

HIGHLIGHTS OF THIS ISSUE

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

INCOME TAX

T.D. 8673, page 4.

Final regulations under section 1394 of the Code relate to enterprise zone facility bonds issued by state and local governments.

Rev. Rul. 96-33, page 4.

Low-income housing credit; satisfactory bond; "bond factor" amounts for the period April through June 1996. This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period April through June 1996.

EMPLOYEE PLANS

Notice 96-36, page 11.

Guidelines are set forth for determining for June 1996 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 96-61, page 72.

A list is provided of organizations that no longer qualify as organizations to which contributions are deductible under section 170 of the Code.

ADMINISTRATIVE

Rev. Proc. 96-36, page 11.

Electronic filing; magnetic media; 1996 form specifications. Specifications are set forth for the magnetic or electronic filing of 1996 Forms 1098, 1099, 5498, and W-2G. The forms may be filed with the Service using 1/2 inch magnetic tape; IBM 3480/3490 or AS400 compatible tape cartridges; 8 mm tape cartridges (pilot program) or 5 1/4-, 3 1/2-inch diskettes. Rev. Procs. 95-29 and 95-29A superseded.

Finding Lists begin on page 75.

Announcement of Disbarments and Suspensions begins on page 73.

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.

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

Section 42.—Low-Income Housing Credit

Low-income housing credit; satisfactory bond; “bond factor” amounts for the period April through June 1996. This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period April through June 1996.

Rev. Rul. 96–33

In Rev. Rul. 90–60, 1990–2 C.B. 3, the Internal Revenue Service provided guidance to taxpayers concerning the general methodology used by the Treasury Department in computing the bond factor amounts used in calculating the amount of bond considered satisfactory by the Secretary under § 42(j)(6) of the Internal Revenue Code. It further announced that the Secretary would

publish in the Internal Revenue Bulletin a table of “bond factor” amounts for dispositions occurring during each calendar month.

This revenue ruling provides in Table 1 the bond factor amounts for calculating the amount of bond considered satisfactory under § 42(j)(6) for dispositions of qualified low-income buildings or interests therein during the period April through June 1996.

Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year										
Month of Disposition	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Apr '96	76.76	78.26	79.91	81.94	84.43	87.38	90.40	93.16	95.61	97.21
May '96	76.54	78.03	79.68	81.71	84.19	87.12	90.12	92.86	95.32	97.21
Jun '96	76.32	77.81	79.46	81.48	83.95	86.86	89.85	92.58	95.06	97.21

For a list of bond factor amounts applicable to dispositions occurring during other calendar years, see the following revenue rulings: Rev. Rul. 90–60, 1990–2 C.B. 3, for dispositions occurring during calendar years 1987, 1988, and 1989; Rev. Rul. 90–88, 1990–2 C.B. 7, for dispositions occurring during calendar year 1990; Rev. Rul. 91–67, 1991–2 C.B. 13, for dispositions occurring during calendar year 1991; Rev. Rul. 92–101, 1992–2 C.B. 9, for dispositions occurring during calendar year 1992; Rev. Rul. 93–83, 1993–2 C.B. 6, for dispositions occurring during calendar year 1993; Rev. Rul. 94–71, 1994–2 C.B. 4, for dispositions occurring during calendar year 1994; Rev. Rul. 95–83, 1995–52 I.R.B. 5, for dispositions occurring during calendar year 1995; and Rev. Rul. 96–16, 1996–11 I.R.B. 4, for dispositions occurring during the period January through March 1996.

DRAFTING INFORMATION

The principal author of this revenue ruling is Jack Malgeri of the Office of

Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Mr. Malgeri at (202) 622-3040 (not a toll-free call).

Section 1394.—Tax-Exempt Enterprise Zone Facility Bonds

26 CFR 1.1394–1: Enterprise zone facility bonds.

T.D. 8673

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Enterprise Zone Facility Bonds

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to enterprise

zone facility bonds issued by State and local governments. These regulations reflect changes to the law made by the Omnibus Budget Reconciliation Act of 1993. These regulations affect issuers of enterprise zone facility bonds.

EFFECTIVE DATE: These regulations are effective May 31, 1996.

For dates of applicability of these regulations to enterprise zone facility bond issues, see §1.1394–1(q) of these regulations.

FOR FURTHER INFORMATION CONTACT: Loretta J. Finger, (202) 622-3980 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On December 30, 1994, proposed regulations (FI-72-88 [1995–1 C.B. 859]) were published in the **Federal Register** (59 FR 67658) to provide guidance under sections 141 (relating to private activity bonds and to

qualified bonds), 145 (relating to qualified 501(c)(3) bonds), 148 (relating to arbitrage), 150 (relating to change of use), and 1394 (relating to enterprise zone facility bonds). On June 8, 1995, the IRS held a public hearing on the proposed regulations. Written comments responding to the proposed regulations were received.

This Treasury decision addresses the issues relating to enterprise zone facility bonds. Later guidance will be published relating to sections 141, 145, 148, and 150. After consideration of all the comments, the proposed regulations under section 1394 (relating to enterprise zone facility bonds) are adopted as revised by this Treasury decision. The principal revisions to the proposed regulations under section 1394 are discussed below.

Explanation of Provisions

Section 1394 applies to bonds issued to provide enterprise zone facilities in both empowerment zones and enterprise communities (zones).

A. Period of compliance.

The proposed regulations in general require compliance with the requirements applicable to enterprise zone facility bonds throughout the term of the enterprise zone facility bonds. The proposed regulations provide two exceptions to this general rule: (i) a business that is first established in connection with the issuance of enterprise zone facility bonds does not need to meet the requirements of an enterprise zone business and enterprise zone property until the "testing date," which is the later of one year after the issue date or one year after the date on which the financed property is placed in service, and (ii) the issuer and principal user of the facility are permitted a one-year period to cure non-compliance.

The final regulations modify the general rule to require compliance with the requirements applicable to enterprise zone facility bonds throughout the greater of (i) the remainder of the period during which the zone designation is in effect under section 1391 (zone designation period), and (ii) the period that ends on the weighted average maturity date of the enterprise zone facility bonds. The final regulations also provide that, in general,

compliance with the requirements applicable to enterprise zone facility bonds is not required after the date on which the last of the enterprise zone facility bonds of the issue cease to be outstanding.

1. Start of compliance period.

Commentators requested that the testing date provisions be extended to all businesses, not just start-up businesses. Commentators also suggested lengthening the start-up period. The final regulations follow the recommendation to expand the testing date provisions to all issuers and principal users of property financed with enterprise zone facility bonds if the issuer and the principal user reasonably expect that the requirements will be met by the testing date and proceed with due diligence to comply with the requirements. The start-up period is increased to the later of 18 months after the issue date or 18 months after the date on which the financed property is placed in service.

2. Compliance period for certain requirements.

Commentators suggested that compliance with the requirements for an enterprise zone business should be based only on reasonable expectations on the issue date. Commentators suggested that, alternatively, the required compliance period should be reduced to either (i) three years (similar to the test period for qualified small issue manufacturing bonds), or (ii) the remainder of the zone designation period.

Issuers and principal users should be required to meet the requirements applicable to enterprise zone facility bonds for a meaningful period of time in order to further the goals of economic development in the zones. Therefore, for purposes of meeting the requirements applicable to enterprise zone facility bonds, the final regulations in general require issuers and principal users of financed property to meet the requirements throughout the greater of (i) the remainder of the zone designation period, and (ii) the period that ends on the weighted average maturity date of the enterprise zone facility bonds.

