENTS

Announcement 94-41, 1994-12 I.R.B. 7, is superseded.

SECTION 11. EFFECTIVE DATE, FUTURE ACTION

This revenue procedure is effective for requests for early referral filed after January 8, 1996, the date this revenue procedure is published in the Internal Revenue Bulletin. Additional guidance may be issued to supplement or modify the procedures set forth in this revenue procedure in order to extend the early referral program.

DRAFTING INFORMATION

The principal author of this revenue procedure is Thomas C. Louthan, Director, Office of International, TEFRA, and Dispute Resolution Programs, National Office Appeals. For further information regarding this revenue procedure, please contact Mr. Louthan at (202) 401-4098 (not a toll-free number).

26 CFR 601.602: Forms and instructions.
(Also Part 1, Section 6033; 1.6033-2)

Rev. Proc. 96-10

SECTION 1. PURPOSE

The purpose of this revenue procedure is to list a class of organizations, affiliated with a church or convention or association of churches and exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, that is not required to file an annual information return on Form 990,

Return of Organizations Exempt from Income Tax. This revenue procedure supplements Rev. Proc. 83-23, 1983-1 C.B. 687, and obsoletes Rev. Proc. 86-23, 1986-1 C.B. 564.

SEC. 2. BACKGROUND

.01 Section 6033(a)(1) of the Code generally requires all tax-exempt organizations to file an annual information return on Form 990.

.02 Section 6033(a)(2)(A) of the Code provides certain mandatory exceptions to this filing requirement, specifically for churches, their integrated auxiliaries, and conventions or associations of churches.

.03 Section 6033(a)(2)(B) of the Code provides discretionary exceptions from filing such returns where the Secretary "determines such filing is not necessary to the efficient administration of the internal revenue laws." Section 1.6033-2(g)(6) of the Income Tax Regulations delegates authority to the Commissioner to excuse organizations from the filing requirement. It provides that "the Commissioner may relieve any organization or class of organizations from filing, in whole or in part, the annual information return required by section 6033 where he determines that such returns are not necessary for the efficient administration of the internal revenue laws."

.04 Section 1.6033-2(g)(1) of the regulations provides a partial list of organizations that are not required to file annual returns either because they are excepted by statute or because the Commissioner has exercised the authority referred to above in Sec. 2.03. A more complete list is contained in Rev. Proc. 83-23, 1983-1 C.B. 687.

.05 A return filing exception for certain church-affiliated organizations engaged exclusively in managing funds or maintaining retirement programs was announced originally in Notice 84-2, 1984-1 C.B. 331. That exemption was carried over into Rev. Proc. 86-23, which superseded Notice 84-2. Rev. Proc. 86-23 also defined what is an integrated auxiliary of a church for purposes of the filing exception provided in section 6033(a)(2)(A). Treas. Reg. § 1.6033-2(h) now has incorporated the definition of integrated auxiliary of a church, making Rev. Proc. 86-23 partially obsolete. Accordingly, this revenue procedure replaces Rev. Proc. 86-23, preserving the filing

exemption that remains in effect for certain church-affiliated organizations that manage funds and retirement programs and deleting those portions of Rev. Proc. 86-23 that are now part of the regulations. Some organizations exempted from filing by this revenue procedure may also qualify as integrated auxiliaries exempt from filing under section 6033(a)(2)(A).

SEC. 3. ORGANIZATIONS EXCUSED FROM FILING

.01 The following organizations will not be required to file Form 990:

(1) An organization described in section 501(c)(3) that is operated, supervised, or controlled by one or more churches, integrated auxiliaries, or conventions or associations of churches, and

(a) is engaged exclusively in financing, funding the activities of, or managing the funds of

(i) a church, integrated auxiliary, or convention or association of churches, or

(ii) a group of organizations substantially all of which are described in (1)(a)(i), if substantially all of its assets are provided by, or held for the benefit of, organizations described in (1)(a)(i); or

(b) maintains retirement insurance programs primarily for organizations described in (1)(a)(i), and

(i) more than 50 percent of the individuals covered by the programs are directly employed by those organizations, or

(ii) more than 50 percent of the assets are contributed by, or held for the benefit of, employees of those organizations.

(2) An organization described in section 501(c)(3) that is operated, supervised or controlled by one or more religious orders and is engaged in financing, funding, or managing assets used for exclusively religious activities.

.02 For purposes of this revenue procedure, an integrated auxiliary is an organization that meets the definition contained in Treas. Reg. § 1.6033-2(h).

SEC. 4. EFFECTIVE DATE

This revenue procedure is effective for tax years beginning after December 20, 1995, the date of publication of final Treas. Reg. § 1.6033-2(h) in the Federal Register.

SEC. 5. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 83-23 is supplemented. Rev. Proc. 86-23 is rendered obsolete as of the effective date set forth above in Sec. 4.

DRAFTING INFORMATION

The principal author of this revenue procedure is John Francis Reilly of the Exempt Organizations Division. For further information regarding this revenue procedure contact Mr. Reilly on (202) 622-7352 (not a toll-free call).

26 CFR 601.602: Tax forms and instructions.

Rev. Proc. 96-11

NOTE: This revenue procedure may be used to prepare Tax Year 1995 Form 1042-S for submission to Internal Revenue Service (IRS) using any of the following:

Magnetic Tape

Tape Cartridge

5¼-inch Diskette

3½-inch Diskette

Electronic Filing

*(Bisynchronous)

*(Asynchronous)

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

PLEASE NOTE:

ALL CHANGES IN THE PUBLICATION, FORMAT AND EDITORIAL, HAVE BEEN HIGHLIGHTED BY THE USE OF ITALICS AND DOUBLE UNDERLINES.

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- Section 6. IBM 3780 Bisynchronous Communication Specifications

PART A. GENERAL

SECTION. 1. PURPOSE

.01 The purpose of this revenue procedure is to provide the specifications under which withholding agents may file Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Magnetically or Electronically.

.02 This revenue procedure supersedes the following: Rev. Proc. 93-16 1993-8 C.B. 844, published as **Pub. 1187** (02-93), Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Electronically or on Magnetic Tape, and 5¼-, or 3½-Inch Magnetic Diskettes.

.03 Revenue procedures are generally revised annually to reflect legislative and form changes. Comments concerning this revenue procedure, or

suggestions for making it more helpful and user friendly, can be addressed to Internal Revenue Service, Martinsburg Computing Center, P. O. Box 1359, Martinsburg, WV 25401 ATTN: Information Returns Branch, Mail Stop 360.

.04 It is unlawful to intentionally transmit a computer virus to the Internal Revenue Service. Violators may be subject to a fine and/or imprisonment.

SEC. 2. NATURE OF CHANGES—CURRENT YEAR (TAX YEAR 1995)

.01 In this publication, all pertinent changes from the last revision have been highlighted by the use of italics and double underline. This has been done for the convenience of the filers in identifying new information. Filers are still advised to read the publication in its entirety.

.02 EDITORIAL CHANGES—GENERAL

The following changes have been made to the revenue procedure:

a) In Contents, Part A. General—Section 6. Vendor List has been added to provide guidance to those filers who may need assistance or must engage a vendor to file on their behalf.

b) Part A. Sec. 3.01—The closing hour of operation at IRS/MCC has changed from 6:00 p.m. to 4:30 p.m. Eastern Time.

c) Part A. Sec. 3.07—Text regarding the Information Reporting Program Centralized Call Site has been updated to reflect the change from a pilot operation in select areas of the country, to a nationwide service for the payer community.

d) Part A. Sec. 4.01—A paragraph has been added to inform the withholding agents of filing requirements with regard to the threshold of 250 returns. A NOTE was added to make filers aware of the penalty which may be imposed when failing to comply.

e) Part A. Sec. 4.04—A note has been added for filers, who may engage a service bureau to file on their behalf, to be sure not to file duplicate data.

f) Part A. Sec. 5.08—A statement has been added advising transmitters, who have received a waiver approval letter, to keep it on file.

g) Part A. Sec. 9.01—A statement has been added alerting filers of the importance of signing Form 4804. A NOTE was also added to direct filers to

indicate the correct tax year on computer generated forms.

h) Part A. Sec. 9.07—Statements have been inserted regarding the Notice 210.

i) Part A. Sec. 9.11—Information instructing filers on retention of returns filed or the ability to reconstruct was added.

j) Part A. Sec. 10.02—A statement to alert filers regarding the use of a delivery service other than U. S. Postal has been added to emphasize the importance of the postmark in relationship to the due date of the return.

k) Part A. Sec. 10.04—A qualifying statement has been included in the event the due date of March 15 occurs on a legal holiday, Saturday or Sunday.

l) Part A. Sec. 11—Information for submitting a request for Extension of Time to File Form 1042 and Form 1042S has changed to reflect the correct procedures to follow.

m) Part A. Sec. 11.01—A significant change was added requiring filers requesting an extension of time for more than 50 withholding agents to do so magnetically or electronically.

n) Part A. Sec. 11.14—The statement regarding extension of time to file for Form 1042, Annual Withholding Tax Return for U. S. Source Income of Foreign Persons, has been changed for greater clarity.

o) Part A. Sec 13—Corrected Returns has been revised. PLEASE READ THIS SECTION CAREFULLY.

p) Part A. Sec. 15—Additional words and definitions have been added for clarification in the use of this publication.

q) Part A. Sec 16—Major Problems Encountered has been revised. PLEASE READ THIS SECTION CAREFULLY.

.03 EDITORIAL CHANGES— MAGNETIC MEDIA SPECIFICATIONS

a) Throughout the publication, the beginning “number 22” has been added to explain that all magnetic and electronic filing of Form 1042-S requires a Transmitter Control Code (TCC) beginning with the numbers “22”.

b) Part B. Sec. 1.03—Moved virus information to Part A, Section 1.04, and deleted the statement indicating IRS/MCC will return media which has been found to be contaminated with a virus.

c) Part B. Sec. 2, Tape Specifications,—Changed BPI to CPI, explained compatible tape files, and labeled and unlabeled tapes.

d) Part B. Sec. 4—5¼-inch and 3½-inch Diskette Specifications, .02, .03, and .04 were added for additional information.

e) Part B. Sec. 7, Recipient “Q” Record, field positions 113–121,—Explained the use of Taxpayer Identification Number and the accompanying letter.

f) Part B. Sec. 7, field positions 137–138,—Explained the use of OC, Other Countries.

g) Part B. Sec. 7, field positions 309–323,—Added “note” to use either the Province or the Province Code for Canada, not both.

h) Part B. Sec. 7, field positions 324–332,—Added U. S. Territories to the title.

i) Part B. Sec. 7, field positions 355–356,—Added “Notes” concerning use of certain income codes.

j) Part B. Sec. 7, field positions 357–358,—Added “Note” concerning income code 20.

k) Part B. Sec. 7, field position 370,—Added “Notes” for clarification for certain income codes.

l) Part B. Sec. 8, Withholding Agent “W” Record, field positions 2–3,—Changed “Payment Year” to “Tax Year” for consistency with “Q” Record.

m) Part C. Bisynchronous (Mainframe) Electronic Filing Specifications has been added to this publication for those filers who meet the filing requirements for magnetically or electronically filed media and chose mainframe filing as their mode of transmission.

n) Part D. Asynchronous (IRP–BBS) Electronic Filing Specifications has been added to assist filers who chose Bulletin Board Filing as the vehicle of transmission.

o) Part E. Record Format For Filing Extensions Of Time Magnetically or Electronically has been added for those filers who must request an extension for more than 50 withholding agents.

.04 PROGRAMMING CHANGES— MAGNETIC MEDIA SPECIFICATIONS

a) Part B. Sec. 3—New section added, “Tape Cartridge Specifications.”

b) Part B. Sec. 6—Transmitter “T” Record

(1) All “REQUIRED” fields were identified.

(2) Tax Year, field positions 2–3,—Must be incremented by one (from 94 to 95) unless reporting for prior year data.

c) Part B. Sec. 7—Recipient “Q” Record.

(1) All “Required” fields were identified.

(2) Removed all references to “two or more consecutive imbedded blanks between name parts is not acceptable.”

(3) Review entire Country Code List, field positions 137–138, for additions and deletions.

(4) Added two new recipient codes, field positions 357–358,—Codes 10 Fiduciary (estate) and 11 Fiduciary (Other).

(5) Added a new Exemption Code 5, field position 370, (Portfolio interest exempt under an Internal Revenue Code Section).

(6) Added new correction indicators, “V” and “C”, field position 371, and explained the process of correcting documents using those codes.

(7) Clarified “Note” for field positions 372–373; removed the tax rate chart, and gave reference to the location of it in Publication 515. The Publication 1187 may not be revised each year.

(8) Added Income Code 16 (Compensation for Independent Personal Services) to field positions 430–439 (Foreign Student Withholding Allowance Amount) and field positions 440–449 (Net Income Amount)

d) Part B. Sec. 8—Withholding Agent “W” Record

(1) All “REQUIRED” fields were identified.

(2) Tax Year, field positions 2–3,—Must be incremented by one (from 94 to 95) unless reporting for prior year data.

e) Part B. Sec. 9—End of Transmission “Y” Record

(1) All “REQUIRED” fields were identified.

SEC. 3. WHERE TO FILE AND HOW TO CONTACT THE IRS MARTINSBURG COMPUTING CENTER (IRS/MCC)

.01 All Form 1042-S filed magnetically or electronically are processed

at IRS/MCC. Inquiries concerning application procedures, extension of time to file, request for a waiver from the magnetic media filing requirements, or filing procedures specified in this revenue procedure should be directed to IRS/MCC. Filers may contact IRS/MCC by telephone at (304) 263-8700 (not a toll free number). The hours of operation are 8:30 a.m. to 4:30 p.m., Eastern Time.

.02 Send magnetic media files, and any correspondence to MCC at the following addresses:

If by Postal Service:

IRS, Martinsburg Computing Center
Information Reporting Program
P.O. Box 1359
Martinsburg, WV 25401-1359
or

If by truck or air freight:

IRS, Martinsburg Computing Center
Information Reporting Program
Route 9 and Needy Road
Martinsburg, WV 25401

.03 This revenue procedure and other IRS publications concerning magnetic and electronic filing of information returns are available through the IRP-BBS as "downloadable" files. Using IRP-BBS as a means of obtaining publications will provide faster access to this information. Publications will be available from IRP-BBS much earlier than the printed version. The IRP-BBS is operational 24 hours a day, 7 days a week. The telephone number is (304) 264-7070.

.04 The IRP-BBS software provides a menu-driven environment which allows filers to access different parts of the bulletin board. Whenever possible, IRS/MCC personnel will provide assistance in resolving communication problems with IRP-BBS.

.05 The telephone number for the IRS/MCC fax machine is (304) 264-5602.

.06 IRS/MCC has installed Telecommunications Devices for the Deaf (TDD). The number is (304) 267-3367.

.07 INFORMATION REPORTING PROGRAM CENTRALIZED CALL SITE. The Call site is located at IRS/MCC and operates in conjunction with the Information Reporting

Program. The Call Site provides service to the payer community (financial institutions, employers, and other transmitters of information returns).

.08 The Call Site accepts calls from all areas of the country. The number to call is (304) 263-8700 or Telecommunications Device for the Deaf (TDD) (304) 267-3367. These are toll calls. Hours of operation for the Call Site are Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Time. The Call Site is open throughout the year to answer questions related to magnetic media and tax law filing of Form 1042-S, Questionable W-4's, Form 8027, all information returns, and backup withholding due to missing and incorrect taxpayer identifications numbers. Due to the high demand for assistance at the end of January and February, it is advisable to call as soon as possible to avoid these peak filing seasons.

.09 For assistance with regard to the reporting of Form 1042-S, nonresident alien withholding, magnetic media filing, and processing requirements, contact:

Martinsburg Computing Center
Information Reporting Program
TEL: 304-263-8700
FAX: 304-264-5602

.10 If you need help with regard to nonresident alien withholding requirements, contact:

Office of the Assistant Commissioner (International)
ATTN: Taxpayer Service Division
950 L'Enfant Plaza South, SW
Washington, D. C. 20024
TEL: 202-874-1460

FAX: 202-874-5440

.11 Requests for paper returns, publications and forms not related to magnetic media processing MUST be requested by calling the IRS toll free number 1-800-TAX FORM (1-800-829-3676).