While compliance is generally not required after the enterprise zone facility bonds are retired, the final regula-

tions do require issuers and principal users to meet the requirements of an enterprise zone business and enterprise zone property for a minimum compliance period of at least three years after the initial testing date. The final regulations permit the issuer to identify an alternative initial testing date. This alternative initial testing date is a date after the issue date of the enterprise zone facility bonds and prior to the initial testing date that would have been otherwise determined under the final regulations.

Principal users are subject to the change in use penalty of section 1394(e) throughout the greater of (i) the remainder of the zone designation period, and (ii) the period that ends on the weighted average maturity date of the enterprise zone facility bonds.

3. Measurement of compliance.

The proposed regulations provide guidance on meeting the enterprise zone business definitions. Commentators pointed out several difficulties in meeting the tests in the proposed regulations and in curing non-compliance within a one-year period. Commentators also asked for guidance on how part-time employees are to be treated for the 35 percent resident employee requirement.

In general, each of the enterprise zone business requirements applies over taxable year periods. The beginning and end of the period of required compliance, however, may not correspond to the beginning and ending dates of the principal user's taxable year. The proposed regulations do not address the treatment of a taxable year only a part of which falls in a required compliance period. The final regulations provide that a taxable year is disregarded if the part of the year that falls in a required compliance period does not exceed 90 days.

Although the final regulations generally require annual compliance for the requirements under sections 1397B and 1397C, the final regulations allow a five-year averaging, taking into account only immediately preceding years going back to the taxable year that includes the initial testing date. The requirements under sections 1397B and 1397C include requirements relating to location of performance of employee services, location of tangible and intangible property, source of gross income

from the active conduct of business, and the residence of employees. The averaging approach permits principal users who exceed the requirements to provide a cushion for future unanticipated noncompliance (for example, a non-recurring extraordinary payment for services performed outside the zone).

The final regulations allow the 35 percent resident employee requirement to be met on any reasonable basis (for example, on a per-employee basis or on the basis of employee actual work hours). For purposes of the per-employee fraction, employees working less than 15 hours a week are not included in the numerator or the denominator. The principal user must consistently apply the method to determine compliance with the 35 percent resident employee requirement throughout the required compliance period.

The final regulations also provide that a zone employee who moves out of the zone may continue to be treated as a resident of the zone, provided that employee was a bona fide resident of the zone, that employee continues to perform services for the principal user in an enterprise zone business in the zone and substantially all of those services are performed in the zone, and the principal user hires a resident of the zone for the next available comparable (or lesser) position.

The final regulations reduce the “substantially all” requirement for purposes of various tests under sections 1397B and 1397C from 90 percent to 85 percent.

B. *Qualified zone property definition.*

The proposed regulations provide that property that has been abandoned for more than one year meets the original use requirement. The final regulations provide that if real property is vacant for at least a one-year period including the date of zone designation, use prior to that period is disregarded for purposes of determining original use.

C. *Other rules.*

Commentators requested guidance on the appropriate method for treating activities within the zone as though they constituted a separately incorporated business for purposes of the enterprise zone business test.

The final regulations allow a business to treat its activities within a zone as

part of a separately incorporated business if it allocates income and activities attributable to the business within the zone using a reasonable allocation method and has evidence of its allocations sufficient to establish compliance with the various requirements.

D. *Principal user.*

The proposed regulations do not address the requirement that “the principal user” of the enterprise zone facility bond proceeds be an enterprise zone business. Commentators suggested that principal user generally be defined in the same manner as in the regulations applicable to qualified small issue bonds and qualified 501(c)(3) bonds, which relate to use of bond proceeds by “any” principal user, but without applying the definition to customers. One commentator (relying on the definition of a qualifying business) suggested that financing for commercial real estate owned by a business that is not an enterprise zone business should be permitted, so long as 50 percent of the gross rental income comes from lessees that are enterprise zone businesses.

The final regulations provide that an owner of financed property is the principal user except that, in the case of commercial real estate, the lessee may be treated as the principal user if the rental of the property is a qualified business under section 1397B(d)(2).

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 also has 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, a 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 Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is Loretta J. Finger, Office of

Assistant Chief Counsel (Financial Institutions and Products). However, other personnel from the IRS and 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 citation for part 1 is amended by adding an entry in numerical order to read as follows:

Authority: 26 U.S.C. 7805 * * *
Section 1.1394–1 also issued under 26 U.S.C. 1397D.

Par. 2. Sections 1.1394–0 and 1.1394–1 are added under the undesignated centerheading “DEFINITIONS; SPECIAL RULES” to read as follows:

§1.1394–0 Table of contents.

This section lists the major paragraph headings contained in §1.1394–1.

§1.1394–1 Enterprise zone facility bonds.

- (a) Scope.
- (b) Period of compliance.
 - (1) In general.
 - (2) Compliance after an issue is retired.
 - (3) Deemed compliance.
- (c) Special rules for requirements of sections 1397B and 1397C.
 - (1) Start of compliance period.
 - (2) Compliance period for certain prohibited activities.
 - (3) Minimum compliance period.
 - (4) Initial testing date.
- (d) Testing on an average basis.
- (e) Resident employee requirements.
 - (1) Determination of employee status.
 - (2) Employee treated as zone resident.
 - (3) Resident employee percentage.
- (f) Application to pooled financing bond and loan recycling programs.
- (g) Limitation on amount of bonds.
 - (1) Determination of outstanding amount.

- (2) Pooled financing bond programs.
- (h) Original use requirement for purposes of qualified zone property.
- (i) Land.
- (j) Principal user.
 - (1) In general.
 - (2) Rental of real property.
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- (k) Treatment as separately incorporated business.
- (l) Substantially all.
- (m) Application of sections 142 and 146 through 150.
 - (1) In general.
 - (2) Maturity limitation.
 - (3) Volume cap.
 - (4) Remedial actions.
- (n) Continuing compliance and change of use penalties.
 - (1) In general.
 - (2) Coordination with deemed compliance provisions.
 - (3) Application to pooled financing bond and loan recycling programs.
 - (4) Section 150(b)(4) inapplicable.
- (o) Refunding bonds.
 - (1) In general.
 - (2) Maturity limitation.
- (p) Examples.
- (q) Effective dates.
 - (1) In general.
 - (2) Elective retroactive application in whole.

§1.1394-1 Enterprise zone facility bonds.

(a) *Scope.* This section contains rules relating to tax-exempt bonds under section 1394 (enterprise zone facility bonds) to provide enterprise zone facilities in both empowerment zones and enterprise communities (zones). See sections 1394, 1397B, and 1397C for other rules and definitions.

(b) *Period of compliance*—(1) *In general.* Except as provided in paragraphs (b)(2) and (c) of this section, the requirements under sections 1394(a) and (b) applicable to enterprise zone facility bonds must be complied with throughout the greater of the following—

(i) The remainder of the period during which the zone designation is in effect under section 1391 (zone designation period); and

(ii) The period that ends on the weighted average maturity date of the enterprise zone facility bonds.

(2) *Compliance after an issue is retired.* Except as provided in paragraph (c)(3) of this section, the requirements applicable to enterprise zone facility bonds do not apply to an issue after the date on which no enterprise zone facility bonds of the issue are outstanding.

(3) *Deemed compliance*—(i) *General rule.* An issue is deemed to comply with the requirements of sections 1394(a) and (b) if—

(A) The issuer and the principal user in good faith attempt to meet the requirements of sections 1394(a) and (b) throughout the period of compliance required under this section; and

(B) Any failure to meet these requirements is corrected within a one-year period after the failure is first discovered.

(ii) *Exception.* The provisions of paragraph (b)(3)(i) of this section do not apply to the requirements of section 1397B(d)(5)(A) (relating to certain prohibited business activities).

(iii) *Good faith.* In order to satisfy the good faith requirement of paragraph (b)(3)(i)(A) of this section, the principal user must at least annually demonstrate to the issuer the principal user's monitoring of compliance with the requirements of sections 1394(a) and (b).