SEC. 4. FILING REQUIREMENTS

.01 Under section 6011(e)(2)(A) of the Internal Revenue Code, any person, including a corporation, partnership, individual, estate, and trust, who is required to file 250 or more information returns must file such returns magnetically/electronically. Withholding agents who meet the threshold of 250 or more Form 1042-S are required to submit their information electronically or magnetically. Even if the withholding agent does not meet the required filing threshold of 250 documents, IRS encourages them to do so.

NOTE: Those withholding agents who are required to file on magnetic media but fail to do so, and do not have an approved waiver, may be subject to a penalty of \$50 per return for failure to file Form 1042-S on magnetic media.

The penalty applies separately to original and corrected returns.

.02 Filers who are required to submit their Form 1042-S on magnetic media may choose to submit their documents electronically instead. Filers who transmit their information electronically are considered to have satisfied the magnetic media filing requirements.

.03 The filing requirement applies individually to each reporting entity as defined by its separate Taxpayer Identification Number (TIN) (Social Security Number [SSN] or Employer Identification Number [EIN]). For example, if filing for a corporation with several

branches or locations and each uses the same name and EIN, the filer must aggregate the total volume of returns to be filed for that EIN and apply the filing requirement accordingly.

.04 This requirement applies separately to original and corrected documents. For example, 300 original documents are filed magnetically or electronically. If 200 documents were filed with erroneous information, corrections may be submitted on paper forms.

NOTE: IF FILERS MEET THE FILING REQUIREMENTS AND ENGAGE A SERVICE BUREAU TO PREPARE MEDIA ON THEIR BEHALF, THE FILERS SHOULD NOT REPORT DUPLICATE DATA WHICH MAY CAUSE PENALTY NOTICES TO BE GENERATED.

.05 These requirements shall not apply if the withholding agent submits an application for and is granted an undue hardship waiver. (See Part A. Sec. 5.)

.06 For additional information on filing requirements, please refer to the 1995 Paper Instructions for FORM 1042-S.

SEC. 5. FORM 8508, REQUEST FOR WAIVER FROM FILING INFORMATION RETURNS ON MAGNETIC MEDIA

.01 Withholding agents required to file Form 1042-S magnetically or electronically may receive a waiver if the requirement would create an undue hardship. The withholding agent may request a waiver by submitting Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media, to IRS/MCC.

.02 A separate Form 8508 must be submitted by each withholding agent. Filers are encouraged to submit Form 8508 at least 45 days before the due date of the return.

.03 If a waiver for original documents is approved, any corrections for the same type of returns will be covered under this waiver. If

a withholding agent submits the original Form 1042-S on magnetic media, corrections, less than 250, may be submitted on paper. However, if you can submit your original returns on magnetic media but not your corrections, you must request a waiver for those exceeding the 250.

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

.05 Failure to provide all of the information requested on the Form 8508 and/or the cost estimates, if applicable, will result in an automatic denial of the waiver request.

.06 An approved waiver will only provide exemption from magnetic or electronic filing for one tax year. **A waiver may not be requested for more than one tax year at a time.** If needed, the withholding agent must apply each year for a waiver.

.07 A copy of Form 8508 may be obtained by calling 1-800-829-3676. Form 8508 may be photocopied or computer-generated as long as it contains all the information requested on the original form.

.08 If a waiver request is approved, the transmitter should keep the approval letter on file.

.09 An approved waiver from filing information returns magnetically or electronically does not provide exemption from filing; the withholding agent must still file information returns on acceptable paper forms with the Philadelphia Service Center. **Do not include a copy of the approved waiver with the paper forms.**

SEC. 6. VENDOR LIST

.01 IRS/MCC prepares a list of vendors who support magnetic media or electronic filing. This list contains the names of service bureaus that will produce

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

NOTE: If filers meet the filing requirements and engage a service bureau to prepare media on their behalf, the filers should not report duplicate data which may cause penalty notices to be generated.

.02 A withholding agent may contact IRS/MCC via telephone or letter (See Part A. Sec. 3) to acquire the vendor list (Publication 1582). This information is also available from the Information Reporting Program Bulletin Board System (IRP/BBS). Vendor names will not be provided over the telephone.

.03 A vendor, who offers a software package, has the ability to produce magnetic media for customers, or has the capability to electronically file information returns, and would like to be included on the list, must submit a written request to IRS/MCC. The request should be submitted by August 15 and must include:

(a) Company name

(b) Address (include city, state,

and ZIP code)

(c) Telephone number (include area code)

(d) Contact person

(e) Type(s) of service provided

(e.g., service bureau and/or software)

(f) Type(s) of media offered
(e.g., magnetic tape, tape cartridge or
5¹/₄-, 3¹/₂-inch diskettes or elec-
tronic filing)

.04 The vendor list is updated
annually. Therefore, any changes to
information already on the vendor list
must be received by IRS/MCC no later
than August 15 to be included on the
most current vendor list.

SEC. 7. FORM 4419, APPLICATION FOR FILING INFORMATION RETURNS MAGNETICALLY/ELECTRONICALLY

.01 Withholding agents or their agents must complete and submit Form 4419, Application for Filing Information Returns Magnetically/Electronically, before they may file Form 1042-S magnetically or electronically. Applications for tape, tape cartridge, diskettes, and IRP-BBS may be submitted at any time during the year; however, the Form 4419 must be filed at least 30 days before March 15 in order to allow time to receive a response from IRS/MCC and timely file the returns.

.02 A copy of Form 4419 may be obtained by calling 1-800-TAX-FORM (1-800-829-3676). Instructions on the back of this form should be read carefully. This form may be photocopied.

.03 The filer will receive an approval letter that will contain a five-digit Transmitter Control Code (TCC) beginning with the numbers "22". **DO NOT SUBMIT Form 1042-S USING A TCC ASSIGNED FOR THE PURPOSE OF FILING OTHER INFORMATION RETURNS.** Form 1042-S may not be filed electronically or magnetically until an application has been approved and a TCC assigned. For documents to be filed electronically using IBM 3780 bisynchronous protocols, Form 4419 must be submitted at least 45 days prior to the due date of the returns.

A magnetic media reporting package containing the current revenue procedure, forms, labels, and instructions will be sent annually to the attention of the contact person indicated on Form 4419.

.04 Once a TCC has been assigned, it is not necessary to reapply each year. If the information provided on Form 4419 changes, (for example, the organization's name or the contact person) notify IRS/MCC in writing so the appropriate files may be updated. In **ALL** correspondence with IRS/MCC, include the TCC in order to assist IRS personnel in locating the correct files.

.05 If a withholding agent's files are prepared by a service bureau, it may not be necessary to submit an application to obtain a TCC. Some service bureaus will produce files, code their own TCC on the media, and send it to IRS/MCC for the withholding agent. Other service bureaus will prepare magnetic media and return the media to the withholding agent for submission to IRS/MCC. These service bureaus may require the withholding agent to obtain a TCC to be coded in the "T" Record. Withholding agents should contact their service bureaus for further information.

.06 Filers must have a TCC to transmit data electronically. If a filer has been assigned a TCC to file magnetically and later chooses to file electronically, it is not necessary to apply for another TCC as long as the TCC begins with the digits "22".

.07 When initial contact is made with the IRP-BBS, filers will be instructed to assign their own password and do not need prior approval, other than a valid TCC.

SEC. 8. TEST FILES

.01 IRS/MCC does not require test files but encourages first-time magnetic media or electronic filers to submit a test for review prior to the filing season. IRS/MCC will check the file to ensure it meets the specifications of this revenue procedure.

.02 Application Form 4419 must be filed with IRS/MCC and a TCC must be assigned before test files are submitted.

.03 Approved withholding agents or their agents may submit test files to IRS/MCC. IRS/MCC requires that all test files be submitted between December 1 and February 15.

.04 Include a completed Form 4804, 4802, or computer-generated substitute. Clearly mark the "Test" box on Form 4804 and media label Form 5064. On Form 4804 in the block marked "Combined total number of

Payee records reported" provide the total number of recipient "Q" records.

.05 If a test file is submitted electronically, the filer will be prompted for what type of file is being transmitted. Choose the option T = Test File. Once the file has been transmitted, complete Form 4804/4802 indicating TEST File in Box 1 and send to IRS/MCC the same day. No processing will begin until this form is received by IRS/MCC. For additional information on electronic filing, see Part C. and Part D.

.06 IRS/MCC will send an acknowledgment to indicate the test results. Unacceptable magnetic media files, along with documentation identifying the errors, will be returned to the filer for replacement. Resubmission of replacement magnetic media test files must be postmarked no later than February 15. Electronic filers will also receive documentation identifying errors. Electronically filed tests must be resubmitted on or before February 15.

.07 IRS/MCC does not return media once it has been successfully processed.

SEC. 9. FILING OF FORM 1042-S MAGNETICALLY/ELECTRONICALLY AND RETENTION REQUIREMENTS

.01 Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically, Form 4802, Transmittal of Information Returns Reported Magnetically/Electronically (Continuation), or computer-generated substitute, **MUST** accompany **ALL** magnetic media shipments. For electronic transmissions, the Form 4804 (and Form 4802, if applicable) must be sent the same day as the electronic transmission. Form 4802 is a continuation of Form 4804 and should only be used if the filer is reporting for multiple withholding agents and has the authority to sign the affidavit on Form 4804. Failure to sign the affidavit on Form 4804 may delay processing or could result in the files being returned unprocessed. Form 4802 is not a stand-alone form; it can only accompany Form 4804.

.02 IRS/MCC encourages the use of computer-generated substitutes for Form 4804/4802 (See **Note**). The substitutes must contain all information requested on the original forms includ-

ing the affidavit and signature line. Photocopies are acceptable but an original signature is required.

Note: Be sure, when using computer generated forms, to clearly mark which tax year is being reported. This will eliminate a phone call from IRS/MCC to question the tax year.

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

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

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

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

.07 An external label, Form 5064, must be affixed to each tape, tape cartridge, and diskette submitted. If diskettes are used, and the operating system is not MS/DOS compatible, the operating system and hardware information **must** be provided. Failure to provide this information may result in the media being returned to the filer.

The following information is needed on the label:

- (a) Type of filing (*i.e.*, Original).
- (b) The tax year of the data (*i.e.*, 1995.)
- (c) The transmitter's name.
- (d) The five digit Transmitter Control Code (TCC) beginning numbers "22".

(e) Operating system software and hardware used to create the file (*i.e.*, IBM PC/AT-MS/DOS, Apple MacIntosh/MacWrite V2.2.)

(f) The total number of "Q" records in the file.

(g) Transmitter's media number. The number assigned to the media by the transmitter.

(h) The sequence of each tape or diskette (*i.e.*, 001 of 008, 002 of 008, ... , 008 of 008).

Information provided on the Form 5064 will assist IRS/MCC in identifying information that is reported and in locating a specific file if it is necessary to return the file to the transmitter.

.08 On the outside of the shipping container, affix or attach Form 4801 or a substitute for the form, which reads "DELIVER UNOPENED TO TAPE LIBRARY—MAGNETIC MEDIA REPORTING _____ BOX _____ of _____." If there is only one container, mark the outside as Box 1 of 1. For multiple containers, include the sequence (for example, Box 1 of 3, 2 of 3, 3 of 3).

.09 When submitting files include the following:

- (a) A **signed** Form 4804;
- (b) Form 4802, if applicable;
- (c) Form 5064, Media Label affixed to the magnetic media;
- (d) and Form 4801, outside label.

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

.11 In general, withholding agents 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.

SEC. 10. DUE DATES

.01 The due dates for filing paper returns with IRS also apply to magnetic media or electronic filing. Filing of Form 1042-S is on a calendar year basis. Files must be submitted to IRS/MCC postmarked no later than March 15.

.02 Form 1042-S returns filed magnetically must be submitted to IRS/MCC postmarked or, (if other than the U.S. Postal Service) received no later

than March 15. When using delivery service other than the U.S. Postal Service the date of receipt will be the date received at IRS/MCC.

.03 Copies of Form 1042-S information must also be furnished to the recipient by March 15.

.04 If the due date of March 15 falls on a Saturday, Sunday, or a legal holiday, the return to IRS and the statement to recipient is considered timely if filed with IRS and furnished to the recipient on the next business day.

.05 Late filed media could result in a penalty for failure to file correct information returns by the due dates. (For information on penalties, refer to the Penalty Section of the 1995 Instructions for Form 1042-S).

SEC. 11. EXTENSIONS OF TIME TO FILE

.01 For Tax Year 1995 (returns due to be filed in 1996), transmitters requesting an extension of time to file for **more than 50** withholding agents are required to file the extension request on magnetic media or via IRP-BBS or electronically. (See Part E.

MAGNETIC/ELECTRONIC SPECIFICATIONS FOR EXTENSION OF

TIME.) Transmitters requesting an extension of time for 10 or more withholding agents are encouraged to file the request magnetically or electronically. Acceptable types of media are tape, tape cartridge, 5¼- and 3½-inch diskette.

.02 If a Withholding Agent is requesting an extension of time to file Form 1042-S, either on paper or magnetically/electronically, they must submit Form 8809, Request for Extension of Time to File Information Returns (Rev. 3-95) to IRS/MCC by

March 15. If approved, an extension will be granted for 30 days. A FORM 2758 IS NO LONGER ACCEPTABLE TO REQUEST AN EXTENSION OF TIME TO FILE FORM 1042-S.

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

.04 Withholding agents may request an extension of time to file for 30 days as soon as they are aware that an extension is necessary, but, no later than the due date of the return. It will take a minimum of 30 days for IRS/MCC to respond to an extension request. Under certain circumstances a request for an extension of time could be denied. In such cases, the withholding agent receives a denial letter. When this denial letter is received, the withholding agent has 20 days to provide additional or necessary information and resubmit the extension request to IRS/MCC.

.05 If an additional extension of time is needed, a second Form 8809 may be submitted before the end of the initial extension. Line 7 on the form should be checked to indicate that the original extension has been received and the additional extension is being requested. **A second 30-day extension will be approved only in cases of extreme hardship or catastrophic event.**

.06 A filer may only request an extension of time for the tax year of the returns that are due to be filed with IRS.

.07 A magnetically filed request for an extension of time should be sent using the following addresses:

If by Postal Service:

IRS-Martinsburg Computing Center
ATTN: Extension of time
Coordinator
P. O. Box 879, MS-360
Kearneysville, WV 25430

If by truck or air freight:

IRS-Martinsburg Computing Center
ATTN: Extension of Time

Coordinator
Route 9 and Needy Road, MS-360
Martinsburg, WV 25401

.08 Transmitters who submit request for multiple withholding agents will receive one approval letter with an attached list of withholding agents covered under that approval.

.09 If an extension of time to file magnetically or electronically is granted, do not include a copy of the letter granting the extension with Form 4804 or computer-generated substitute or to the processing site with the paper Form 1042-S.

.10 IRS/MCC will only grant an extension of time to file paper or magnetically/electronically filed Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding.

.11 An approved extension of time for magnetic and electronic filing does not provide additional time for supplying the statement to recipient. Requests for an extension of time to provide the recipient copy must be sent to the IRS/MCC.

.12 Request an extension of time to furnish the statements to recipients by submitting a letter to IRS/MCC containing the following information:

(a) Withholding Agent's 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 Withholding Agent or Person Duly Authorized
Requests for an extension of time to furnish the statements of Form 1042-S are not automatically approved; however, if approved, generally an extension will allow a maximum of 15 additional days from the due date to furnish the statements to the recipients.

If the request is denied, the statements must be sent to the recipients timely.

The request must be postmarked by the date on which the statements are due to the recipients.

.13 An approved extension grants additional time to file the Form 1042-S with IRS/MCC ONLY. This does not include Form 1042 which is an actual tax return. Any tax due must still be paid timely.

.14 To request an extension of time to file Form 1042, submit Form 2758 with the IRS at the following address:

Internal Revenue Service Center
Philadelphia, PA 19255

SEC. 12. PROCESSING OF FORM 1042-S MAGNETICALLY/ELECTRONICALLY

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

.02 When the magnetic media is returned to the transmitter for replacement, a listing identifying the type of errors and frequency of such errors will be provided. It is the responsibility of the transmitter to check the entire file for similar errors. The transmitter must correct the problems and submit a replacement file to IRS/MCC.