(c) *Special rules for requirements of sections 1397B and 1397C*—(1) *Start of compliance period.* Except as provided in paragraph (c)(2) of this section, the requirements of sections 1397B (relating to qualification as an enterprise zone business) and 1397C (relating to satisfaction of the rules for qualified zone property) do not apply prior to the *initial testing date* (as defined in paragraph (c)(4) of this section) if—

(i) The issuer and the principal user reasonably expect on the issue date of the enterprise zone facility bonds that those requirements will be met by the principal user on or before the initial testing date; and

(ii) The issuer and the principal user exercise due diligence to meet those requirements prior to the initial testing date.

(2) *Compliance period for certain prohibited activities.* The requirements of section 1397B(d)(5)(A) (relating to certain prohibited business activities) must be complied with throughout the term of the enterprise zone facility bonds.

(3) *Minimum compliance period.* The requirements of sections 1397B(b) or (c) and 1397C must be satisfied for a continuous period of at least three years after the initial testing date, notwithstanding that—

(i) The period of compliance required under paragraph (b)(1) of this section expires before the end of the three-year period; or

(ii) The enterprise zone facility bonds are retired before the end of the three-year period.

(4) *Initial testing date*—(i) *In general.* Except as otherwise provided in paragraph (c)(4)(ii) of this section, the initial testing date is the date that is 18 months after the later of the issue date of the enterprise zone facility bonds or the date on which the financed property is placed in service; provided, however, it is not later than—

(A) Three years after the issue date; or

(B) Five years after the issue date, if the issue finances a construction project for which both the issuer and a licensed architect or engineer certify on or before the issue date of the enterprise zone facility bonds that more than three years after the issue date is necessary to complete construction of the project.

(ii) *Alternative initial testing date.* If the issuer identifies as the initial testing date a date after the issue date of the enterprise zone facility bonds and prior to the initial testing date that would have been determined under paragraph (c)(4)(i) of this section, that earlier date is treated as the initial testing date.

(d) *Testing on an average basis.* Compliance with each of the requirements of section 1397B(b) or (c) is tested each taxable year. Compliance with any of the requirements may be tested on an average basis, taking into account up to four immediately preceding taxable years plus the current taxable year. The earliest taxable year that may be taken into account for purposes of the preceding sentence is the taxable year that includes the initial testing date. A taxable year is disregarded if the part of the taxable year that falls in a required compliance period does not exceed 90 days.

(e) *Resident employee requirements*—(1) *Determination of employee status.* For purposes of the requirement of section 1397B(b)(6) or (c)(5) that at least 35 percent of the employees are residents of the zone, the issuer and the

principal user may rely on a certification, signed under penalties of perjury by the employee, provided—

(i) The certification provides to the principal user the address of the employee's principal residence;

(ii) The employee is required by the certification to notify the principal user of a change of the employee's principal residence; and

(iii) Neither the issuer nor the principal user has actual knowledge that the principal residence set forth in the certification is not the employee's principal residence.

(2) *Employee treated as zone resident.* If an issue fails to comply with the requirement of section 1397B(b)(6) or (c)(5) because an employee who initially resided in the zone moves out of the zone, that employee is treated as still residing in the zone if—

(i) That employee was a bona fide resident of the zone at the time of the certification described in paragraph (e)(1) of this section;

(ii) That employee continues to perform services for the principal user in an enterprise zone business and substantially all of those services are performed in the zone; and

(iii) A resident of the zone meeting the requirements of section 1397B(b)(5) or (c)(4) is hired by the principal user for the next available comparable (or lesser) position.

(3) *Resident employee percentage.* For purposes of meeting the requirement of section 1397B(b)(6) or (c)(5) that at least 35 percent of the employees of an enterprise zone business are residents of a zone, paragraphs (e)(3)(i) and (ii) of this section apply.

(i) The term *employee* includes a self-employed individual within the meaning of section 401(c)(1).

(ii) The resident employee percentage is determined on any reasonable basis consistently applied throughout the period of compliance required under this section. The per-employee fraction (as defined in paragraph (e)(3)(ii)(A) of this section) or the employee actual work hour fraction (as defined in paragraph (e)(3)(ii)(B) of this section) are both reasonable methods.

(A) The term *per-employee fraction* means the fraction, the numerator of which is, during the taxable year, the number of employees who work at least 15 hours a week for the principal

user, who reside in the zone, and who are employed for at least 90 days, and the denominator of which is, during the same taxable year, the aggregate number of all employees who work at least 15 hours a week for the principal user and who are employed for at least 90 days.

(B) The term *employee actual work hour fraction* means the fraction, the numerator of which is the aggregate total actual hours of work for the principal user of employees who reside in the zone during a taxable year, and the denominator of which is the aggregate total actual hours of work for the principal user of all employees during the same taxable year.

(f) *Application to pooled financing bond and loan recycling programs.* In the case of a pooled financing bond program described in paragraph (g)(2) of this section or a loan recycling program described in paragraph (m)(2)-(ii) of this section, the requirements of paragraphs (b) through (e) of this section apply on a loan-by-loan basis. See also paragraphs (g)(2) (relating to limitation on amount of bonds), (m)(2) (relating to maturity limitations), (m)(3) (relating to volume cap), and (m)(4) (relating to remedial actions) of this section.

(g) *Limitation on amount of bonds—*

(1) *Determination of outstanding amount.* Whether an issue satisfies the requirements of section 1394(c) (relating to the \$3 million and \$20 million aggregate limitations on the amount of outstanding enterprise zone facility bonds) is determined as of the issue date of that issue, based on the issue price of that issue and the adjusted issue price of outstanding enterprise zone facility bonds. Amounts of outstanding enterprise zone facility bonds allocable to any entity are determined under rules contained in section 144(a)-(10)(C) and the underlying regulations. Thus, the definition of *principal user* for purposes of section 1394(c) is different from the definition of *principal user* for purposes of paragraph (j) of this section.

(2) *Pooled financing bond programs—*(i) *In general.* The limitations of section 1394(c) for an issue for a pooled financing bond program are determined with regard to the amount of the actual loans to enterprise zone businesses rather than the amount lent to *intermediary lenders* as defined in paragraph (g)(2)(ii) of this section. This

paragraph (g)(2) applies only to the extent the proceeds of those enterprise zone facility bonds are loaned to one or more enterprise zone businesses within 42 months of the issue date of the enterprise zone facility bonds or are used to redeem enterprise zone facility bonds of the issue within that 42-month period.

(ii) *Pooled financing bond program defined.* For purposes of this section, a *pooled financing bond program* is a program in which the issuer of enterprise zone facility bonds, in order to provide loans to enterprise zone businesses, lends the proceeds of the enterprise zone facility bonds to a bank or similar intermediary (intermediary lender) which must then relend the proceeds to two or more enterprise zone businesses.

(h) *Original use requirement for purposes of qualified zone property.* In general, for purposes of section 1397C(a)(1)(B), the term *original use* means the first use to which the property is put within the zone. For purposes of section 1394, if property is vacant for at least a one-year period including the date of zone designation, use prior to that period is disregarded for purposes of determining original use. For this purpose, *de minimis* incidental uses of property, such as renting the side of a building for a billboard, are disregarded.

(i) *Land.* The determination of whether land is functionally related and subordinate to qualified zone property is made in a manner consistent with the rules for exempt facilities under section 142.

(j) *Principal user—*(1) *In general.* Except as provided in paragraph (j)(2) of this section, the term *principal user* means the owner of financed property.

(2) *Rental of real property—*(i) *A lessee as the principal user.* If an owner of real property financed with enterprise zone facility bonds is not an enterprise zone business within the meaning of section 1397B, but the rental of the property is a qualified business within the meaning of section 1397B(d)(2), the term *principal user* for purposes of sections 1394(b) and (e) means the lessee or lessees.

(ii) *Allocation of enterprise zone facility bonds.* If a lessee is the principal user of real property under paragraph (j)(2)(i) of this section, then proceeds of enterprise zone facility bonds may be allocated to expenditures

for real property only to the extent of the property allocable to the lessee's leased space, including expenditures for common areas.

(3) *Pooled financing bond program.* An intermediary lender in a pooled financing bond program described in paragraph (g)(2) of this section is not treated as the principal user.

(k) *Treatment as separately incorporated business.* For purposes of section 1394(b)(3)(B), a trade or business may be treated as separately incorporated if allocations of income and activities attributable to the business conducted within the zone are made using a reasonable allocation method and if that trade or business has evidence of those allocations sufficient to establish compliance with the requirements of paragraphs (b) through (f) of this section. Whether an allocation method is reasonable will depend upon the facts and circumstances. An allocation method will not be considered to be reasonable unless the allocation method is applied consistently by the trade or business and is consistent with the purposes of section 1394.

(l) *Substantially all.* For purposes of sections 1397B and 1397C(a), the term *substantially all* means 85 percent.

(m) *Application of sections 142 and 146 through 150—(1) In general.* Except as provided in this paragraph (m), enterprise zone facility bonds are treated as exempt facility bonds that are described in section 142(a), and all regulations generally applicable to exempt facility bonds apply to enterprise zone facility bonds. For this purpose, enterprise zone businesses are treated as meeting the public use requirement. Sections 147(c)(1)(A) (relating to limitations on financing the acquisition of land), 147(d) (relating to financing the acquisition of existing property), and 142(b)(2) (relating to limitations on financing office space) do not apply to enterprise zone facility bonds. See also paragraph (n)(4) of this section.

(2) *Maturity limitation—(i) Requirements.* An issue of enterprise zone facility bonds, the proceeds of which are to be used as part of a loan recycling program, satisfies the requirements of section 147(b) if—

(A) Each loan satisfies the requirements of section 147(b) (determined by treating each separate loan as a separate issue); and

(B) The term of the issue does not exceed 30 years.

(ii) *Loan recycling program defined.* A *loan recycling program* is a program in which—

(A) The issuer reasonably expects as of the issue date of the enterprise zone facility bonds that loan repayments from principal users will be used to make additional loans during the zone designation period;

(B) Repayments of principal on loans (including prepayments) received during the zone designation period are used within six months of the date of receipt either to make new loans to enterprise zone businesses or to redeem enterprise zone facility bonds that are part of the issue; and

(C) Repayments of principal on loans (including prepayments) received after the zone designation period are used to redeem enterprise zone facility bonds that are part of the issue within six months of the date of receipt.

(3) *Volume cap.* For purposes of applying section 146(f)(5)(A) (relating to elective carryforward of unused volume limitation), issuing enterprise zone facility bonds is a carryforward purpose.

(4) *Remedial actions.* In the case of a pooled financing bond program described in paragraph (g)(2) of this section or a loan recycling program described in paragraph (m)(2)(ii) of this section, if a loan fails to meet the requirements of paragraphs (b) through (f) of this section, within six months of noncompliance (after taking into account the deemed compliance provisions of paragraph (b)(3) of this section, if applicable), an amount equal to the outstanding loan principal must be prepaid and the issuer must—

(i) Reloan the amount of the prepayment; or

(ii) Use the prepayment to redeem an amount of outstanding enterprise zone facility bonds equal to the outstanding principal amount of the loan that no longer meets those requirements.

(n) *Continuing compliance and change of use penalties—(1) In general.* The penalty provisions of section 1394(e) apply throughout the period of compliance required under paragraph (b)(1) of this section.

(2) *Coordination with deemed compliance provisions.* Section 1394(e)(2) does not apply during any period during which the issue is deemed to comply with the requirements of section 1394 under the deemed compliance

provisions of paragraph (b)(3) of this section.

(3) *Application to pooled financing bond and loan recycling programs.* In the case of a pooled financing bond program described in paragraph (g)(2) of this section or a loan recycling program described in paragraph (m)(2)(ii) of this section, section 1394(e) applies on a loan-by-loan basis.

(4) *Section 150(b)(4) inapplicable.* Section 150(b)(4) does not apply to enterprise zone facility bonds.

(o) *Refunding bonds—(1) In general.* An issue of bonds issued after the zone designation period to refund enterprise zone facility bonds (other than in an advance refunding) are treated as enterprise zone facility bonds if the refunding issue and the prior issue, if treated as a single combined issue, would meet all of the requirements for enterprise zone facility bonds, except the requirements in section 1394(c). For example, the compliance period described in paragraph (b)(1) of this section is calculated taking into account any extension of the weighted average maturity of the refunding issue compared to the remaining weighted average maturity of the prior issue. The proceeds of the refunding issue are allocated to the same expenditures and purpose investments as the prior issue.

(2) *Maturity limitation.* The maturity limitation of section 147(b) is applied to a refunding issue by taking into account the issuer's reasonable expectations about the economic life of the financed property as of the issue date of the prior issue and the actual weighted average maturity of the combined refunding issue and prior issue.

(p) *Examples.* The following examples illustrate paragraphs (a) through (o) of this section:

Example 1. Averaging of enterprise zone business requirements. City C issues enterprise zone facility bonds, the proceeds of which are loaned by C to Corporation B to finance the acquisition of equipment for its existing business located in a zone. On the issue date of the enterprise zone facility bonds, B meets all of the requirements of section 1397B(b), except that only 25% of B's employees reside in the zone. C and B reasonably expect on the issue date to meet all requirements of section 1397B(b) by the date that is 18 months after the equipment is placed in service (the initial testing date). In each of the first, second, and third taxable years after the initial testing date, 35%, 40% and 45%, respectively, of B's employees are zone residents. In the fourth year after the testing date, only 25% of B's employees are zone residents. B

continues to meet the 35% resident employee requirement, because the average of zone resident employees for those four taxable years is approximately 36%. The percentage of zone residents employed by B before the initial testing date is not included in determining whether B continues to comply with the 35% resident employee requirement.

Example 2. Measurement of resident employee percentage. Authority D issues enterprise zone facility bonds, the proceeds of which are loaned to Sole Proprietor F to establish an accounting business in a zone. In the first year after the initial testing date, the staff working for F includes F, who works 40 hours per week and does not live in the zone, one employee who resides in the zone and works 40 hours per week, one employee who does not reside in the zone and works 20 hours per week, and one employee who does not reside in the zone and works 10 hours per week. F meets the 35% resident employee test by calculating the percentage on the basis of employee actual work hours as described in paragraph (e)(3)(ii)(B) of this section. If F uses the per-employee basis as described in paragraph (e)(3)(ii)(A) of this section to determine if the resident employee test is met, the percentage of employees who are zone residents on a per-employee basis is only 33% because F must exclude from the numerator and the denominator the employee who works only 10 hours per week. If F calculates the resident employee test as a percentage of employee actual work hours as described in paragraph (e)(3)(ii)(B) of this section in the first year, F must calculate the resident employee test as a percentage of employee actual work hours each year.

Example 3. Active conduct of business within the zone. State G issues enterprise zone facility bonds and loans the proceeds to Corporation H to finance the acquisition of equipment for H's mail order clothing business, which is located in a zone. H purchases the supplies for its clothing business from suppliers located both within and outside of the zone and expects that orders will be received both from customers who will reside or work within the zone and from others outside the zone. All orders are received and filled at, and are shipped from, H's clothing business located in the zone. H meets the requirement that at least 80% of its gross income is derived from the active conduct of business within the zone.