.03 Some conditions may not require corrective actions. For example, certain recipients should have had tax withheld at a particular rate, but the withholding agent withheld at a different tax rate. The withholding agent should verify that the tax rates in question are in fact the rates at which tax was withheld. A letter must accompany the original and/or replacement files stipulating that the amount withheld is accurate.

.04 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 successfully processed by IRS/MCC, but contained erroneous information.

A replacement is media that IRS/MCC has returned due to format or

coding errors encountered during processing.

Media returned should receive prompt attention. After necessary changes have been made, these files are to be returned to IRS/MCC within 45 days from the date of notice or the withholding agent may be subject to a failure to file penalty. A penalty may also be assessed if the media is returned to the withholding agent more than two times. A penalty for intentional disregard of filing requirements will be assessed if a replacement file is not returned to IRS/MCC. (For penalty information, refer to the Penalty section of the 1995 Instructions for Form 1042-S.)

.05 IRS/MCC will not return media after successful processing. Therefore, if the transmitter wants proof that IRS/MCC received a shipment, the transmitter should select a service with tracing capabilities or one that will provide proof of delivery.

.06 IRS/MCC will work with filers as much as possible to assist with processing problems. If the filer is contacted by IRS/MCC, please respond promptly. IRS/MCC may have information that the filer needs to correct their file.

.07 Do not use special shipping containers for transmitting data to IRS/MCC. Shipping containers will not be returned.

SEC. 13. CORRECTED RETURNS

.01 Form 1042-S is required to be filed magnetically or electronically if 250 or more returns are filed. This requirement applies separately to both original and corrected returns.

.02 If Form 1042-S is filed magnetically or electronically, and later the filer determines that corrections are

necessary, the corrections may be filed on paper if the 250 correction document threshold has not been met.

.03 If the withholding agent has 250 or more corrections, they MUST be submitted to IRS/MCC magnetically or electronically unless a waiver has been granted. If a waiver was granted for original Form 1042-S, this waiver applies to the corrections as well.

.04 Corrected returns MUST NOT be included on the same media or sent in the same electronic transmission with original returns.

.05 Form 4804 and Form 4802 must be submitted with corrected magnetically/electronically submitted files.

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

.07 Review the chart that follows. Each correction requires TWO TRANSACTIONS.

Guidelines for Filing Corrected Returns Magnetically/Electronically

TRANSACTION 1: Identify incorrect returns

a. Prepare a new Form 4804/4802 that includes information related to this file.

b. Mark "Correction" in Block 1 of Form 4804.

c. Prepare a new file. Make a separate "T" Record. The information in the "T" Record will be exactly the same as it was in the original submission.

d. The Recipient "Q" Record must contain exactly the same information as submitted previously except insert a "V" in field position 371, Corrected Return Indicator.

e. Prepare a "W" Record.

TRANSACTION 2: Report the correct information

a. Prepare a new file with the correct information in all records.

b. Make a separate "T" Record for each transmitter.

c. The "Q" Record must show the correct information as well as a "C" in field position 371, Corrected Return Indicator.

d. Prepare a "W" Record.

e. "V" and "C" Coded Corrected returns submitted to IRS/MCC may be on the same tape or diskette, but must have separate "T" Records.

f. Check the "Correction Box" on the Form 5064.

.08 See the 1995 "Instructions for Form 1042-S" for information on filing paper corrections.

SEC. 14. EFFECT ON PAPER DOCUMENTS

.01 Magnetic or electronic reporting eliminates the need to submit paper Form 1042-S to IRS.

.02 Even though the threshold for filing Form 1042-S magnetically or electronically is 250 or more, IRS encourages transmitters to submit all returns magnetically or electronically.

.03 The address for filing paper Form 1042-S and Form 1042 is:

Internal Revenue Service Center
Philadelphia, PA 19255

Do NOT send paper Form 1042-S or Form 1042 to IRS/MCC.

.04 If the returns were filed magnetically or electronically with IRS/MCC, do not send paper returns to Philadelphia. Duplicate filing may cause penalty notices to be generated.

SEC. 15. DEFINITION OF TERMS

<i>Element</i>	<i>Description</i>
Asynchronous Protocols	The type of data transmission most often used by micro-computers, PCs and some mini-computers. <u>Asynchronous transmissions transfer data at arbitrary time intervals using start-stop method. Each character transmitted has its own start bit and stop bit.</u>
b	Denotes a blank position. Enter blank(s) when this symbol is used (do not enter the letter "b"). This appears in numerous areas throughout the record descriptions.
<u>Bisynchronous Protocols</u>	<u>For purposes of this publication, these are electronic transmissions made using IBM 3780 protocols. These transmissions must be in EBCDIC character code and use the Bell 208B (4800bps) or AT&T 2296A (9600bps) modems. Standard IBM 3780 space compression is acceptable.</u>
Blocked records	Two or more records grouped together between interrecord gaps.
<u>Correction</u>	<u>Media submitted by the payer to correct records that were successfully processed by IRS/MCC, but contained erroneous information.</u>
Employer Identification Number (EIN)	A nine-digit number assigned by IRS to a person for Federal tax reporting purposes.
Electronic Filing	Submission of information returns using switched telecommunications network circuits. These transmissions use modems, dial-up phone lines, asynchronous or bisynchronous protocols (see Part C and D of this publication for specific information on electronic filing).
File	For the purpose of this revenue procedure, a file consists of all records submitted by a transmitter either magnetically or electronically.
<u>Filer</u>	<u>Person or organization who prepares and submits files. May be the withholding agent and/or transmitter.</u>
Information Reporting Program Bulletin Board System (IRP-BBS)	An electronic bulletin board provides the ability to transmit information returns via a personal computer (PC) using dial-up modems; provides immediate access to the latest changes, updates, and publications.
<u>IRS/MCC</u>	<u>Internal Revenue Service/Martinsburg Computing Center</u>
Magnetic Media	Refers to 1/2-inch magnetic tape, <u>tape cartridge</u> , 5 1/4- or 3 1/2-inch diskettes.
Multi-reel/diskette file	A group of tapes or diskettes submitted under one TCC where all media either ends with a Recipient "Q" Record or Withholding Agent "W" Record, EXCEPT for the last media of the file, which ends with an End of Transmission "Y" Record. (Refer to Part B. Sec. 5 for data sequence)
Payer	Person or organization who is the originator of income and enters into a contractual agreement with the withholding agent for the purpose of disbursing income for the payer. For example, Corporation X is about to declare a dividend. Corporation X contracts Bank Y to calculate and distribute such dividends to recipients, and be responsible for withholding. Corporation X is considered the Payer and Bank Y is considered the Withholding Agent.
Recipient	Person or organization receiving payments from a withholding agent.
<u>Replacement</u>	<u>Media that IRS/MCC has returned due to format errors encountered during processing.</u>
<u>Service Bureau</u>	<u>Person or organization with whom the payer has a contract to prepare and/or submit information return file to IRS/MCC. a parent company submitting data for a subsidiary is not considered a service bureau.</u>

<i>Element</i>	<i>Description</i>
Social Security Number (SSN)	A nine-digit number assigned by the Social Security Administration (SSA) to an individual for tax and wage reporting purposes.
Special Character	Any character that is not a numeral, an alpha, or a blank.
Taxpayer Identification Number (TIN)	May be either a Social Security Number (SSN) or an Employer Identification Number (EIN).
Transmitter	Person or organization who prepares and submits files. May be the withholding agent or their agent.
Transmitter Control Code (TCC)	A five-digit code assigned prior to filing. This number is inserted in the "T" Record and must be present. A Form 4419 must be filed with IRS/MCC to receive this number. <u>Transmitter control codes assigned to 1042-S filers will always begin with "22"</u> .
Withholding Agent	A person or entity, U.S. or foreign, required to withhold U.S. tax on payments of income subject to withholding from U.S. sources. A withholding agent may be an individual, partnership, corporation, trust, estate, government agency (Federal, State or local), association, or a tax-exempt foundation or organization. The withholding agent is responsible for the completeness, accuracy, and timely submission of files.

SEC. 16. MAJOR PROBLEMS ENCOUNTERED

PLEASE READ THE FOLLOWING LIST OF MAJOR PROBLEMS ENCOUNTERED. BEFORE SUBMITTING FILES, REVIEW THE CONTENT AND FORMAT CAREFULLY TO ENSURE THE SPECIFICATIONS IN THIS PUBLICATION HAVE BEEN CORRECTLY FOLLOWED. CHECK TO BE SURE THE CONTENT OF EACH TYPE OF RECORD IS ACCURATE. THIS MAY ELIMINATE THE NEED FOR IRS/MCC TO RETURN THE FILE FOR REPLACEMENT, AND THEREFORE REDUCE THE LIKELIHOOD OF A PENALTY ASSESSMENT FOR INCORRECT SUBMISSIONS. If due to unavoidable circumstances the data would be unacceptable to IRS/MCC, (e.g., math or tax rate errors), include a letter of explanation with each submission.

Listed below are some of the most common problems:

1. Records formatted incorrectly.

Failure to format records correctly will result in files being returned for replacement.

2. Incorrect or missing Transmitter Control Code.

Filers **MUST** use the unique Transmitter Control Code (TCC) assigned for Form 1042-S reporting (Beginning numbers "22"). Application procedures are provided in Part A. Sec. 7 of this revenue procedure.

3. Missing Form 4804

Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically, must accompany each magnetic media shipment or electronic transmission. Forms 1042-S filed magnetically or electronically are not considered complete until a signed Form 4804 is received by IRS/MCC.

4. Incorrect format of the Recipient Name Line.

The recipient's surname should be reported first, followed by given names. However, if the recipient's surname is not entered in position 139, the filer **MUST** enter an asterisk that immediately precedes the recipient's surname. If the surname is reported first, the asterisk **MUST** be omitted, since an asterisk is not valid in the first position of Recipient Name Line One.

5. Incorrect record sequence.

To be acceptable, records must be in a specific sequence. If this sequence is not followed, the file will be returned for replacement. (Refer to Part B. Sec. 5)

6. Incorrect block size.

Some of the files received at IRS/MCC are blocked incorrectly causing media to be returned. Refer to Part B. Magnetic Media Specifications, Sec. 2. Tape Specifications for the correct block size for submitting Form 1042-S magnetically. A block may not exceed 15,000 characters, although, shorter blocks may be used.

7. Incorrect Country Code in positions 137–138 of the Recipient “Q” Record and rate of tax withheld.

If the letters OC (which should be used ONLY when absolutely necessary) are used, the rate of tax withheld MUST be the maximum applicable rate.

8. Incorrect Country Name in positions 335–354 of the Recipient “Q” Record.

This is a Required field; please read the Description and Remarks portion carefully. This may or may not be the same country as indicated in Country Code, field position 137–138. Do not use Other Country; USA; US; outside of USA; United States.

9. Incorrect Tax Rate, Field position 372–373 of the Recipient “Q” Record.

This is a Required field with very specific acceptable codes. Please ensure the accuracy of the correct tax rate depending on the proper country code and/or exemption code.

10. Incorrect Exemption Code in field position 370.

This is a Required field which causes many processing errors. Please read carefully the description and remarks portion, along with the note at the bottom to eliminate the possibility of errors.

11. Incorrect Recipient Address Fields.

Be sure to use specific breakdown of the address in the following positions:

<u>244–283 Street Address</u>	<u>333–334 U.S. State Code</u>
<u>284–308 City</u>	<u>335–354 Country Name</u>
<u>309–323 Province Name</u>	
<u>324–332 Postal Code</u>	

PART B. MAGNETIC MEDIA SPECIFICATIONS

SEC. 1. GENERAL

.01 These specifications prescribe the required format and content of the records to be included in the magnetic media file. Usually, IRS/MCC will be able to process any compatible file. Deviations cannot and will not be permitted in any of the data fields.

.03 Regardless of the type of media used or if returns are filed electronically, the record length must be 500 positions.

SEC. 2. TAPE SPECIFICATIONS

.01 In most instances, IRS/MCC can process any compatible magnetic tape file if the following specifications are met:

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

- (1) Odd parity
- (2) Recording density—1600 or 6250 CPI

(b) 9-track ASCII (American Standard Coded Information Interchange) with:

- (1) Odd Parity
- (2) Recording density—1600 or 6250 CPI
- (3) If using UNISYS Series 1100/2200, an Interchange tape with ASCII Recording mode should be used.

(4) If both ASCII and EBCDIC recording is available, ASCII should be used.

.02 All *compatible* tape files must have the following characteristics: Type *of tape—1/2-inch (12.7 mm) wide, computer-grade magnetic tape on reels of up to 2,400 feet 731.52 m) within the following specifications:*

(a) Tape thickness: 1.0 or 1.5 mils, and

(b) Reel diameter: 10½-inch (26.67 cm), 8½-inch (21.59 cm), 7-inch (17.78 cm), or 6-inch.

.03 The tape records may be blocked subject to the following:

(a) A block may not exceed 15,000 tape positions.

(b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9's; however, the last block of the file may be filled with 9's or truncated. Do not pad a block with blanks.

(c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item b above). The block length must be evenly divisible by 500.

(d) Records may not span blocks.

.04 *Labeled or unlabeled tapes may be submitted.*

.05 Tape header and trailer labels, record marks, and tape marks are all optional. If used, they must conform to the following standards:

(a) Header labels must begin with VOL1, VOL2, HDR1, HDR2, or 1HDR. They must be the first record(s) on the reel immediately before the Transmitter "T" Record. Header labels may not exceed 80 characters in length.

(b) Trailer labels must begin 1EOR, 1EOF, EOF1, or EOR1. They must be the last record(s) on the reel, after the "Y" record and tape mark (if a tape mark is used). Trailer labels may not exceed 80 characters in length.

(c) Tape marks must be IBM 001111 (Octal 17) in even parity. They always appear immediately after the "Y" record. If both header and trailer labels are used, the tape mark must follow the header label and must precede and/or follow the trailer label(s).

SEC. 3. TAPE CARTRIDGE SPECIFICATIONS

.01 In most instances, IRS/MCC can process tape cartridges that meet the following specifications:

(a) Must be IBM 3480, 3490 or AS400 compatible.

(b) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:

(1) Tape cartridges will be 1/2-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.

(2) Magnetic tape will be chromium dioxide particle based 1/2-inch tape.

(3) Tape Cartridges must be 18-track or 36-track parallel. (See Note.)

(4) Tape Cartridges will contain 37,871 CPI or 75,742 CPI (characters per inch).

(5) Mode will be full function.

(6) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.

(7) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used, but we highly encourage ASCII.

.02 The tape cartridge records defined in this revenue procedure may be blocked subject to the following:

(a) A block must not exceed 15,000 tape positions.

(b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9's; however, the last block of the file may be filled with 9's or truncated. Do not pad a block with blanks.

(c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item b above). The block length must be evenly divisible by 500.

(d) Records may not span blocks.

.03 Tape cartridges may be labeled or unlabeled.

.04 For the purposes of this revenue procedure, the following must be used:

Tape Mark:

(a) Used to signify the physical end of the recording on tape.

(b) For even parity, use BCD configuration 001111 (8421).

(c) May follow the header label and precede and/or follow the trailer label.

Note: Filers should indicate on the Form 5064 Label and transmittal Form 4804 whether the cartridge is 18- or 36-track, and if cartridges are ASCII or EBDIC format.

SEC. 4. 5¼-INCH AND 3½-INCH DISKETTE SPECIFICATIONS

(a) 5¼- or 3½-inches in diameter.

(b) Data must be recorded in standard ASCII code. For 5¼-inch diskettes, data may be recorded using EBCDIC if the diskette is created on an IBM System 36.

(c) Records must be a fixed length of 500 bytes per record.

(d) Delimiter character commas (,) must not be used.

(e) Positions 499 and 500 of each record must contain carriage return/line feed (cr/lf) characters if applicable.

(f) Filename of 1042TAX must be used. Do not enter any other data in this field. If a file will consist of more than one diskette, the filename 1042TAX will contain a 3 digit extension. This extension will indicate the sequence of the diskettes within the file. For example, the first diskette will be named 1042TAX.001, the second diskette will be 1042TAX.002, etc.

(g) A diskette file may consist of multiple diskettes as long as the filename conventions are followed.

(h) Diskettes must meet one of the following specifications:

Capacity	Tracks	Sides/Density	Sector Size
1.44 mb	96tpi	hd	512
1.44 mb	135tpi	hd	512
1.2 mb	96tpi	hd	512
720 kb	48tpi	ds/dd	512
360 kb	48tpi	ds/dd	512
320 kb	48tpi	ds/dd	512
180 kb	48tpi	ss/dd	512
160 kb	48tpi	ss/dd	512

.02 IRS/MCC encourages transmitters to use blank or currently formatted diskettes when preparing files. If extraneous data follows the end of "Y" record, the file must be returned for replacement.

.03 IRS/MCC prefers that 5¼- and 3½-inch diskettes be created using MS/DOS; however, diskettes created using other operating systems may be acceptable. Although, 3½-inch diskettes created on a System 36 or AS400 ARE NOT ACCEPTABLE. IRS/MCC has equipment that can convert diskettes created under virtually any operating system to the appropriate MS/DOS format. IRS/MCC strongly recommends that transmitters submit a test file for 5¼- and 3½-inch diskettes, especially if their data was not created using MS/DOS.

.04 Transmitters are encouraged to use high density diskettes. Low density diskettes are acceptable but must be formatted in low density.

SEC. 5. DATA SEQUENCE SPECIFICATIONS

.01 The first position of each record indicates the record type:

Transmitter	T
Recipient	Q
Withholding Agent	W
End of Transmission	Y

.02 In order to be acceptable, records within the file must be in the following sequence:

(a) Single tape, cartridge, or diskette:

- (1) A Transmitter "T" Record; then
- (2) One or more Recipient "Q" Records followed by a corresponding Withholding Agent "W" Record then;
- (3) Additional "Q" and "W" Record sequences for other withholding agents as needed; then
- (4) An End of Transmission "Y" Record.

(b) Multiple tapes and cartridges: (see NOTE)

- (1) A Transmitter "T" Record at the beginning of each tape and cartridge; then
- (2) Sequence of Recipient "Q" Records followed by corresponding Withholding Agent "W" Records; then
- (3) A sequence of Recipient "Q" Records may be continued from one tape to the next if they apply to the same withholding agent, without the necessity of repeating the "W" Record. The sequence might be, for example, QQQQ (end of one tape); TQQQW (beginning of next tape); then
- (4) An End of Transmission "Y" Record ending the last tape.

(c) Multiple diskettes: (see NOTE)

- (1) A Transmitter "T" Record; then
- (2) One or more Recipient "Q" Records followed by a corresponding Withholding Agent "W" Record; then
- (3) Additional "Q" and "W" Record sequences for other withholding agents as needed; then
- (4) A sequence of Recipient "Q" Records may be continued from one diskette to the next if they apply to the same withholding agent, without the necessity of repeating the "W" Record. The sequence might be, for example, QQQQ (end of one diskette); QQQQW (beginning of next diskette); then
- (5) An End of Transmission "Y" Record ending the last diskette.

.03 The minimum file transmitted must consist of a Transmitter "T" Record, a Recipient "Q" Record, and Withholding Agent "W" Record, and an End of Transmission "Y" Record.

NOTE: Due to differences in the processing of 1042-S information filed on tapes, tape cartridges, and diskettes, it is required that there be a "T" record at the beginning of each tape or cartridge, but not at the beginning of each diskette in a shipment.

SEC. 6. THE TRANSMITTER "T" RECORD

.01 This record identifies the entity preparing and transmitting the file. The transmitter and the withholding agent may be the same, but they need not be. The first record of a file MUST be a Transmitter "T" record, (preceded only by header labels, if any), and must appear on each tape and cartridge, otherwise the file will be returned for replacement. FOR TAPE AND CARTRIDGE FILES ONLY, the Sequence Number, position 4-5 of the "T" record must be increased by 1 (one) for each tape and cartridge. The "T" Record is a fixed length of 500 positions.

.02 If the field is not applicable, allow for the field by entering blanks or zeros as instructed.

RECORD NAME: TRANSMITTER "T" RECORD

Position	Field Title	Length	Description and Remarks
1	Record Type	1	<u>REQUIRED.</u> Enter "T."
2-3	Tax Year	2	<u>REQUIRED.</u> Enter year for which income and withholding are being reported (for example, enter " <u>95</u> " for income and withholding reported for <u>1995</u>) (unless reporting for a different tax year).
4-5	Sequence Number	2	The two-digit sequence assigned by the transmitter to this media, starting with 01. If Header Labels are used, the sequence should be the same as the Sequence Number. <u>This field is required for tape and cartridge only.</u>
6-14	Transmitter's Taxpayer Identification Number (TIN)	9	<u>REQUIRED.</u> Enter the Identification Number (Social Security Number (SSN) or Employer Identification Number (EIN)) of the Transmitter. Do NOT enter blanks, hyphens, or alpha characters. A TIN consisting of all the same digits (e.g., 111111111) is not acceptable.

RECORD NAME: TRANSMITTER "T" RECORD—Continued

Position	Field Title	Length	Description and Remarks
15–54	Transmitter Name	40	<u>REQUIRED.</u> Enter name of transmitter of file. Abbreviate if necessary to fit 40-character limit. Omit punctuation if possible. Left-justify and blank fill.
55–94	Transmitter Address	40	<u>REQUIRED.</u> Enter mailing address of the transmitter. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to street address). Abbreviate as needed to fit 40-character limit. Omit punctuation if possible. Left-justify and blank fill.
95–114	City	20	<u>REQUIRED.</u> Enter the city or town of transmitter. If applicable enter APO or FPO only. Left-justify and blank fill.
115–116	State Code	2	<u>REQUIRED.</u> Enter two-letter Post Office Code as shown in the list below <u>ONLY.</u> Do NOT spell out the state name.

State	Code	State	Code	State	Code
Alabama	AL	Maryland	MD	South Carolina	SC
Alaska	AK	Massachusetts	MA	South Dakota	SD
Arizona	AZ	Michigan	MI	Tennessee	TN
Arkansas	AR	Minnesota	MN	Texas	TX
California	CA	Mississippi	MS	Utah	UT
Colorado	CO	Missouri	MO	Vermont	VT
Connecticut	CT	Montana	MT	Virginia	VA
Delaware	DE	Nebraska	NE	Washington	WA
District of Columbia	DC	Nevada	NV	West Virginia	WV
Florida	FL	New Hampshire	NH	Wisconsin	WI
Georgia	GA	New Jersey	NJ	Wyoming	WY
Hawaii	HI	New Mexico	NM	American Samoa	AS
Idaho	ID	New York	NY	Federated States of Micronesia	FM
Illinois	IL	North Carolina	NC	Guam	GU
Indiana	IN	North Dakota	ND	Northern Mariana Islands	MP
Iowa	IA	Ohio	OH	Marshall Islands	MH
Kansas	KS	Oklahoma	OK	Palau	PW
Kentucky	KY	Oregon	OR	Puerto Rico	PR
Louisiana	LA	Pennsylvania	PA	Virgin Islands	VI
Maine	ME	Rhode Island	RI		

NOTE: When reporting APO/FPO addresses use the following format:

Example:

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

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

117–125	ZIP Code	9	<u>REQUIRED.</u> Enter the ZIP code of the transmitter for all U.S. addresses, U.S. Territories or Possessions, APO/FPO addresses. For transmitters using a five-digit ZIP code, enter the ZIP code in the left-most five positions and zero fill the remaining four positions. For transmitters outside the U.S., enter nine zeros only. Do NOT blank fill.
126–130	Transmitter Control Code (TCC)	5	<u>REQUIRED.</u> Enter your five-digit Transmitter Control Code. This MUST be the TCC assigned for Form 1042–S reporting <u>ONLY.</u> (<i>Beginning with numbers "22".</i>)
131–498	Reserved	368	Blank fill.

Position	Field Title	Length	Description and Remarks
499-500	Blank or Carriage Return Line Feed	2	Enter blanks or carriage return line feed (CR/LF)

TRANSMITTER "T" RECORD LAYOUT

Record Type	Tax Year	Sequence Number	Transmitter TIN	Transmitter Name	Transmitter Address
1	2-3	4-5	6-14	15-54	55-94

City	State Code	ZIP Code	TCC	Reserved	Blank or CR/LF
95-114	115-116	117-125	126-130	131-498	499-500

SEC. 7. RECIPIENT "Q" RECORD

.01 The "Q" Record contains complete name and address information for both Withholding Agent and Recipient of Income, together with all the particulars of the income paid and tax withheld. Complete Withholding Agent data is required because each Recipient "Q" Record is treated as if it were a separate Form 1042-S, and is processed independently of other records.

.02 Since the "Q" Record is restricted to one type of income, and one tax rate, under certain circumstances it would be necessary to write more than one "Q" Record. Following are some of the circumstances when more than one "Q" record for a payee would be required:

(a) Different sources of income. For example, Recipient X derived income from Capital Gains (Income Code 09) and Industrial Royalties (Income Code 10). A separate "Q" record must be reported for each income code; providing Gross Income Paid and U.S. Federal Tax Withheld pertaining to the corresponding code.

(b) Change in Country Code during the year. For example, the withholding agent received notification via Form 1001 that the recipient changed from country X to country Y. A separate "Q" record must be reported for each country code; providing Gross Income Paid, Tax Rate and U.S. Federal Tax Withheld. The amounts reported must be based on each country code and the period of time under that country code.

(c) Change in a country's tax treaty rate during the year. For example, effective April 1, country X changes its tax treaty rate from 10% to 20%. A separate "Q" record must be reported for each of the tax rates. Provide the Gross Income Paid, Tax Rate, and U.S. Federal Tax Withheld for the period of time under that tax rate.

(d) Gross Income Paid of more than one billion dollars. Report a Gross Income Paid of 9999999999 (dollars and cents) in the first Recipient "Q" record. The second Recipient "Q" record will contain the remaining money amount.

.03 Failure to provide multiple recipient "Q" records when necessary will generate math computation errors during processing and therefore, result in the file being returned for replacement.

.04 All recipient "Q" Records for a particular Withholding Agent must be written before the corresponding Withholding Agent "W" Record, and before "Q" Records for another Withholding Agent may begin.

.05 If the field is not applicable, allow for the field by entering blanks or zeros as instructed.

RECORD NAME: RECIPIENT "Q" RECORD

Position	Field Title	Length	Description and Remarks
1	Record Type	1	<u>REQUIRED.</u> Enter "Q".
2-10	Withholding Agent's Taxpayer Identification Number (TIN)	9	<u>REQUIRED.</u> Enter the nine-digit Taxpayer Identification Number of the Withholding Agent. Do NOT enter blanks, hyphens, or alpha characters. A TIN consisting of all the same digit (e.g., 111111111) is not acceptable. Do NOT enter the recipient's TIN in this field.
11-45	Agent's Name	35	<u>REQUIRED.</u> Enter the name of the Withholding Agent. Abbreviate as needed. Left-justify and blank fill.

RECORD NAME: RECIPIENT "Q" RECORD—Continued

Position	Field Title	Length	Description and Remarks								
46–80	Agent's Address	35	REQUIRED. Enter mailing address of the withholding agent. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to street address). Abbreviate as needed. Left-justify and blank fill.								
81–100	Agent's City	20	REQUIRED. Enter the city or town (or other locality name). Enter APO or FPO only, if applicable. Left-justify and blank fill.								
101–102	Agent's State Code	2	REQUIRED. Enter the two-character state abbreviation from the list in Part B, Sec. 6, Field Positions 115–116 of "T" Record. If not a U.S. state, territory, or APO/FPO identifier, blank fill this field. Do not use any of the two character Country Codes in the State Code field.								
103–111	Agent's ZIP Code	9	REQUIRED. Enter nine numeric characters for all U.S. addresses (including territories and possessions). If a five-digit ZIP code is used, enter the ZIP code in the left-most five positions and zero fill the remaining four positions. Zero fill for addresses outside the U.S.								
112	Type of TIN	1	This field is used to identify the Taxpayer Identification Number (TIN) in positions 113–121 as either an Employer Identification Number (EIN), Social Security Number (SSN), or indicate that the type is undeterminable. Enter the appropriate code from the following table: <table border="0"> <tr> <td style="padding-right: 20px;"><i>Type of TIN</i></td> <td><i>TIN</i></td> </tr> <tr> <td>1</td> <td>Employer Identification Number (EIN)</td> </tr> <tr> <td>2</td> <td>Social Security Number (SSN)</td> </tr> <tr> <td>Blank</td> <td>Enter a blank if type of TIN is undeterminable</td> </tr> </table>	<i>Type of TIN</i>	<i>TIN</i>	1	Employer Identification Number (EIN)	2	Social Security Number (SSN)	Blank	Enter a blank if type of TIN is undeterminable
<i>Type of TIN</i>	<i>TIN</i>										
1	Employer Identification Number (EIN)										
2	Social Security Number (SSN)										
Blank	Enter a blank if type of TIN is undeterminable										
113–121	Recipient's U.S. Taxpayer Identification Number (TIN)	9	<u><i>Enter the Recipient's nine-digit Taxpayer Identification Number (TIN). Do NOT enter hyphens or alpha characters. Entry of all zeroes, all ones, twos, etc. will have the effect of an incorrect TIN. Use the following instructions for Entries in Positions 113–121:</i></u> <u><i>1. A TIN MUST be entered when Exemption Code "1" is entered in Position 370 of the Recipient "Q" Record.</i></u> <u><i>2. A TIN MUST be entered when Income Code "16" is entered in Positions 355–356 of the Recipient "Q" Record.</i></u> <u><i>3. If the conditions in 1 and 2 are not present, and if a TIN is not available, enter blanks in Positions 113–121 of the Recipient's "Q" Record.* Do NOT enter the Withholding Agent's TIN in this field.</i></u>								
<u><i>*NOTE: When the submission includes records in which blanks are entered in Positions 113–121, provide a letter identifying the number of Recipient "Q" Records affected and presenting the reason(s) that TIN(s) are not provided. A corrected "Q" record is required to be submitted upon later receipt of the Recipient TIN.</i></u>											
122–136	Account Number	15	Enter the account number assigned by the withholding agent to the recipient. This number is used to identify a specific account. This field will be all blanks if account numbers are NOT assigned. This field may contain numeric or alphabetic characters, blanks or hyphens. Left-justify and blank fill.								
137–138	Country Code <u><i>(Do not enter "U.S." in this field)</i></u>	2	REQUIRED. This field is used to identify the country for which the tax treaty benefits are based. The rate of tax withheld is determined by this code. Enter the appropriate code exactly as it appears in the following table. THIS MAY OR MAY NOT BE THE SAME AS THE COUNTRY ENTERED IN THE COUNTRY NAME FIELD (POSITIONS 335-354 OF THE RECIPIENT "Q" RECORD.) <u><i>Enter OC, Other Countries, only when the country of residence cannot be determined. If the recipient's country of residence cannot be determined, you must withhold at the maximum applicable tax rate.</i></u>								

COUNTRY CODES

<i>Country</i>	<i>Code</i>	<i>Country</i>	<i>Code</i>
Afghanistan	AF	Costa Rica	CS
Albania	AL	<u>Cote D'Ivoire (Ivory Coast)</u>	<u>IV</u>
Algeria	AG	Croatia	HR
American Samoa	AQ	Cuba	CU
Andorra	AN	Cyprus	CY
Angola	AO	<u>Czech Republic</u>	<u>EZ</u>
Anguilla	AV	Denmark	DA
Antarctica	AY	Djibouti	DJ
Antigua and Barbuda	AC	Dominica	DO
Argentina	AR	Dominican Republic	DR
Armenia	AM	Ecuador	EC
Aruba	AA	Egypt	EG
Ashmore and Cartier Islands	AT	El Salvador	ES
Australia	AS	Equatorial Guinea	EK
Austria	AU	<u>Eritrea</u>	<u>ER</u>
Azerbaijan	AJ	Estonia	EN
Azores	PO	Ethiopia	ET
Bahamas, The	BF	Europa Island	EU
Bahrain	BA	Falkland Islands (Islas Malvinas)	<u>FK</u>
Baker Island	FQ	Faroe Islands	FO
Bangladesh	BG	Fiji	FJ
Barbados	BB	Finland	FI
Bassas da India	BS	France	FR
Belarus	BO	French Guiana	FG
Belgium	BE	French Polynesia	FP
Belize	BH	French Southern and Antarctic Lands	FS
Benin	BN	Gabon	GB
Bermuda	BD	Gambia, The	GA
Bhutan	BT	Gaza Strip	GZ
Bolivia	BL	Germany	GM
Bosnia-Herzegovina	BK	Georgia	GG
Botswana	BC	Ghana	GH
Bouvet Island	BV	Gibraltar	GI
Brazil	BR	Glorioso Islands	GO
British Indian Ocean Territory	IO	Greece	GR
Brunei	BX	Greenland	GL
Bulgaria	BU	Grenada	GJ
Burkina Faso	UV	Guadeloupe	GP
Burma	BM	Guam	GQ
Burundi	BY	Guatemala	GT
Cambodia	CB	Guernsey	GK
Cameroon	CM	Guinea	GV
Canada	CA	Guinea-Bissau	PU
Canary Islands	SP	Guyana	GY
Cape Verde	CV	Haiti	HA
Cayman Islands	CJ	Heard Island and McDonald Islands	HM
Central African Republic	CT	Honduras	HO
Chad	CD	Hong Kong	HK
Chile	CI	Howland Island	HQ
China, People's Republic of	CH	Hungary	HU
Christmas Island (Indian Ocean)	KT	Iceland	IC
Christmas Island (Pacific Ocean)	KR	India	IN
Clipperton Island	IP	Indonesia	ID
Cocos (Keeling) Islands	CK	Iran	IR
Colombia	CO	Iraq	IZ
Comoros	CN	Iraq-Saudi Arabia Neutral Zone	IY
Congo	CF	Ireland	EI
Cook Islands	CW	Isle of Man	IM
Coral Sea Islands Territory	CR		