Example 4. Enterprise zone business definition. City J issues enterprise zone facility bonds, the proceeds of which are loaned to Partnership K to finance the acquisition of equipment for its printing operation located in the zone. All orders are taken and completed, and all billing and accounting activities are performed, at the print shop located in the zone. K, on occasion, uses its equipment (including its trucks) and employees to deliver large print jobs to customers who reside outside of the zone. So long as K is able to establish that its trucks are used in the zone at least 85% of the time and its employees perform at least 85% of services for K in the zone, K

meets the requirements of sections 1397B(b)(3) and (5).

Example 5. Treatment as a separately incorporated business. The facts are the same as in Example 4 except that six years after the issue date of the enterprise zone facility bonds, K determines to expand its operations to a second location outside of the boundaries of the zone. Although the expansion would result in the failure of K to meet the tests of 1397B(b), K, using a reasonable allocation method, allocates income and activities to its operations within the zone and has evidence of these allocations sufficient to establish compliance with the requirements of paragraphs (b) through (f) of this section. The bonds will not fail to be enterprise zone facility bonds merely because of the expansion.

Example 6. Treatment of pooled financing bond programs. Authority L issues bonds in the aggregate principal amount of \$5,000,000 and loans the proceeds to Bank M pursuant to a loans-to-lenders program. M does not meet the definition of enterprise zone business contained in section 1397B. Prior to the issue date of the bonds, L held a public hearing regarding issuance of the bonds for the loans-to-lenders program, describing the projects of identified borrowers to be financed initially with \$4,000,000 of the proceeds of the bonds. The applicable elected representative of L approved issuance of the bonds subsequent to the public hearing. The loan agreement between L and M provides that the other proceeds of the bonds will be held by M and loaned to borrowers that qualify as enterprise zone businesses, following a public hearing and approval by the applicable elected representative of L of each loan by M to an enterprise zone business. None of the loans will be in principal amounts in excess of \$3,000,000. The loans by M will otherwise meet the requirements of section 1394. The bonds will be enterprise zone facility bonds.

Example 7. Original use requirement for purposes of qualified zone property. City N issues enterprise zone facility bonds, the proceeds of which are loaned to Corporation P to finance the acquisition of equipment. P uses the proceeds after the zone designation date to purchase used equipment located outside of the zone and places the equipment in service at its location in the zone. Substantially all of the use of the equipment is in the zone and is in the active conduct of a qualified business by P. The equipment is treated as qualified enterprise zone property under section 1397C because P makes the first use of the property within the zone after the zone designation date.

Example 8. Principal user. State R issues enterprise zone facility bonds and loans the proceeds to Partnership S to finance the construction of a small shopping center to be located in a zone. S is in the business of commercial real estate. S is not an enterprise zone business, but has secured one anchor lessee, Corporation T, for the shopping center. T would qualify as an

enterprise zone business. S will derive 60% of its gross rental income of the shopping center from T. S does not anticipate that the remaining rental income will come from enterprise zone businesses. T will occupy 60% of the total rentable space in the shopping center. S can use enterprise zone facility bond proceeds to finance the portion of the costs of the shopping center allocable to T (60%) because T is treated as the principal user of the enterprise zone facility bond proceeds.

Example 9. Remedial actions. State W issues pooled financing enterprise zone facility bonds, the proceeds of which will be loaned to several enterprise zone businesses in the two enterprise communities and one empowerment zone in W. Proceeds of the pooled financing bonds are loaned to Corporation X, an enterprise zone business, for a term of 10 years. Six years after the date of the loan, X expands its operations beyond the empowerment zone and is no longer able to meet the requirements of section 1394. X does not reasonably expect to be able to cure the noncompliance. The loan documents provide that X must prepay its loan in the event of noncompliance. W does not expect to be able to reloan the prepayment by X within six months of noncompliance. X's noncompliance will not affect the qualification of the pooled financing bonds as enterprise zone facility bonds if W uses the proceeds from the loan prepayment to redeem outstanding enterprise zone facility bonds within six months of noncompliance in an amount comparable to the outstanding amount of the loan immediately prior to prepayment. X will be denied an interest expense deduction for the interest accruing from the first day of the taxable year in which the noncompliance began.

(q) *Effective dates*—(1) *In general.* Except as otherwise provided in this section, the provisions of this section apply to all issues issued after July 30, 1996, and subject to section 1394.

(2) *Elective retroactive application in whole.* An issuer may apply the provisions of this section in whole, but not in part, to any issue that is outstanding on July 30, 1996, and is subject to section 1394.

Margaret Milner Richardson,
Commissioner of Internal Revenue.

Approved May 22, 1996.

Leslie Samuels,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on May 30, 1996, 8:45 a.m., and published in the issue of the Federal Register for May 31, 1996, 61 F.R. 27258)

Part III. Administrative, Procedural, and Miscellaneous

Weighted Average Interest Rate Update

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 May 1996 is 6.93 percent.

Notice 96-36

Notice 88-73 provides guidelines for determining the weighted average interest rate and the resulting permissible

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

Month	Year	Weighted Average	90% to 108% Permissible Range	90% to 110% Permissible Range
June	1996	6.92	6.23 to 7.48	6.23 to 7.61

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).

Rev. Proc. 96-36

Use this revenue procedure to prepare Tax Year 1996 information returns for submission to Internal Revenue Service (IRS) using any of the following:

- Magnetic Tape
- Tape Cartridge
- 8mm (.315-inch) Tape Cartridge
*(Pilot for AS400 Operating Systems)
- 5¼-inch Diskette
- 3½-inch Diskette
- Electronic Filing
 - (Bisynchronous)
 - (Asynchronous)

IRS/MCC has discontinued processing 8-inch diskettes for tax year 1996, calendar year 1997. If you currently file information returns on 8-inch diskette, you need to change to one of the options listed above.

*For Tax Year 1996, the processing of 8mm tape cartridge as an acceptable form of magnetic media is offered as a pilot program for transmitters using AS400 systems only.

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

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Part A. General

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

Internal Revenue Service
Martinsburg Computing Center
Attn: IRB, Information Support
Section
P. O. Box 1359, MS-360
Martinsburg, WV 25401

Sec. 1. Purpose

.01 The purpose of this revenue procedure is to provide the specifications for filing Forms 1098, 1099 series, 5498, and W-2G electronically or on magnetic media, which includes ½-inch magnetic tape; IBM 3480, 3490 or AS400 compatible tape cartridges; or 5¼- and 3½-inch diskettes with IRS. ***IRS/MCC has discontinued processing 8-inch diskettes.*** This revenue procedure must be used for the preparation of Tax Year 1996 information returns and information returns for years prior to 1996 that are required to be filed. This revenue procedure must be used to prepare current and prior year information returns filed between January 1, 1997, and December 31, 1997. Specifications for filing the following forms are contained in this revenue procedure.

- (a) Form 1098, Mortgage Interest Statement.
- (b) Form 1099-A, Acquisition or Abandonment of Secured Property.
- (c) Form 1099-B, Proceeds from Broker and Barter Exchange Transactions.
- (d) Form 1099-C, Cancellation of Debt.
- (e) Form 1099-DIV, Dividends and Distributions.
- (f) Form 1099-G, Certain Government Payments.
- (g) Form 1099-INT, Interest Income.
- (h) Form 1099-MISC, Miscellaneous Income.
- (i) Form 1099-OID, Original Issue Discount.
- (j) Form 1099-PATR, Taxable Distributions Received from Cooperatives.
- (k) Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

- (l) Form 1099-S, Proceeds from Real Estate Transactions.
- (m) Form 5498, Individual Retirement Arrangement Information.
- (n) Form W-2G, Certain Gambling Winnings.