<i>Country</i>	<i>Code</i>	<i>Country</i>	<i>Code</i>
Israel	IS	Niue	NE
Italy	IT	Norfolk Island	NF
Jamaica	JM	Northern Ireland	UK
Jan Mayen	JN	Northern Mariana Islands	CQ
Japan	JA	Norway	NO
Jersey	JE	Oman	MU
Johnston Atoll	JQ	Pakistan	PK
Jordan	JO	Palmyra Atoll	LQ
Juan de Nova Island	JU	Panama	PM
Kazakhstan	KZ	Papua New Guinea	PP
Kenya	KE	Paracel Islands	PF
Kingman Reef	KQ	Paraguay	PA
Kiribati	KR	Peru	PE
Korea, Democratic People's Republic of (North)	KN	Philippines	RP
Korea, Republic of (South)	KS	Pitcairn Islands	PC
Kuwait	KU	Poland	PL
Kyrgyzstan	KG	Portugal	PO
Laos	LA	Puerto Rico	RQ
Latvia	LG	Qatar	QA
Lebanon	LE	Reunion	RE
Lesotho	LT	Romania	RO
Liberia	LI	Russia	RS
Libya	LY	Rwanda	RW
Liechtenstein	LS	St. Kitts and Nevis	SC
Lithuania	LH	St. Helena	SH
Luxembourg	LU	St. Lucia	ST
Macau	MC	St. Pierre and Miquelon	SB
Macedonia	MK	St. Vincent and the Grenadines	VC
Madagascar	MA	San Marino	SM
Malawi	MI	Sao Tome and Principe	TP
Malaysia	MY	Saudi Arabia	SA
Maldives	MV	Senegal	SG
Mali	ML	Serbia	SR
Malta	MT	Seychelles	SE
Marshall Islands	RM	Sierra Leone	SL
Martinique	MB	Singapore	SN
Mauritania	MR	<u>Slovakia</u>	<u>LO</u>
Mauritius	MP	Slovenia	SI
Mayotte	MF	Solomon Islands	BP
Mexico	MX	Somalia	SO
Micronesia, Federated States of	FM	South Africa	SF
Midway Islands	MQ	<u>South Georgia and the</u>	
Moldova	MD	<u>South Sandwich Islands</u>	<u>SX</u>
Monaco	MN	Spain	SP
Mongolia	MG	Spratly Islands	PG
Montenegro	MW	Sri Lanka	CE
Montserrat	MH	Sudan	SU
Morocco	MO	Suriname	NS
Mozambique	MZ	Svalbard	SV
Namibia	WA	Swaziland	WZ
Nauru	NR	Sweden	SW
Navassa Island	BQ	Switzerland	SZ
Nepal	NP	Syria	SY
Netherlands	NL	Taiwan	TW
Netherlands Antilles	NT	Tajikistan	TI
New Caledonia	NC	Tanzania, United Republic of	TZ
New Zealand	NZ	Thailand	TH
Nicaragua	NU	Togo	TO
Niger	NG	Tokelau	TL
Nigeria	NI	Tonga	TN

<i>Country</i>	<i>Code</i>	<i>Country</i>	<i>Code</i>
Trinidad and Tobago	TD	Vatican City	VT
Tromelin Island	TE	Venezuela	VE
Trust Territory of the Pacific Islands	PS	Vietnam	VM
Tunisia	TS	Virgin Islands (British)	VI
Turkey	TU	Virgin Islands (U.S.)	VQ
Turkmenistan	TX	Wake Island	WQ
Turks and Caicos Islands	TK	Wallis and Futuna	WF
Tuvalu	TV	West Bank	WE
Uganda	UG	Western Sahara	WI
Ukraine	UP	Western Samoa	WS
United Arab Emirates	TC	Yemen	YM
United Kingdom	UK	Zaire	CG
Uruguay	UY	Zambia	ZA
Uzbekistan	UZ	Zimbabwe	ZI
Vanuatu	NH	Other Countries	OC*

***NOTE: Enter OC, Other Countries, only when the country of residence cannot be determined. If the recipient's country of residence cannot be determined, you must withhold at the maximum applicable tax rate.**

RECORD NAME: RECIPIENT "Q" RECORD

Position	Field Title	Length	Description and Remarks
139–173	Recipient Name Line One*	35	REQUIRED. Provide the FULL name of the recipient (<i>nonresident alien or fiduciary, foreign partnership or corporation or other foreign entity</i>). Enter the surname of the recipient FIRST followed by given names. Enter an asterisk(*) immediately before the surname if the surname does not begin in position 139. For example, "JOHNb*DOE" is acceptable (b denotes a blank). If there is more than one recipient, enter the name of the first recipient only. Since some foreign recipients will not have a Taxpayer Identification Number (TIN), it is very important that the FULL name of the recipient be provided. Titles, if any, must be provided in Recipient Name Line Two. (If the recipient is unknown, an account number must be entered in <i>positions 122–136</i>). Valid characters are alphabetic, numeric, ampersand (&), hyphen (-), slash (/), asterisk (*), period (.), comma (,), apostrophe ('), or blank. Failure to code an asterisk before the surname when it is not the first name provided, will result in your file being returned for correction. Left-justify and blank fill.
174–208	Recipient Name Line Two*	35	Enter supplementary recipient name information; otherwise enter blanks. Use this line for additional names (<i>e.g.</i> , partners or joint owners), for trade names, stage names, aliases, or titles. Use this line also for "care of," "via," or "through" information. Valid characters are alphabetic, numeric, blank, ampersand (&), hyphen (-), slash (/), pound sign (#), period (.), comma (,), apostrophe (') and the percent (%). The percent (%) [short for "in care of"] is valid in the first position only. Left-justify and blank fill.
209–243	Recipient Name Line Three*	35	Enter additional name data if applicable; otherwise blank fill. Specifications are precisely as for Recipient Name Line Two.

***NOTE:** 105 total characters are available for name information. IRS encourages full identification of nonresident aliens (both individuals and organizations) because data is furnished to their governments in accordance with tax treaties and exchange of information agreements.

RECORD NAME: RECIPIENT "Q" RECORD—Continued

Position	Field Title	Length	Description and Remarks
244–283	Street Address	40	<u>REQUIRED.</u> Enter the recipient's full street address. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to street address). If the street, building, military installation or other name is too long for the 40-character allotment of this field, Recipient Name Line Two or Three may be used to report address information (See the NOTE below). This street address field may be all blank, but only for legitimate reasons; for example, the recipient is from a small town, islet or other place where the town or island name is sufficient to enable mail to be received. Valid characters are alphabetic, numeric, blank, ampersand (&), hyphen (-), slash (/), period (.), comma (,), apostrophe ('), and pound sign (#). A blank in position 244 is NOT acceptable. Left-justify and blank fill.

NOTE: If Recipient Name Line Two or Three fields are NOT used for **NAME INFORMATION**, address data may be provided in these fields. Street address data of 40 characters or less MUST be provided in the Street Address field. Street addresses of 41 to 75 characters should begin in Recipient Name Line Three and complete in the Street Address Field. A street address of 76 or more characters should begin in Recipient Name Line Two, continue in Recipient Name Line Three, and complete in the Street Address Field.

284–308	City	25	<u>REQUIRED.</u> Enter the name of City, Town, Village, Municipality or rural place of residence of the recipient. Valid characters are as in Street Address, EXCEPT the pound sign (#), which is not valid and a blank in position 284 is NOT acceptable. For U.S. military installations enter either APO or FPO as applicable. The name of the installation or ship must be entered in the Street address Line. Left-justify and blank fill.
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NOTE: For recipient addresses outside the United States, provide a City, Province Name, Postal Code, and Country Name. Enter a City, State Code, and ZIP Code for United States recipient addresses. Do NOT provide a Country Name for United States addresses.

309–323	Province Name	15	Enter the name of the Province, Foreign State (but not the U.S. State), County, Shire, District, Region, or other political subdivision. For many countries the province (or other political subunit) is an important part of the postal address. For Canada, the Province <i>is required</i> . Valid characters are alphabetic, blank, ampersand (&), hyphen (-), period (.), comma (,), apostrophe (') or slash (/). Left-justify and blank fill.
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Canadian Provinces and Codes

<i>Province</i>	<i>Province Code</i>
Alberta	AB
British Columbia	BC
Manitoba	MB
New Brunswick	NB
Newfoundland	NF
Nova Scotia (including Sable Island)	NS
Northwest Territories	NT
Ontario	ON
Prince Edward Island	PE
Quebec	PQ
Saskatchewan	SK
Yukon Territory	YK

NOTE: A Canadian province may be expressed as a two-character code from the Canadian Province Code List, written out in full, or appropriately abbreviated. Either the Province or the Province Code must be entered. DO NOT ENTER BOTH.

324–332	Postal Code	9	Enter a Foreign or U.S. Postal Code (ZIP Code). A Postal Code is REQUIRED for United States and U.S. Territories, Canadian, and Australian addresses. Withholding Agents should make an effort to obtain postal codes for all other countries. Only alphabetic, numeric, and blank characters are valid. Do not omit any blanks that may appear in the ZIP code. Use the following table to format Postal Codes for the three required countries ("a" denotes alpha characters, "n" denotes numerics, "b" denotes a blank). All postal codes should be left-justified and blank filled.
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RECORD NAME: RECIPIENT "Q" RECORD—Continued

Position	Field Title	Length	Description and Remarks
	<u>Country</u>		<u>Postal Code Format</u>
	<u>United States and</u>		Canadian nnnnnbbbb or nnnnnnnnn
	<u>U.S. Territories</u>		Australian anabnanbb nnnnbbbb
333-334	U.S. State Code	2	REQUIRED for United States addresses, including U.S. territories. Enter the appropriate postal identifier listed for APO and FPO addresses (see list of valid state codes and postal identifiers for APO/FPO addresses in Part B. Sec. 6, Positions 115-116 of Transmitter "T" Record). ENTER BLANKS IF THE RECIPIENT DOES NOT HAVE A U.S. ADDRESS.
335-354	Country Name	20	The unabbreviated name of the recipient's country of residence for all addresses outside the United States <u>is REQUIRED in this field.</u> Enter blanks if the RECIPIENT RESIDES IN the U.S., including U.S. territories and APO/FPO. This field is NOT used to indicate the rate of tax. This may or may not be the same country indicated in the Country Code field (Positions 137-138 of the Recipient "Q" Record). Omit political titles such as "People's Republic of," "Kingdom of," etc. Use the English Language name instead of the native language name (for example, use "Finland" and not "Suomi"). Do not follow the country name with parentheses containing such information as Virgin Islands (British). Valid characters are alphabetic, blank, ampersand (&), and hyphen (-). Left-justify and blank fill.
355-356	Income Code	2	REQUIRED. Enter the income code EXACTLY as it appears below. If a given recipient receives more than one type of income, additional "Q" Records must be prepared, since only one income code may be shown per "Q" Record.

Code	Type of Income
01	Interest paid by U.S. obligators-general
02	Interest on real property mortgages
03	Interest paid to a controlling foreign corporation
04	Interest paid by foreign corporations
05	Interest on tax-free covenant bonds
06	Dividends paid by U.S. corporations-general
07	Dividends paid by U.S. subsidiaries to foreign parent corporations (<u>including consent dividends</u>)
08	Dividends paid by foreign corporations
09	Capital gains
10	Industrial royalties
11	Motion picture or television copyright royalties
12	Other royalties (e.g., copyright, recording, publishing)
13	Real property income and natural resources royalties
14	Pensions, annuities, alimony, and/or insurance premiums
15	Scholarship or fellowship grants
16	Compensation for independent personal services*
17	Compensation for dependent personal services*
18	Compensation for teaching*
19	Compensation during <u>studying and</u> training*
20	Earnings as an artist or athlete **
21	Social Security benefits
22	Railroad Retirement (Tier 1) benefits
23	Railroad Retirement (Tier 2) benefits
24	Real estate investment trust (REIT) distributions of capital gains
25	Trust distributions subject to IRC section 1445
26	Unsevered growing crops and timber distributions by a trust subject to IRC section 1445
27	Publicly traded partnership distributions subject to IRC section 1446
28	Gambling winnings
50	Other income

RECORD NAME: RECIPIENT "Q" RECORD—Continued

Position	Field Title	Length	Description and Remarks
<p>*NOTE: <u>If compensation covered under Income Codes "16–19" are directly attributable to the recipient's occupation as an artist or athlete, use Income Code "20" instead.</u></p>			

****NOTE:** If Income Code 20 is used, also use Recipient Code 09 (artist or athlete) instead of Recipient Code 01 (individual), 02 (corporation), or 03 (partnership).

357–358	Recipient Code	2	<p>REQUIRED. Enter the appropriate code from list below. No other codes or values are valid.</p> <p>Code Type of Recipient</p> <p>01 Individual (<u>Notes 1 & 2</u>)</p> <p>02 Corporation (<u>Note 2</u>)</p> <p>03 Partnership (<u>Note 2</u>)</p> <p>04 Fiduciary (<u>trust</u>)</p> <p>05 Nominee</p> <p>06 Government or International Organization</p> <p>07 "Tax Exempt" Organization (<u>IRC section 501 (a)</u>)</p> <p>08 Private Foundation</p> <p>09 Artist or Athlete (<u>Note 2</u>)</p> <p><u>10</u> <u>Fiduciary (estate)</u></p> <p><u>11</u> <u>Fiduciary (other)</u></p> <p>19 Other</p> <p>20 Type of Recipient unknown</p>
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NOTE 1: A Recipient Code "01" MUST be entered when the Income Code is "21", "22", or "23".

NOTE 2: If Income Code 20 is used, also use Recipient Code 09 (artist or athlete) instead of Recipient Code 01 (individual), 02 (corporation), or 03 (partnership)

359–369	Gross Income Paid	11	<p>REQUIRED. Enter the Paid gross income amount in dollars and cents. An income amount other than zero MUST be shown. Do NOT enter the decimal point. For whole dollar amounts, the cents must be shown as zeros. For example, \$1500 should be shown as 00000150000 where the left-most five zeros are "filler" and the right-most two zeros represent cents. Right-justify and zero fill.</p>
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370	Exemption Code	1	<p>REQUIRED. Enter the one-digit exemption code from the list below. If the rate of tax is other than zero percent, enter a zero in this field. If the rate of tax is zero percent, <u>enter the code of 1–5 that applies.</u></p> <p>Code Authority for Exemption</p> <p>Zero No exemption claimed, rate of tax is above zero percent.</p> <p>1 Income effectively connected with a U.S. trade or business. (AN EIN or SSN must be entered in Positions 113–121).</p> <p>2 Exempt under an Internal Revenue Code section (other than portfolio interest) *</p> <p>3 Income is non-U.S. sourced.**</p> <p>4 Exempt under tax treaty. *</p> <p><u>5</u> <u>Portfolio interest exempt under an Internal Revenue Code section.***</u></p>
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***NOTE:** If Exemption Code "2" or "4" is used in conjunction with Income Code "16" (Positions 355–356 in the Recipient "Q" Record), the recipient's U.S. Taxpayer Identification Number (TIN) MUST be provided in Positions 113–121 of the Recipient "Q" Record.