.02 Specifications for filing Forms W-2 on magnetic media are available from the Social Security Administration (SSA) **only**. Filers can call 1-800-SSA-1213 to obtain the phone number of the SSA Magnetic Media Coordinator for their area.

.03 The Internal Revenue Service, Martinsburg Computing Center (IRS/MCC) has the responsibility for processing Forms 1098, 1099 series, 5498, and W-2G filed magnetically or electronically. IRS/MCC does **not** process Forms W-2. Paper **and/or** magnetic media for Forms W-2 must be sent to SSA. IRS/MCC does, however, process waiver requests (Form 8508) and extension of time requests (Form 8809) for filing Forms W-2.

.04 In most cases, the box numbers on the paper forms correspond with the amount codes used to file magnetically/electronically; however, if discrepancies occur, the instructions in this revenue procedure govern.

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

.06 The following revenue procedures and publications provide more detailed filing procedures for certain other information returns.

- (a) 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" provides specific instructions on completing and submitting information returns to IRS.
- (b) Rev. Proc. 84-33, 1984-1 C.B. 502, regarding the optional method for agents to report and deposit backup withholding.
- (c) Publication 1179, Rules and Specifications for Private Printing of Substitute Forms 1096, 1098, 1099 Series, 5498, and W-2G.
- (d) Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, on Magnetic Tape and 5¼- or 3½-inch Diskettes.

- (e) Publication 1187, 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.
- (f) Publication 1245, Specifications for Filing Form W-4, Employee's Withholding Allowance Certificate, on Magnetic Tape, and 5¼- or 3½-inch Magnetic Diskette.

.07 This revenue procedure supercedes Rev. Proc. 95-29 and 95-29A published as Publication 1220 (Rev. 6-95), Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically.

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

Sec. 2. Nature of Changes—Current Year (Tax Year 1996)

.01 In this publication, all pertinent changes for *Tax Year 1996* have been emphasized by the use of *italics*. 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 Programming Changes

a. Payer/Transmitter "A" Record Changes:

(1) For all forms, Payment Year, Field Positions 2-3 must be incremented by one (from 95 to 96) unless reporting prior year data.

b. Payer/Transmitter "B" Record Changes:

(1) For all forms, Payment Year, Field Positions 2-3 must be incremented by one (from 95 to 96) unless reporting prior year data.

(2) Part B, Sec. 8: For Form 1099-R Distribution Codes, Field Positions 4-5, acceptable combinations of numeric distribution codes now include codes 8 and 4.

(3) Part B, Sec. 8: For Form 5498, a SEP Indicator has been added in Field Position 44.

.03 Editorial Changes—General

(a) Eight inch diskette processing has been eliminated by IRS/MCC. All references to 8-inch diskette processing have been deleted from this publication.

(b) Part A, Sec. 4.04 was included to inform payers of electronic filing

methods; *i.e.*, Mainframe and Information Reporting Program Bulletin Board System (IRP-BBS) electronic filing, and a brief overview of options available on the IRP-BBS.

(c) Part A, Sec. 5.14: Instructions have been added for obtaining an automatic waiver for filing Form 5498 for participants of Operation Joint Endeavor (Bosnia Region).

(d) Part A, Sec. 7.01: A chart has been added to clarify the *guidelines for* applications for a transmitter control code (TCC).

(e) Part A, Sec. 12.02 and 12.03: Information has been added regarding the Media Tracking Slip (Form 9267) which accompanies media returned to filers due to processing problems.

(f) Part A, Sec. 17: The Definition of Terms section has been expanded.

(g) Part B, Sec. 3.01(a): Tape cartridge specifications have been expanded to include IBM 3490E as acceptable media.

(h) Part F: Information in this part has been provided as a quick reference point for addresses and telephone numbers for IRS/MCC.

(i) Numerous statements have been added and bolded throughout the publication instructing filers not to report duplicate data which may result in erroneous penalty notices being generated.

.04 Editorial Changes—Magnetic Media Specifications

(a) Part B, Sec. 4: 8mm (.315-inch) tape cartridge specifications have been added. This is a pilot program for transmitters with AS400 operating systems only.

(b) Part B, Sec. 6: Instructions have been included for reporting IRA contributions for Operation Joint Endeavor (Bosnia Region) participants.

(c) Part B, Sec. 6, Payer/Transmitter "A" Record—General Field Descriptions—Field Positions 23–31, Form 5498: A note was added directing the filer to enter "1" in the IRA/SEP Indicator Field (position 44 of the Payee "B" Record) for a simplified employee pension (SEP).

(d) Part B, Sec. 8: A separate Payee "B" Record Layout Position 322–420, has been created for Form 1099-R.

(e) Part B, Sec. 8, Payee "B" Field Positions 4–5, Document Specific Code/Distribution Code for the Tax Year of Refund for 1099-G: A statement has been added to instruct filers

to report the distribution code that reflects the tax year for which the REFUND was made, not 1996. Refund Years have been added to identify the valid corresponding code.

(f) Part B, Sec. 8, Payee "B" Record General Field Descriptions and Record Layout—IRA/SEP Indicator, Field Position 44: Text was added to the Description and Remarks to enter "1" for Form 5498 if reporting a contribution to a simplified employee pension (SEP). A note was also added to reflect the change.

(g) Part C, Sec. 6: IBM 3780 Bisynchronous communication has been expanded to include the specifications and circuit number of 304-264-7045 for Hayes OPTIMA 288 V.FC Smartmodem for 14400 bps transmissions.

(h) Part C, Sec. 7: A Type of File Indicator has been added in Field Position 44 for Extension File in the Bisynchronous Electronic Filing Record Specifications.

(i) Part E, Sec. 3, RECORD LAYOUT, Field Positions 6–14: Reference to the Foreign Entity Indicator has been corrected to read, Field Position 176, must be set to "X."

Sec. 3. Where to File and How to Contact the IRS, Martinsburg Computing Center (MCC)

.01 All information returns filed magnetically or electronically are processed at IRS/MCC. Files containing information returns, requests for IRS magnetic media and electronic filing information, undue hardship waivers, and requests for extensions of time to file returns or to furnish the statements to recipients are to be sent to the following addresses:

☒

If by Postal Service:
IRS-Martinsburg Computing Center
P. O. Box 1359, MS-360
Martinsburg, WV 25401-1359

or

☞

If by truck or air freight:
IRS-Martinsburg Computing Center
Information Reporting Program
Route 9 and Needy Road, MS-360
Martinsburg, WV 25401

.02 Send a magnetically filed extension of time request to one of 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

.03 Inquiries may be made between 8:30 a.m. and 4:30 p.m. Eastern time. The telephone numbers for magnetic media inquiries or electronic submissions are:

☎

304-263-8700—Call Site—PART A, Sec 3.19

304-264-7070—IRP-BBS (Information Reporting Program Bulletin Board System)—PART D

304-264-7080—4.8 Modems—PART C

304-264-7040—9.6 Modems—PART C

304-264-7045—14.4 Modems—PART C

304-267-3367—TDD (Telecommunication Device for the Deaf)

304-264-5602—FAX MACHINE
(These are not toll-free telephone numbers.)

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

.04 The 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" have been included in the Publication 1220 for transmitter convenience. The Form 1096 is used only to transmit Copy A of paper Forms 1099, 1098, 5498, and W-2G. If filing paper returns, follow the mailing instructions on the Form 1096 and submit the paper returns to the appropriate IRS Service Center.

.05 Requests for paper Forms 1096, 1098, 1099 and W-2G, and publications unrelated to magnetic media/electronic filing should be requested by calling the "Forms Only Number" listed in your local telephone directory or by calling the IRS toll-free number **1-800-TAX-FORM (1-800-829-3676)**.

.06 Questions pertaining to magnetic media filing of Forms W-2 **must** be

directed to the Social Security Administration (SSA). Filers can call 1-800-SSA-1213 to obtain the phone number of the SSA Magnetic Media Coordinator for their area.

.07 Payers **should not** contact IRS/MCC if they have received a penalty notice and need additional information, or are requesting an abatement of the penalty. Penalty notices contain an IRS representative's name and/or phone number for contact purposes; or, the payer may be instructed to respond in writing to the address provided. IRS/MCC does **not** issue penalty notices and does **not** have the authority to abate penalties. For penalty information, refer to the Penalty section of 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G."

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

.09 The IRS Centralized Call Site answers both magnetic media and tax law questions relating to the filing of information returns (Forms 1096, 1098, 1099, 5498, 8027, W-2, W-2G, W-3, Questionable W-4's, and 1042S). The IRS/MCC Call Site also handles inquiries dealing with backup withholding due to missing and incorrect taxpayer identification numbers. The Call Site is located at IRS/MCC and operates in conjunction with the Information Reporting Program. The Call Site provides service to the payer community (financial institutions, employers, and other transmitters of information returns). Recipients of information returns (payees) should continue to contact 1-800-829-1040 or other numbers specified in the tax return instructions with any questions on how to report information returns.

The Call Site accepts calls from all areas of the country. The number to call is **304-263-8700** or Telecommunications Device for the Deaf (TDD) **304-267-3367**. These are toll calls. Hours of operation for the Call Site are Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Time. The Call Site is in operation throughout the year to handle payers', transmitters', and employers' questions. Due to the high demand for assistance at the end of January and February, it is advisable

to call as soon as possible to avoid these peak filing seasons.

Sec. 4. Filing Requirements

.01 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. **The 250 or more requirement applies separately for each type of return and also to each type of corrected return.** Even though payers may not be required to file magnetically/electronically, IRS encourages them to do so.

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

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

.04 *IRS/MCC has two methods by which payers may submit their files electronically. Bisynchronous (main-frame) electronic filing, which can be found in Part C of this publication, or Asynchronous (Information Reporting Program Bulletin Board System), which is in Part D. An overview of some features provided on the IRP-BBS are as follows:*

- *Electronic filing of information returns to the IRS using dial-up modems*
- *Return notification of the acceptability of the data transmitted within 24 to 48 hours*
- *Electronic communication with IRS and Social Security bulletin board systems*
- *Access to information reporting publications*
- *Access to shareware*
- *Access to forms relating to the Information Reporting Program*

- *News about the latest changes and updates that affect the Information Reporting Program at IRS*
- *Answers to messages and questions left on the bulletin board*
- *IRP-BBS is available for public use and can be reached by dialing 304-264-7070*
- *Telephone lines are available 24 hours a day, 7 days a week. Routine maintenance is performed daily, at approximately 7:00 a.m. Eastern Time Zone.*
- *Questions, comments, or suggestions can be directed to the Systems Operator (SYSOP) through IRP-BBS.*

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

1098 1099-A 1099-B 1099-C 1099-DIV 1099-G 1099-INT 1099-MISC 1099-OID 1099-PATR 1099-R 1099-S 5498 W-2G	250 or more of any of these forms require magnetic media or electronic filing with IRS. These are stand alone documents and are not to be aggregated for purposes of determining the 250 threshold. For example, if you must file 100 Forms 1099-B and 300 Forms 1099-INT, Forms 1099-B need not be filed magnetically or electronically since they do not meet the threshold of 250. However, Forms 1099-INT must be filed magnetically or electronically since they meet the threshold of 250.
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.06 The above requirements do not apply if the payer establishes undue hardship (see Part A, Sec. 5).

Sec. 5. Form 8508, Request for Waiver from Filing Information Returns on Magnetic Media

.01 If a payer is required to file on magnetic media but fails to do so (or fails to file electronically, in lieu of magnetic media filing) and does not have an approved waiver on record, the payer will be subject to a penalty of \$50 per return. (For penalty information, refer to the Penalty section of the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G.")

.02 If payers are required to file original or corrected returns on magnetic media, but such filing would create an undue hardship, they may request a waiver from these filing requirements by submitting Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media, to IRS/MCC.

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

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

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

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

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

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

.09 Filers are encouraged to submit Form 8508 to IRS/MCC at least 45 days before the due date of the returns. However, new brokers and new barter exchanges may request an undue hardship waiver by the end of the second month following the month in which they became a broker or barter exchange.

.10 File Form 8508 for Forms W-2 with IRS/MCC, not SSA.

.11 Waivers are evaluated on a case-by-case basis and are approved or

denied based on criteria set forth under section 6011(e) of the Internal Revenue Code. The transmitter must allow a minimum of 30 days for IRS/MCC to respond to a waiver request.

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

.13 An approved waiver from filing information returns on magnetic media does not provide exemption from all filing. The payer must timely file information returns on acceptable paper forms with the appropriate submission processing site.

.14 Desert Storm/Operation Joint Endeavor (Bosnia Region) Contributions—If a payer is required to file a Form 5498 magnetically/electronically, the payer may request an **automatic** waiver to file Forms 5498 on paper for participants of Desert Storm or Operations Joint Endeavor. *The payer should clearly mark Desert Storm or Operations Joint Endeavor on the waiver request form.*

Sec. 6. Vendor List

.01 IRS/MCC prepares a list of vendors who support magnetic media or electronic filing. The Vendor List (Pub. 1582) contains the names of service bureaus that will produce files on the prescribed types of magnetic media or via electronic filing. It also 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, *upon request*, 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 be careful not to report duplicate data, which may cause penalty notices to be generated.

.02 A payer may request a Vendor

List (Pub. 1582) by contacting IRS/MCC at 304-263-8700 or by way of letter (see Part A, Sec. 3). This information is also available from the Information Reporting Program Bulletin Board System (refer to Part D). 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 or tape cartridge, 5¼- or 3½-inch diskettes, or electronic filing)
- (g) Type of return

.04 The vendor list is updated annually. Therefore, any changes to information already on the vendor list must also 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 Transmitters are required to submit Form 4419, Application for Filing Information Returns Magnetically/Electronically, to request authorization to file information returns with IRS/MCC. A single Form 4419 should be filed no matter how many types of returns the transmitter will be submitting magnetically/electronically. For example, if a transmitter plans to file Forms 1099-INT, one Form 4419 should be submitted. If, at a later date, another type of form is to be filed, the transmitter does not need to submit a new Form 4419.

EXCEPTIONS

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

FORM	TITLE	EXPLANATION
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	Payments subject to withholding under Chapter 3 of the Code, including interest, dividends, royalties, pensions and annuities, gambling winnings and compensation for personal services.
8027	Employer's Annual Information Return of Tip Income and Allocated Tips	Receipts from food or beverage operations, tips reported by employees, and allocated tips.
Questionable W-4 (See Note)	Employee's Withholding Allowance Certificate	Forms received during the quarter from employees still employed at the end of the quarter who claim the following: (a) More than 10 withholding allowances or (b) Exempt status and wages normally would be more than \$200 a week.

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

If filers wish to report both electronically and magnetically, only one Form 4419 needs to be submitted.

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

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

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

.05 If **any** of the information on the Form 4419 changes, please notify IRS/MCC in writing so that the IRS/MCC database can be updated. The transmitter should include the TCC in all correspondence.

.06 Form 4419 can be submitted at any time during the year; however, it **must** be submitted to IRS/MCC at least 30 days before the due date of the return(s). **For documents to be filed**

electronically using IBM 3780 bi-synchronous protocols, Form 4419 must be submitted at least 45 days prior to the due date of the returns (See Part C, Sec. 2). This will allow IRS/MCC the minimum amount of time necessary to process and respond to applications. In the event that computer equipment or software is not compatible with IRS/MCC, a waiver may be requested to file returns on paper documents.