RECORD NAME: RECIPIENT "Q" RECORD—Continued

Position	Field Title	Length	Description and Remarks
<p>**NOTE: Non-U.S. source income paid to a nonresident alien is not subject to U.S. tax. Use Exemption Code 3 when entering an amount for information reporting purposes.</p>			
<p>***NOTE: Exemption Code "5" can only be used in conjunction with Income Codes "1", "2", "3", "4", or "5".</p>			
371	<u>Corrected Return Indicator</u>	1	<u>REQUIRED.</u> Enter the one position code below to identify an <u>Incorrect, Corrected, or Original Return.</u> (See Part A. Sec. 13.)
		<u>Code</u>	<u>Description</u>
		<u>Zero</u>	<u>If this is an Original Return, and not part of the correction procedure.</u>
		<u>V</u>	<u>If this is (Transaction 1) to void the incorrect original return submitted.</u>
		<u>C</u>	<u>If this is (Transaction 2) identifying the Corrected Return.</u>
372–373	Tax Rate	2	<u>REQUIRED.</u> Enter the appropriate tax rate <u>found in Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Corporations.</u> An appropriate rate MUST be shown. Do not use percent signs or decimal points. For fractional rates, drop the fraction.
<p><u>NOTE: When Exemption Code of "1" through "5" is used in position 370, the Tax Rate MUST be zero.</u></p>			
374–384	U.S. Federal Tax Withheld	11	<u>REQUIRED.</u> Enter in dollars and cents the amount of tax withheld, if any. An amount MUST be shown if the Tax Rate is other than "00", or if income is not otherwise exempt from withholding. If Tax Rate "00", the amount of tax withheld should be zero. Specifications are the same as for Positions 359-369 (Gross Income Paid). Right-justify and zero fill.
385–419	Payer's Name	35	Enter the name of the Payer of Income if different from the Withholding Agent. Abbreviate as needed. If Withholding Agent and Payer are one and the same, blank fill Payer's Name. Valid characters are alphabetic, numeric, blank, ampersand (&), period (.), comma (,), apostrophe (') and hyphen (-). Left-justify and blank fill.
420–428	Payer's TIN	9	Enter the Payer's Taxpayer Identification Number if there is an entry in the Payer Name Field. Blank fill if unknown or Payer's Name is blank.
429	Awaiting Form W-8 Indicator	1	If a filer is awaiting Form W-8 from this recipient, enter "Y"; otherwise, enter a blank.
430–439	Foreign Student Withholding Allowance Amount	10	(For filers reporting Income Codes "15" <u>or "16"</u> in Position 355–356 of the recipient "Q" record.) Enter in dollars and cents the gross amount of withholding allowances for a foreign student, if using Income Codes "15" with respect to a payment of U.S. source scholarships and fellowship grants or <u>"16", Independent Personal Services.</u> Do NOT enter decimal point. If the Income Code in Position 355–356 is other than "15" <u>or "16"</u> , enter blanks. Right-justify and zero fill when a money amount is reported.
440–449	Net Income Amount	10	Enter in dollars and cents the net amount of income paid to a foreign student. (Subtract the Foreign Student Withholding Allowance Amount (positions 430–439) from the Gross Income Paid (positions 359–369) and enter the total here.) Do NOT enter a decimal point. If the Income Code (positions 355–356) is other than "15" <u>or "16"</u> , enter blanks. Right-justify and zero fill if a money amount is reported.

RECORD NAME: RECIPIENT "Q" RECORD—Continued

Position	Field Title	Length	Description and Remarks
450-459	Amount of State Income Tax Withheld	10	If State Tax has been withheld for any reason, enter that amount here, in dollars and cents. Right-justify and zero fill. If no entry, zero fill.
460-498	Reserved	39	Blank fill.
499-500	Blank or Carriage Return Line Feed	2	Enter blanks or carriage return line feed (CR/LF).

RECIPIENT "Q" RECORD LAYOUT

Record Type	Withholding Agent's TIN	Agent's Name	Agent's Address	Agent's City	Agent's State Code
1	2-10	11-45	46-80	81-100	101-102

ZIP Code	Type of TIN	Recipient U.S. TIN	Account Number	Country Code	Recipient Name Line One
103-111	112	113-121	122-136	137-138	139-173

Recipient Name Line Two	Recipient Name Line Three	Street Address	City	Province Name	Postal Code
174-208	209-243	244-283	284-308	309-323	324-332

U.S. State Code	Country Name	Income Code	Recipient Code	Gross Income Paid	Exemption Code
333-334	335-354	355-356	357-358	359-369	370

Correct Ret Indicator	Tax Rate	US Federal Tax Withheld	Payer's Name	Payer's TIN	Awaiting Form W-8 Indicator
371	372-373	374-384	385-419	420-428	429

Foreign Student Withholding Allow. Amt.	Net Income Amount	Amount of State Tax Withheld	Reserved	Blank or CR/LF
430-439	440-449	450-459	460-498	499-500

SEC. 8. WITHHOLDING AGENT "W" RECORD

.01 Enter a "W" Record after the last "Q" Record submitted for a particular Withholding Agent. The "W" Record serves as a summary of the preceding "Q" Record data, and enables IRS to cross check the correctness of information received.

.02 Several "W" Records for different withholding agents may appear on the same Transmitter's file. Also, the "W" Record may refer to "Q" Records on more than one reel, provided all of the preceding "Q" Records are for the same withholding agent.

.03 A "W" Record may only be followed by new Recipient "Q" Records for the next Withholding Agent, if any, or by a tape mark and/or trailer label when more reels follow this reel, or by an End of Transmission "Y" Record, when this is the last reel of the file. The "W" Record cannot be the last record on the file.

.04 Each "W" Record has a fixed length of 500 positions.

.05 If the field is not applicable, allow for the field by entering blanks or zeros as instructed.

RECORD NAME: WITHHOLDING AGENT "W" RECORD

Position	Field Title	Length	Description and Remarks
1	Record Type	1	<u>REQUIRED.</u> Enter "W".
2-3	<u>Tax Year</u>	2	<u>REQUIRED.</u> Enter the last two digits of the calendar year for which income and withholding are being reported. All recipient "Q" Records must report payments for this year ONLY. Different tax years may not appear on the same file.
4-12	Employer Identification Number (EIN)	9	<u>REQUIRED.</u> Enter the nine-digit Employer Identification Number of the Withholding Agent. Omit the hyphen.
13-47	Agent's Name	35	<u>REQUIRED.</u> Enter the name of the Withholding Agent, up to the limit of 35 characters. Abbreviate as needed, omitting punctuation. Left-justify and blank fill.
48-82	Agent's Address	35	<u>REQUIRED.</u> Enter the mailing address of the withholding agent. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to street address). Abbreviate as needed, omitting punctuation. Left-justify and blank fill.
83-102	City	20	<u>REQUIRED.</u> Enter the city, town, or other locality name. If applicable enter APO or FPO only. Left-justify and blank fill.
103-104	State	2	<u>REQUIRED.</u> Enter the two-character alphabetic state code or the postal identifier for APO/FPO addresses from the list in Part B. Sec. 6, positions 115-116 of "T" Record.
105-113	ZIP Code	9	<u>REQUIRED.</u> Enter nine numeric characters for all U.S. addresses (including territories, possessions, and APO/FPO). For five-digit ZIP codes, left-justify and zero fill. Zero fill for addresses outside the U.S.
114-121	Total "Q" Record Count	8	<u>REQUIRED.</u> Enter the total number of "Q" Records for this withholding agent; that is, the total count of "Q" Records following the last "W" Record, or if this is the first "W" Record on the file, the total number of "Q" Records since the "T" Record. The presence of a "T" Record does not interrupt the count, which may therefore include consecutive "Q" Records on more than one tape reel. Right-justify and zero fill unused positions.
122-134	Total Gross Amount Paid	13	<u>REQUIRED.</u> Enter the total gross amount. Calculate this total by adding the gross income paid reported in all "Q" Records counted in the preceding Positions 114-121. Do not "round off" this total, since it is used to verify the total money amount from the "Q" records. Right-justify and zero fill.
135-147	Total Tax Withheld	13	<u>REQUIRED.</u> Enter the total tax withheld. Calculate this total by adding the tax withheld reported in all "Q" records counted in the preceding Positions 114-121. Do not "round off" this total, since it is used to verify the total tax withheld from the "Q" records. Right-justify and zero fill.
148-498	Reserved	351	Blank fill.
499-500	Blank or Carriage Return Line Feed	2	<u>REQUIRED.</u> Enter blanks or carriage return line feed (CR/LF).

WITHHOLDING AGENT "W" RECORD LAYOUT

Record Type	Tax Year	EIN	Agent's Name	Agent's Address	City	State
1	2-3	4-12	13-47	48-82	83-102	103-104

WITHHOLDING AGENT "W" RECORD LAYOUT—Continued

ZIP Code	Total "Q" Record Count	Total Gross Amt. Paid	Total Tax Withheld	Reserved	Blank or CR/LF
105-113	114-121	122-134	135-147	148-498	499-500

SEC. 9. END OF TRANSMISSION "Y" RECORD

.01 The "Y" Record is a fixed record length of 500 positions and all positions listed are required. The "Y" Record is a summary of the number of withholding agents and total number of tape reels in the entire file.

.02 This record will be written after the last "W" Record of the entire file. End the last reel ONLY of a file with an End of Transmission "Y" Record. The "Y" Record may only be preceded by a "W" Record. It may only be followed by a tape mark, or a tape mark and a trailer label (if trailer labels are used), or a trailer label.

.03 Please note that if submitting a multi-reel file, there will only be one End of Transmission "Y" record. The End of Transmission "Y" record will be the last record in the final block on the last reel in the file.

RECORD NAME: END OF TRANSMISSION "Y" RECORD

Position	Field Title	Length	Description and Remarks
1	Record Type	1	<u>REQUIRED.</u> Enter "Y".
2-4	Withholding Agent Count	3	<u>REQUIRED.</u> Enter the total number of withholding agents on this file. This count will be the same as the total number of "W" Records. Right-justify and zero fill.
5-7	Reel Count	3	<u>REQUIRED.</u> Enter the total number of reels for this transmission. Right-justify and zero fill.
8-498	Reserved	491	Blank fill.
499-500	Blank or Carriage Return Line Feed	2	<u>REQUIRED.</u> Enter blanks or carriage return line feed (CR/LF).

END OF TRANSMISSION "Y" RECORD LAYOUT

Record Type	Withholding Agent Count	Reel Count	Reserved	Blank or CR/LF
1	2-4	5-7	8-498	499-500

PART C. BISYNCHRONOUS (MAINFRAME) ELECTRONIC FILING SPECIFICATIONS

SEC. 1. GENERAL

.01 Bisynchronous electronic filing of Form 1042-S information returns is offered as an alternative to magnetic media (tape, tape cartridge, or diskette) or paper filing, but is not a requirement. This method uses IBM 3780 communications protocols and is used primarily by mainframe filers. Electronic filing will fulfill the magnetic media requirements for those payers who are required to file magnetically. It may also be used by payers who are under the filing threshold.

.02 Electronic filing of information returns is not affiliated with the Form 1040 electronic filing program. These two programs are totally independent, and separate approval to participate in each of them must be obtained. All inquiries concerning the electronic filing of information returns should be directed to IRS/MCC. IRS/MCC personnel cannot answer questions or assist taxpayers in the filing of Form 1040 tax returns. Filers with questions of this nature will be directed to the Taxpayer Service toll free number (1-800-829-1040) for assistance.

.03 Filers participating in the electronic filing program for information returns will submit their returns to IRS/MCC by way of modems, and not through magnetic media or paper filing.

.04 If a request for extension is approved, transmitters who file electronically will be granted an extension of 30 days to file. Part A. Sec. 11 explains procedures for requesting extensions of time. Filers are encouraged to file their data as soon as possible.

.05 The formats of the "T," "Q," "W," and "Y," Records are the same for electronically filed records as they are for 5/4- and 3 1/2-inch diskettes, tapes and tape cartridges. For electronically filed documents, each transmission is considered a separate file; therefore, each transmission **must** have an End of Transmission (EOT) "Y" Record.

SEC. 2. ELECTRONIC FILING APPROVAL PROCEDURE

.01 Filers must obtain, or already have, a Transmitter Control Code (TCC) assigned to them prior to submitting their files electronically. Refer to Part A. Sec. 7 for information on how to obtain a TCC.

.02 Filers using bisynchronous protocols must obtain an IRS/MCC-assigned password prior to submitting test or actual data files. To obtain a password, the following steps must be taken:

(a) Bisynchronous filers who already have a TCC to file Form 1042-S (beginning numbers "22") must submit either Form 4419 or a letter to indicate that they wish to file information returns electronically. If you do not have a TCC number or one that begins with "22", a new number will be assigned.

If a letter is submitted, it must contain the following:

- 1) Name and address of transmitter.
- 2) Transmitter Control Code.
- 3) Name and phone number of a contact person within the filer's organization to whom a password will be assigned.

(b) Within 30 days of receiving the application or letter, IRS/MCC will send Form 6086, Time Sharing Operation (TSO) Password Assignment, to the filer which will contain the password to be used for electronic submissions.

(c) Upon receipt of Form 6086, the user (person who will actually transmit the data) will separate the acknowledgment from the password. Both the user and the user's manager **must** sign the acknowledgment and mail to:

Chief, Security and Disclosure Branch
IRS, Martinsburg Computing Center
P.O. Box 1208
Martinsburg, WV 25401

(d) The users or filers should retain a copy of the signed acknowledgment for their records. It is the filer's responsibility to ensure that the password is not compromised. Access to IRS/MCC computers will not be allowed without a valid password. After a password is received and the acknowledgment returned, the filer may submit a data file.

(e) For security reasons, all bisynchronous passwords will expire periodically, and a new password will automatically be assigned. If filers have any questions relating to the security procedures, and/or they need to report their password has been compromised, they must contact IRS/MCC as soon as possible by calling 1-304-263-8700, or writing to:

IRS/MCC
Information Returns Branch
P. O. Box 1359
Martinsburg, WV 25401

.03 It is the user's responsibility to remember the password and not allow the password to be compromised.

SEC. 3. TEST FILES

.01 Filers are not required to submit a test file. The purpose of test files is to resolve any data or communication problems prior to the filing season. If a filer wishes to submit an electronic test file for Tax Year 1995, it **must** be submitted to IRS/MCC December 1, 1995, through February 15, 1996.

.02 If a filer encounters problems while transmitting electronic test files, IRS/MCC should be contacted for assistance.

.03 A password must be obtained before submitting an electronic test file.

.04 Bisynchronous electronic test files will be processed and filers will be notified as to the acceptability of their data within 5 workdays of the date the data and transmittal Form 4804 are received by IRS/MCC.

SEC. 4. ELECTRONIC SUBMISSIONS

.01 Electronically filed information may be submitted to IRS/MCC 7 days a week, 24 hours a day, except for routine maintenance/backup which is performed daily at 4:00 a.m. Eastern Time. Technical assistance will be available Monday through Friday between 8:30 a.m. and 4:30 p.m. Eastern Time by calling (304) 263-8700.

.02 Lengthy transmissions (100,000 or more records) are not encouraged since the transmission may be interrupted by line noise problems. It is advisable to break lengthy files into multiple transmissions.

.03 The time required to transmit information returns electronically will vary depending on the modem speed, if IBM 3780 data compression is used, and if the records are blocked. The following transmission rate was based on an actual test file received at MCC using 4800 bps, no compression, and one record per block:

4500 records 50 minutes

SEC. 5. TRANSMITTAL REQUIREMENTS

.01 All data submitted electronically is verified by transmittal Form 4804. The transmitter must send the signed Form 4804 the same day the transmission is made. No return is considered filed until a Form 4804 is received by IRS/MCC.

.02 Form 4804 can be ordered by calling the IRS toll free forms and publications order number 1-800-TAX-FORM (1-800-829-3676) or it may be computer-generated. If a filer chooses to computer-generate Form 4804, all of the information contained on the original form, including the affidavit, must also be contained on the computer-generated form.

.03 The filer whose TCC is used in the "T" Record is responsible for submitting the transmittal Form 4804.

.04 Forms 4804 may be mailed to the following addresses:

If by Postal Service:

IRS-Martinsburg Computing Center
ATTN: Electronic Filing Coordinator
P.O. Box 1359, MS-360
Martinsburg, WV 25401-1359

If by truck or air freight:

IRS-Martinsburg Computing Center
ATTN: Electronic Filing Coordinator
Route 9 and Needy Road, MS-360
Martinsburg, WV 25401

.05 A signed Form 4804 submitted for electronically filed information returns must be sent the same day as the electronic submission.

SEC. 6. IBM 3780 BISYNCHRONOUS COMMUNICATION SPECIFICATIONS

.01 Transmissions using IBM 3780 bisynchronous protocols must be in EBCDIC character code. Modems must be compatible with either Bell 208B for 4800 bps transmissions, or AT&T 2296A for 9600 bps transmissions. Both modems are dial-up type modems using the Public Switched Telephone Network. IBM 3780 data compression is acceptable for any bisynchronous transmission. Records may be blocked up to 4096 bytes with INTER RECORD SEPARATORS.

.02 IRS/MCC will accept information returns filed electronically over switched telecommunications network circuits. For 4800 bps, the circuit will be (304) 264-7080. For 9600 bps, the circuit will be (304) 264-7040. Both circuits are equipped for bisynchronous transmission using the IBM 3780 protocol.

.03 The 4800 bps line terminates at a Bell 208B modem. The Bell 208B modem uses phase-shift keying and eight-phase modulation to transmit binary serial data signals over the telephone line in half-duplex mode. The following options have been selected:

- Transmit Level set to -4 dBm
- Compromise Equalizer in (4-Db Slope)
- DSR off in Analog Loop Mode
- Automatic Answer
- Transmitter Internally Timed
- RS-CS Interval of 50 ms

.04 The 9600 bps line terminates at an AT&T Dataphone II 2296A modem. The AT&T 2296A modem is a full-duplex, CCITT V.32 compatible unit which operates at 9600 bps or 4800 bps (fallback). The following options have been selected:

- Receiver Responds to Remote Loopback
- Loss-of-Carrier Disconnect
- Received-Space Disconnect
- Send-Space Disconnect
- Automatic Answer
- Answer on Ring 1
- DTR Interlock
- Retrain Enable
- Internal Timing
- CTS Controlled by RTS
- 0-1 ms RTS to CTS Delay
- CTS Dependent on Carrier
- RR Indicates Carrier
- 9600 Trellis Coding
- 4800 bps Fallback
- 4 dB Compromise Equalization

SEC. 7. BISYNCHRONOUS ELECTRONIC FILING RECORD SPECIFICATIONS

.01 For bisynchronous filing there are two additional identifier records which must be used to transmit data. These records are 500 positions in length and are the first (\$\$REQUEST) and second (\$\$ADD) records sent in an electronic transmission. The purpose of these records is to provide the password and identity of the transmitter. The \$\$REQUEST, \$\$ADD and the data file should be transmitted as one file. In some cases, filers have attempted to send the \$\$REQUEST and \$\$ADD as separate files. Doing this will result in a failed transmission.

.02 With the exception of these additional records, the file format for electronic filing is the same as for magnetic media filing. The format of each of these records is as follows:

RECORD NAME: \$\$REQUEST

Field Position	Field Title	Length	Description and Remarks
1-20	\$\$REQUEST Identifier Record	20	Enter the following Identifier characters: \$\$REQUEST ID=MSGFILE
21- <u>500</u>	Blank	<u>480</u>	Blank

ELECTRONIC FILING IDENTIFIER \$\$REQUEST RECORD—RECORD LAYOUT

\$\$REQUEST IDENTIFIER RECORD	BLANK
1-20	21- <u>500</u>

.03 Upon making contact with IRS/MCC and furnishing a valid password in the \$\$ADD identifier record, a data transmission session will commence. The transmission will continue until an End of Transmission (EOT) ‘‘Y’’ record is received. At the end of each transmission, the following message should be received electronically by the filer: ‘‘DATA RECEIVED AT MCC’’ and the line will be disconnected. If this message is not received, there was a problem with the submission, and the filer should contact IRS/MCC immediately.

.04 Upon receiving a data file and transmittal Form 4804, IRS/MCC will release the data for further processing. If the media cannot be processed, the filer will be notified by either letter or telephone that the data must be retransmitted. This file name, if necessary, will be provided by IRS/MCC and is to be placed in positions 45-51 of the \$\$ADD record when the file is retransmitted.

RECORD NAME: \$\$ADD

Field Position	Field Title	Length	Description and Remarks
1-9	\$\$ADD Identifier Record	9	Enter the following characters: \$\$ADD ID=
10-17	Password	8	Enter the password assigned by IRS/MCC. For information concerning the password, see Part C. Sec. 2.
18	Blank	1	Enter a blank.
19-26	BATCHID	8	Enter the following characters: BATCHID=
27	Quote	1	Enter a single quote (‘).
28-43	Transmitter Name	16	Enter the transmitter’s name. This name should remain consistent in all transmissions. If the transmitter’s name exceeds 16 positions, truncate the name.

RECORD NAME: \$\$ADD—Continued

Field Position	Field Title	Length	Description and Remarks
44	Type of File Indicator	1	Enter the Type of File Indicator from the list below: O = Original filing T = Test File C = Correction file R = Replacement file
45-51	Replacement File Name	7	Use this field only if this is a replacement file. Enter the replacement file name which IRS/MCC has assigned to this file. This file name will be provided to the filer in the letter notifying them that a replacement file is necessary. If contact is made by telephone, the replacement file name will be given to the filer by IRS/MCC at that time. For other than replacement files, this field will contain blanks.
52	Quote	1	Enter a single quote (').
53- <u>500</u>	Blanks	<u>448</u>	Enter blanks.

ELECTRONIC FILING IDENTIFIER \$\$ADD RECORD—RECORD LAYOUT

\$\$ADD IDENTIFIER RECORD	PASSWORD	BLANK	BATCHID	QUOTE	TRANSMITTER NAME
1-9	10-17	18	19-26	27	28-43

TYPE OF FILE INDICATOR	REPLACEMENT FILE NAME	QUOTE	BLANKS
44	45-51	52	53- <u>500</u>

PART D. ASYNCHRONOUS (IRP-BBS) ELECTRONIC FILING SPECIFICATIONS

SEC. 1. GENERAL

.01 Asynchronous electronic filing of Form 1042-S originals, corrections, and replacements of information returns is offered as an alternative to magnetic media (tape, tape cartridge, or diskette) or paper filing, but is not a requirement. Electronic filing using the Information Reporting Program Bulletin Board System (IRP-BBS) will fulfill the magnetic media requirements for those filers who are required to file magnetically. It may also be used by those payers who are under the filing threshold requirement, but would prefer to file their information returns this way. If the original file was sent magnetically, but was returned for replacement, the replacement may be transmitted electronically. Also, if the original file was submitted via magnetic media, any corrections may be transmitted electronically.

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

.03 Filers participating in the electronic filing program for information returns will submit their returns to IRS/MCC by way of modems and not through magnetic media or paper filing.

.04 If a request for extension is approved, transmitters who file electronically will be granted an extension of 30 days to file. Part A. Sec. 11 explains procedures for requesting extensions of time. Filers are encouraged to file their data as soon as possible.

.05 The formats of the "T," "Q," "W," and "Y" Records are the same for electronically filed records as they are for 5/4- and 3 1/2-inch diskettes, tapes, and tape cartridges. For electronically filed documents, each transmission is considered a separate file.

SEC. 2. ELECTRONIC FILING APPROVAL PROCEDURE

.01 Filers must obtain, or already have, a Transmitter Control Code (TCC) assigned to them prior to submitting their files electronically. Filers who currently have a TCC for magnetic filing *of Form 1042-S (beginning with numbers "22")* do not have to request a second TCC for electronic filing. Refer to Part A. Sec. 7 for information on how to obtain a TCC.

.02 Once a TCC is obtained, filers using IRP-BBS assign their own passwords and do not need special approval.

.03 With all passwords, it is the user's responsibility to remember the password and not allow the password to be compromised. However, if filers do forget their password, call (304) 263-8700 for assistance. **Note: Passwords on the IRP-BBS are case sensitive.**

SEC. 3. TEST FILES

.01 Filers are not required to submit a test file; however, the submission of a test file is encouraged for first time electronic filers in order to resolve any data or communication problems prior to the filing season. If filers wish to submit an electronic test file for Tax Year 1995, it **must** be submitted to IRS/MCC December 1, 1995, through February 15, 1996.

.02 If problems are encountered while transmitting the electronic test file, contact IRS/MCC for assistance.

.03 Filers can verify the status of their transmitted test data by dialing the IRP-BBS. This information will be available within 10 workdays after their transmission is received by IRS/MCC.

SEC. 4. ELECTRONIC SUBMISSIONS

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

.02 Filers may submit as many documents as they choose electronically. Filers are allowed 240 minutes a day; however, more time may be requested if needed.

.03 Do not transmit data using IRP-BBS January 1 through January 7. This will allow time for the IRP-BBS to be updated to reflect current year changes.

.04 Data compression is encouraged when submitting information returns by way of the IRP-BBS. MCC has the ability to decompress files created using several popular software compression programs such as ARC, LHARC, and PKZIP. Software data compression can be done alone or in conjunction with V.42bis hardware compression. **Transmission time can be reduced by as much as 85 percent when data compression is used; therefore, it is highly recommended.**

The time required to transmit information returns electronically will vary depending on the modem speed and the type of data compression used, if any. However, transmissions to IRP-BBS will be significantly faster than electronic filing to the mainframe.

The following are actual transmission rates achieved in test uploads at MCC using compressed files (PKZIP) and the xmodem protocol. The actual transmission rates will vary depending on the protocol that is used. (Uploads will be approximately 25% faster when using the XMODEM-1K or ZMODEM protocols.)

Transmission Speed in bps	500 Records	2500 Records	10000 Records
2400	2 min 55 sec	10 min 25 sec	55 min 10 sec
9600	1 min 5 sec	4 min 35 sec	21 min 20 sec
19200	41 sec	2 min 51 sec	13 min 23 sec
38400	25 sec	1 min 55 sec	9 min 10 sec

.05 Files submitted to IRP-BBS must have a unique filename; therefore, the IRP-BBS will build the filename that must be used. The name will consist of the filer's TCC, submission type (T = Test, P = Production, C = Correction, and R = Replacement) and a sequence number. Filers may call the file anything they choose on their end. The sequence number will be incremented every time they send, or attempt to send, a file. Record the upload date, time, and filename. This information will be needed by MCC in order to identify the file if assistance is required and to complete Form 4804.

SEC. 5. TRANSMITTAL REQUIREMENTS

.01 The results of the electronic transmission will be posted to the (F)ile Status area of the IRP-BBS, however, no further processing will occur until the signed Form 4804 is received. The transmitter must send the signed Form 4804 the same day the electronic transmission is made. No return is considered filed until a Form 4804 is received by IRS/MCC.

.02 Form 4804 can be ordered by calling the IRS toll free forms and publication order number 1-800-TAX-FORM, (1-800-829-3676) downloaded from the IRP-BBS, or it may be computer generated. If a filer chooses to computer-generate Form 4804, all of the information contained on the original form, including the affidavit, must also be contained on the computer-generated form.

.03 The filer whose TCC is used in the "T" Record is responsible for submitting the transmittal Form 4804.

.04 Forms 4804 may be mailed to the following addresses:

If by Postal Service:

IRS-Martinsburg Computing Center
ATTN: Electronic Filing Coordinator
P.O. Box 1359, MS-360
Martinsburg, WV 25401-1359

If by truck or air freight:

IRS-Martinsburg Computing Center
ATTN: Electronic Filing Coordinator
Route 9 and Needy Road, MS-360
Martinsburg, WV 25401

.05 A signed Form 4804 submitted for electronically-filed information returns must still be sent the same day as the electronic transmission.

SEC. 6. INFORMATION REPORTING PROGRAM BULLETIN BOARD SYSTEM (IRP-BBS) SPECIFICATIONS

.01 The IRP-BBS is an electronic bulletin board system available to filers of information returns. In addition to filing information returns electronically, the IRP-BBS provides other capabilities. Some of the advantages of IRP-BBS are as follows:

- (1) Notification within 10 workdays as to the acceptability of the data transmitted.
- (2) Immediate access to the latest changes and updates that affect the Information Reporting Program at IRS/MCC (program, legislative, etc.).
- (3) Access to publications such as the Publication 1187 as soon as they are available.
- (4) Capability to communicate with IRS/MCC personnel.
- (5) Ability to retrieve information and files applicable to the IRP-BBS.

.02 The IRP-BBS is available for public use and accessible using various personal computer communications equipment; however, electronic submission of information returns is limited to holders of valid TCCs. A TCC is not needed to access those portions of the IRP-BBS that contain forms and publications or to leave questions or messages for IRS/MCC personnel.

.03 Filers using IRP-BBS can determine the acceptability of files submitted by checking the file status area of the bulletin board. These reports are not immediately available but will be available 10 workdays after the transmission is received by IRS/MCC.

.04 Contact the IRP-BBS by dialing (304) 264-7070. The communication software settings for IRP-BBS are:

- No parity
- Eight data bits
- One stop bit
- Full duplex

The communication software should be set up to use the fastest speed allowed by the filer's modem.

.05 Due to the large number of communication products available, it is impossible to provide specific information on a particular software package or hardware configuration. Filers should contact their software or hardware supplier for assistance.

.06 IRP-BBS software provides a menu-driven environment allowing access to different parts of IRP-BBS. Whenever possible, IRS/MCC personnel will provide assistance in resolving any communication problems with IRP-BBS.

.07 IRP-BBS can be accessed at speeds from 1200 to 28,800 bps. The speed is automatically negotiated for connection at the speed of the calling modem. The communication standards supported include Industry Standard 212A, V.22bis, V.32, V.32bis, V.34, and V.FC. Point-to-point error control is supported using the V.42 ITU-T standard or MNP 2-4. Data compression is supported using V.42bis ITU-T standard or MNP5.

SEC. 7. IRP-BBS FIRST LOGON PROCEDURES

.01 The following information will be requested to set up the filer's user profile when logging onto the IRP-BBS for the first time.

- (A) # Chars per line on screen (10-132)? (Most computers have 80 character screen display)
 (B) Enter the letter, that corresponds to the filer's terminal, from the following:

< A >	IBM PC	< B >	IBM w/ANSI	< C >	Atari
< D >	ADM-3	< E >	H19/Z19/H89	< F >	Televid 925
< G >	TRS-80	< H >	Vidtex	< I >	VT-52
< J >	VT-100	< CR >	if none of the above		

Most PCS, clones, etc., will select the IBM PC emulation. Machines with color, CGA, EGA, or VGA should select IBM w/ANSI.

- (C) Upper/lower case, line feed needed, O (zero) nulls after each < CR >, do you wish to modify this? (Most users answer no.)
 (D) Do you wish to have a pause after each display page (Y/N)? (Most users answer yes.)
 (E) How many lines per display page (10-80)? (Most computers have a 24 line screen display.)

COMMON USER PROBLEMS

<i>PROBLEM</i>	<i>PROBABLE CAUSE</i>	<i>SOLUTION</i>
File does not upload/download	Not starting communication when prompted by 'Awaiting Start Signal'	Start upload/download on filers end
All files not processed	Compressing several files into one filename	Compress only one file for every filename
Replacement needed	Original data incorrect	Replacement must be submitted within 45 days of original transmission
Cannot determine file status	Not dialing back thru IRP-BBS to check the status of the file	Within <u>10</u> days after sending a file, check under (F)ile Status for notification of acceptability
Transfer aborts before it starts	Transfer protocol mismatch	Ensure protocols match on both the sending and receiving ends
Loss of carrier during session	Incorrect modem settings on user's end	Reference your modem manual about increasing the value of the S10 register

IRS ENCOUNTERED PROBLEMS

<i>PROBLEM</i>	<i>PROBABLE CAUSE</i>	<i>SOLUTION</i>
Unreadable screens after selecting "IBM w/ANSI"	ANSI.SYS driver not loaded in the user's PC	Consult your DOS manual about installing ANSI.SYS
IRS cannot complete final processing of data	User did not mail the Form 4804	Mail completed Form 4804 the same day as the electronic transmission
IRS cannot determine which file is being replaced	User did not indicate which file is being replaced	Must enter the filename that is being replaced under the replacement option
IRS cannot determine the type of file being sent	User incorrectly indicated T, P, C, or R for the type of file	When prompted, enter the correct type of file for data being sent
Incorrect file not replaced within 45 days	User did not dial back thru IRP-BBS to check the status of file	Within <u>10</u> workdays check under (F)ile Status for notification of acceptability
Duplicate data	Transmitter sends corrections for entire file	Only submit corrections for incorrect records

PART E. MAGNETIC/ELECTRONIC SPECIFICATION FOR EXTENSION OF TIME

SEC. 1. GENERAL INFORMATION

NOTE: The specifications which follow for requesting an extension of time magnetically or electronically DO NOT APPLY to Form 1042. Form 1042 is not an information return.

.01 The specifications in Part E include the required 200-byte record format for extension of time to file requests submitted on magnetic media or via IRP-BBS. Also included are the instructions for the information that is to be entered in the record. **Withholding Agents are advised to read this section in its entirety to ensure proper filing.**

.02 Requests for extensions of time may be made for Form 1042-S.

.03 For Tax Year 1995 (returns due to be filed in 1996), transmitters requesting an extension of time to file for more than 50 withholding agents are required to file the extension request on magnetic media or via IRP-BBS.

Transmitters requesting an extension of time for 10 or more withholding agents are encouraged to file the request magnetically or electronically. Acceptable types of media are tape, tape cartridge, and 5¹/₄- and 3¹/₂-inch diskette.

.04 For an extension request filed on magnetic media, the transmitter must send the completed, signed Form 8809, Request for Extension of Time to File Information Returns, in the same package as the corresponding media. **For extension requests filed electronically, the transmitter must send the Form 8809 the same day the transmission is made.**

.05 **Withholding Agents, or Transmitters submitting a request for extension of time for multiple withholding agents, should not submit a list of agent's names and TINS with the Form 8809 with the magnetic media or electronic files.**

.06 To be considered, an extension request must be postmarked or transmitted by the due date of the return; otherwise, the request will be denied.

.07 The extension record format is also on the IRP-BBS and can be downloaded. **See Part D for more information on how to contact the IRP-BBS.**

.08 A magnetically-filed request for an extension of time should be sent using the following addresses:

If by Postal:

IRS-Martinsburg Computing Center
ATTN: Extension of Time Coordinator
P O Box 879, MS-360
Kearneysville, WV 25430

If by truck or air freight:

IRS-Martinsburg Computing Center
ATTN: Extension of Time Coordinator
Route 9 and Needy Road, MS-360
Martinsburg, WV 25401

Note: Due to the large volume of mail received by IRS/MCC and the time factor involved in processing the Form 8809, it is imperative that the attention line be present on all envelopes or packages containing Extension of Time (EOT) requests.

.09 If using a delivery service other than postal service, the actual date of receipt by IRS/MCC will be used as the received date. This should be considered in meeting filing requirements timely.

.10 Withholding Agents who submit their extension of time requests magnetically or electronically will receive a letter from IRS/MCC with an attached list of multiple withholding agents and their TINs (EIN or SSN) specifying approval and/or denial.

.11 Do not submit tax year 1995 extension of time to file requests on magnetic media or electronically before January 1, 1996.

.12 Filers may request an extension of time as soon as they are aware that an extension is necessary but not later than the due date of the return. It will take a minimum of 30 days for IRS/MCC to respond to an extension request. Under certain circumstances a request for an extension of time could be denied. In such cases, the withholding agent receives a denial letter. When this denial letter is received, the transmitter has 20 days to provide the additional or necessary information and resubmit the extension request to IRS/MCC.

.13 Each piece of magnetic media **must** have an external label containing the following information:

- (a) Withholding agent's name (Transmitter's name if reporting for multiple withholding agents)
- (b) Transmitter Control Code (TCC) **beginning with the numbers "22."**
- (c) Tax year
- (d) The words "Extension of Time"
- (e) Record count

Form 5064 (Media Label) or transmitter generated substitute may be used.

.14 A request for an extension of time to file is not automatically granted. Approval or denial is dependent on information provided on the Form 8809.

.15 If an additional extension of time is needed, a second Form 8809 may be submitted before the end of the initial extension. Line 7 on the form should be checked to indicate that the original extension has been received and the additional extension is being requested. **A second 30-day extension will be approved only in cases of extreme hardship or catastrophic event.**

.16 See Part A. Sec. 11, for complete information on requesting an extension of time to file information returns. If there are additional questions or concerns, contact IRS/MCC.

SEC. 2 MAGNETIC TAPE, TAPE CARTRIDGE, 5¼- AND 3½-INCH DISKETTE, AND IRP-BBS SPECIFICATIONS

.01 Tape specifications are as follows:

- (a) 9 track.
- (b) EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) recording mode.
- (c) 1600 or 6250 BPI.
- (d) Fixed block size of 4000 bytes.
- (e) Record length of 200 bytes.
- (f) Labeled or unlabeled tapes may be submitted.

.02 Tape cartridge specifications are as follows:

- (a) Must be IBM 3480, 3490 or AS400 compatible.
- (b) Must meet American National Standard Institute (ANSI) standards and have the following characteristics:
 - (1) Tape cartridges will be ½ inch tape contained in plastic cartridges which are approximately 4 inches by 5 inches by 1 inch in dimension.
 - (2) Magnetic tape will be chromium dioxide particle based ½ inch tape.
 - (3) Cartridges will be 18-track or 36-track parallel. Indicate on Form 5064, Media Label, in the box "Operating System/Hardware," whether the tape cartridge is 18- or 36-track.
 - (4) Mode will be full function.
 - (5) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
 - (6) Either EBCDIC or ASCII.
- (c) Fixed block size of 4000 bytes.
- (d) Record length of 200 bytes.
- (e) Labeled or unlabeled tape cartridges may be submitted.

.03 Diskette specifications are as follows:

- (a) 5¼- or 3½-inches in diameter.
- (b) ASCII recording mode **only**. Additional specifications may be found in Part B. Sec. 4, of this revenue procedure.
- (c) Record length of 200 bytes.
- (d) Diskettes must be created using the MS/DOS operating system.
- (e) Filename of IRSEOT must be used. No other filenames are acceptable. If a file will consist of more than one diskette, the filename IRSEOT will contain a three-digit extension. This extension will indicate the sequence of the diskettes within the file. For example, the first diskette will be named IRSEOT.001, the second diskette will be name IRSEOT.002, etc.
- (f) Delimiter character commas (,) must not be used.
- (g) Positions 199 and 200 of each record have been reserved for use as carriage return/line feed (cr/lf) characters, if applicable.

.04 IRP-BBS specifications include:

- (a) Transmitter must have Transmitter Control Code Number (TCC). (Be sure to use the TCC assigned for submitting 1042-S information.)
- (b) IRP-BBS access phone number is (304) 264-7070.

(c) Communications software settings are:

- No parity
- Eight data bits
- One stop bit
- Full duplex

(d) Access speeds from 1,200 to 28,800 bps.

(e) Data compression is encouraged.

See Part D, IRP-BBS Electronic Filing Specifications, for detailed information on filing with IRS/MCC via IRP/BBS.

SEC. 3. RECORD LAYOUT

.01 Positions 6 through 174 of the following record should contain information about the **withholding agent** for whom the extension of time to file is being requested. Do not enter transmitter information, unless filing for multiple withholding agents, in these fields. Only one TCC may be present in a file. Please be sure to use the TCC assigned for 1042-S filing which begins with digits 22.

Field Position	Field Title	Length	Description and Remarks				
1-5	Transmitter Control Code (TCC)	5	Required. Enter the five digit Transmitter Control Code issued by IRS. Only one <u>TCC per file is acceptable.</u>				
6-14	<u>Withholding Agent's TIN— Form 1042-s</u>	9	Required. Must be the valid nine-digit EIN/SSN assigned to the Withholding Agent. 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 176, must be set to "X."				
15-54	Withholding Agent's Name	40	Required. Enter the name of the withholding agent whose TIN appears in positions 6-14. Left justify.				
55-94	Second Agent Name	40	If additional space is needed, this field may be used to continue name line information; otherwise, enter blanks.				
95-134	Withholding Agent's Address	40	Required. Enter agent's address. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to a street address).				
135-163	Withholding Agent's City	29	Required. Enter agent's city, town, or post office.				
164-165	Withholding Agent's State	2	Required. Enter agent's valid U.S. Postal Service state abbreviation (refer to Part B. Sec. 6, [positions 115-116]).				
166-174	Withholding Agent's Zip Code	9	Required. Enter agent's ZIP code. If using a five-digit ZIP code, left justify information and fill unused positions with blanks.				
175	Document Indicator	1	Required. Enter the document you are requesting an extension of time for using the following code: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Code</u></td> <td style="text-align: center;"><u>Document</u></td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">1042-S</td> </tr> </table> <p style="text-align: center;">Do not enter any other value in this field when requesting an extension for Form 1042-S.</p>	<u>Code</u>	<u>Document</u>	4	1042-S
<u>Code</u>	<u>Document</u>						
4	1042-S						
176	Foreign Entity Indicator	1	Enter character "X" if the payer is a foreign entity.				
177-198	Blank	22	Enter blanks.				
199-200	Blank	2	Enter blanks. Diskette filers may code the ASCII carriage return/line feed (cr/lf) characters.				

TRANSMITTER CONTROL CODE	AGENT EIN	AGENT NAME	SECOND AGENT NAME	AGENT ADDRESS	AGENT CITY
1-5	6-14	15-54	55-94	95-134	135-163

AGENT STATE	AGENT ZIP CODE	DOCUMENT INDICATOR	FOREIGN ENTITY INDICATOR	BLANK
164-165	166-174	175	176	177-198

BLANK OR CR/LF
199-200

This is the end of Publication 1187 for Tax Year 1995.

Part IV. Items of General Interest

Continued Use of the August 1993 Revision of Form 706

Announcement 96-1

Executors and return preparers should continue to use the August 1993 revision of Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, after December 31, 1995. The August 1993 revision shows an OMB expiration date of December 31, 1995, but the Service has received approval from the Office of Management and Budget to continue to use that revision. Unless the Service issues future instructions to the contrary, it should be used for the estates of all decedents dying before January 1, 1996.

The Service anticipates that a revised Form 706 will be available in early 1996. If pending estate tax legislation is enacted, the new revision of Form 706 will incorporate changes included in the new legislation. Availability of the new revision depends on the date of enactment of the legislation. As currently planned, the new revision will be used only for decedents dying after the date of enactment of that legislation.

Tax on Certain Imported Substances; Filing of Petitions

Announcement 96-2

This announces the acceptance, under Notice 89-61, 1989-1 C.B. 717, of a petition requesting that butyl benzyl phthalate be added to the list of taxable substances in § 4672(a)(3). Publication of this notice is in compliance with Notice 89-61. This is not a determination that the list of taxable substances should be modified. Any modification of the list of taxable substances based upon this petition would be effective April 1, 1991.

Before a determination is made, consideration will be given to any written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. Written comments and requests for a public hearing relating to these petitions must be received by February 12, 1996. Send submissions to: CC:DOM:CORP:R (Petition), Room

5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (Petition), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested in writing by a person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the Federal Register.

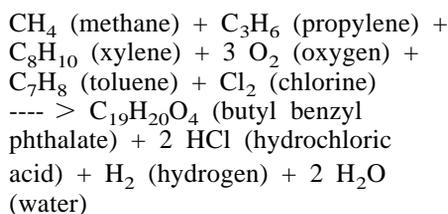
The petition was received on June 25, 1990. The petitioner is Monsanto Company, a manufacturer and exporter of this substance. The following is a summary of the information contained in the petition. The complete petition is available in the Internal Revenue Service Freedom of Information Reading Room.

HTS number: 2917.39.2000

CAS number: 85-68-7

Butyl benzyl phthalate is derived from the taxable chemicals methane, propylene, xylene, toluene, and chlorine and is a liquid produced predominantly by the reaction of n-butanol and phthalic anhydride, followed by a reaction with benzyl chloride in the presence of a catalyst. n-butanol is manufactured by the hydrogenation of n-butyraldehyde, which is derived from propylene and synthesis gas (hydrogen and synthesis gas are derived from natural gas). Benzyl chloride is produced by direct photochemical chlorination of toluene. Phthalic anhydride is produced by the reaction of o-xylene with air in the presence of a catalyst.

The stoichiometric material consumption formula for this substance is:



According to the petition, taxable chemicals constitute 77.25 percent by

weight of the materials used to produce this substance. The rate of tax for this substance would be \$5.54 per ton. This is based upon a conversion factor for methane of 0.05, a conversion factor for propylene of 0.17, a conversion factor for xylene of 0.47, a conversion factor for toluene of 0.32, and a conversion factor for chlorine of 0.26.

The principal author of this announcement is Ruth Hoffman, Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this announcement contact Ruth Hoffman on (202) 622-3130 (not a toll-free number).

Foundations Status of Certain Organizations

Announcement 96-3

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

Former Public Charities. The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

Affordable Housing Council Inc., St. Louis, MO
American Federation of Investors & Consumers Inc., Harerford, PA
ANSAR Foundation, Springfield, OH
Archway Programs Pennsylvania, Inc., Atco, New Jersey
Barboursville Youth Basketball League Inc., Barboursville, WV
Citizens For A Better Environment, Inc., Tavares, FL
Child Care Professional Services, Inc., Greenville, SC

Columbus Historical Society,
Columbus, OH
Columbus Matrix Foundation,
Westerville, OH
Dickinson Iron Community Services
Agency, Iron Mountain, MI
Down Syndrome of Louisville Inc.,
Louisville, KY
Eagles Booster Club, Fort Knox, KY
Earth Foundation, Inc., Tampa, FL
Families In Action Of Washington
Township, Indianapolis, IN
Fastbreak Foundation Incorporated,
Canton, OH
Great Works Production Company,
Cleveland Heights, OH
Greater Cherry Hill Chamber of
Commerce Foundation, Inc., Cherry
Hill, New Jersey
Greater Columbus Concert Band,
Reynoldsburg, OH
Gulf Classics Corporation, Naples, FL

Herman J Russell Entrepreneurial
Scholarship Foundation, Inc.,
Atlanta, GA
Indianapolis Coliseum Youth Hockey
Association Inc., Indianapolis, IN
Innovative Links, Inc., Paris, AR
LHS Adult Boosters, Lakewood, OH
Miami Valley Kids Wrestling
Association Inc., Dayton, Ohio
National New Church Conference
Inc., Rensselaer, IN
Needy Childrens Fund, Kokomo, IN
New Life World Ministry, Kentwood,
LA
Northern Illinois Heart Institute Inc.,
Elgin, IL
Parkersburg Area Diabetes
Association, Parkersburg, WV
Patopsco River Publications, Inc.,
Westminister, MD
Roane County Humane Society-
Authority, Inc., Spencer, WV

Saginaw Hockey Foundation,
Saginaw, MI
The Christifidelis Community,
Columbus, Ohio
Washington County Land Quality
Foundation, Inc., Keedysville, MD
Whitman School Organization
Marquette Michigan, Marquette, MI

If an organization listed above submits information that warrants the renewal of its classification as a public charity or as a private operating foundation, the Internal Revenue Service will issue a ruling or determination letter with the revised classification as to foundation status. Grantors and contributors may thereafter rely upon such ruling or determination letter as provided in section 1.509(a)-7 of the Income Tax Regulations. It is not the practice of the Service to announce such revised classification of foundation status in the Internal Revenue Bulletin.

Definition of Terms

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

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

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

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

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

ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

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

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

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

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

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

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

Abbreviations

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

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

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

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

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¹A cumulative list of all Revenue Rulings, Revenue Procedures, Treasury Decisions, etc., published in Internal Revenue Bulletins 1995-27 through 1995-52 will be found in Internal Revenue Bulletin 1996-1, dated January 2, 1996.

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¹A cumulative finding list for previously published items mentioned in Internal Revenue Bulletins 1995-27 through 1995-52 will be found in Internal Revenue Bulletin 1996-1, dated January 2, 1996.