.07 IRS/MCC encourages transmitters who file for multiple payers to submit one application and to use the assigned TCC for all payers. Include a list of all payers and TINs with the Form 4419. Transmitters are encouraged to provide an updated list to IRS/MCC annually.

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

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

- (a) The payer has discontinued filing magnetically or electronically for three years; the payer's TCC may have been reassigned by IRS/MCC.

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

.10 One Form 4419 may be submitted regardless of how many types of media or methods used to file the return. A payer may apply for more than one TCC, but must code only one TCC per media. Notify IRS/MCC of any TCCs that will not be used so these numbers may be reassigned.

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

.12 Approval to file does not imply endorsement by IRS/MCC of the computer software or of the quality of tax preparation services provided.

Sec. 8. Test Files

.01 IRS/MCC does not require test files, **except** for filers wishing to

participate in the Combined Federal/State Filing Program (see Part A, Sec. 16, for further information concerning the Combined Federal/State Filing Program).

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

- (a) Payer "A" Record (must not be fictitious data)
- (b) Multiple Payee "B" Records (at least 11 "B" Records per each "A" Record)
- (c) End of Payer "C" Record
- (d) State Totals "K" Record, if participating in the Combined Federal/State Filing Program
- (e) End of Transmission "F" Record

See PART B for record formats.

.03 Use the Test Indicator in the "A" Record to show that this is a test file.

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

If unable to submit a magnetic or electronic test file, a hardcopy printout that shows a sample of each record type (A, B, C, and F) may be submitted. **The hard copy print test is not acceptable for Combined Federal/State Filing approval.**

.05 Tests should be sent to IRS/MCC between November 1 and December 31. The test file **must** be received at MCC by December 31 in order to be processed. Filers may begin submitting test tapes and diskettes after October 1; however, the data will not be processed until on or after November 1.

.06 For tests filed electronically, the transmitter must send the signed Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically, the same day the transmission is made. For tests filed on magnetic tape, tape cartridge, 5¼- and 3½-inch diskette, the transmitter must include the signed Form 4804 in the same package with the corresponding magnetic media. Mark the "TEST" box in block I on the form. Also, check "TEST" on the external media label.

If submitting a hard copy printout, mark the printout as "TEST" and

include name, telephone number, and address of a person who can be contacted to discuss its acceptability.

.07 IRS/MCC will send a letter of acknowledgment to indicate the test results. Unacceptable magnetic media files, along with documentation identifying the errors, will be returned. Resubmission of test files must be received by IRS/MCC no later than December 31.

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

Sec. 9. Filing of Information Returns 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, Transmittal of Information Returns Reported Magnetically/Electronically (Continuation), is a continuation of Form 4804 and should only be used if the filer is reporting more than four types of returns and/or more than four payers. 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 including the affidavit and signature line. Photocopies are acceptable but an original signature is required.

☛ **Note: When using computer-generated forms, be sure to very clearly mark which tax year is being reported. This will eliminate a phone communication from IRS/MCC to question the tax year.**

.03 A transmitter may report for any combination of payers and/or documents in a submission. For example, if reporting Forms 1099-INT for Bank A, Forms 1099-DIV for Bank B, and Forms 1098 for Bank C, three separate tapes or diskettes need not be created. All three banks and all types of documents can be coded on one tape or

diskette as long as each filing entity or type of return is separated by an "A" Record. Only one "F" Record may be used at the end of a transmission. Multiple tapes or diskettes can be sent in one package. Filers **must** include Form 4804, 4802, or computer-generated substitute with their shipment.

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

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

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

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

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

☛ **Note: Failure to sign the affidavit on Form 4804 may delay processing or could result in the files being returned unprocessed.**

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

.10 An external media label, must be affixed to each tape and diskette. 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 diskettes being returned to the filer. For instructions on how to prepare an

external media label, refer to PART F "Miscellaneous Information."

.11 On the outside of the shipping container, affix or attach a label which reads **IRB** _____ of _____ reflecting the number of containers in the shipment (See labels in PART F). If there is only one container, mark the outside as Box 1 of 1. For multiple containers, include the sequence (for example, Box 1 of 3, 2 of 3, 3 of 3).

.12 When submitting files include the following:

- (a) A **signed** Form 4804;
- (b) Form 4802, if applicable;
- (c) External media label affixed to magnetic media;
- (d) **IRB** _____ of _____ outside label.

☛ **Note: See Parts C and D for electronic submission requirements.**

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

.14 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.

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

Sec. 10. Due Dates

.01 The due dates for filing paper returns with IRS also apply to magnetic media or electronic filing. Filing of information returns is on a calendar year basis, except for Form 5498, which is used to report amounts contributed during, or after (but not later than April 15) of the calendar year.

.02 Information returns filed magnetically/electronically for Forms 1098, 1099, and W-2G must be submitted to IRS/MCC postmarked no later than February 28. If using a delivery service other than postal service, **the actual date of receipt by IRS/MCC will be used as the submission date.** This should be considered in meeting filing requirements timely.

.03 The due date for furnishing statements to recipients is January 31. Form 5498 statements are due to the participants by January 31 for the fair market value of the account and by May 31 for contributions made to IRAs for the prior calendar year.

.04 Form 5498 filed magnetically/electronically must be submitted to IRS/MCC postmarked no later than May 31. Form 5498 is filed for contributions to be applied to 1996 that are made January 1, 1996, through April 15, 1997, and/or to report the fair market value of the IRA/SEP.

.05 If any due date falls on a Saturday, Sunday, or legal holiday, the return or statement is considered timely if filed or furnished on the next day that is not a Saturday, Sunday, or legal holiday.

.06 Use this revenue procedure to prepare information returns filed magnetically or electronically beginning January 1, 1997, and received by IRS/MCC no later than December 31, 1997.

Sec. 11. Extensions of Time

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

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

.03 Requesting an extension of time for multiple payers may be done by submitting Form 8809 and attaching a list of the payer names and their TINs (EIN or SSN). **The listing must be attached to ensure that the extension is recorded for all payers.** Form 8809 may be computer-generated or photocopied. Be sure that all the pertinent information is included.

.04 Requests for an extension of time to file for more than 50 payers are required to be submitted magnetically

or electronically (See **Note**). Requests for an extension of time for 10 to 50 payers are encouraged to be filed magnetically or electronically via IRP-BBS. (See Part E, Sec. 3, for the record format.) The request may be filed on tape, tape cartridge, 5¼- or 3½-inch diskette, or electronically through the IRP-BBS or mainframe.

☛ **Note: Form 4419, Application for Filing Information Returns Magnetically/Electronically, must be completed in order to file an extension request magnetically/electronically.**

.05 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

.06 Requests for extensions of time for multiple payers will be responded to with one approval letter, accompanied by a list of payers covered under that approval.

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

.08 If an additional extension of time is needed, a second Form 8809 must be requested before the end of the initial extension. Line 7 on the form should be checked to indicate that an additional extension is being requested. **A second 30-day extension will be approved only in cases of extreme hardship or catastrophic events. When requesting a second 30-day extension of time, do not hold your files waiting for a response.**

.09 Form 8809 must be post-marked no later than the due date of

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

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

.11 Request an extension for only one tax year.

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

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

.14 Form 8809 may be obtained by calling 1-800-TAX-FORM (1-800-829-3676).

.15 Request an extension of time to furnish the statements to recipient of Forms 1098, 1099, 5498, W-2G, W-2, and 1042-S by submitting a letter to IRS/MCC or to the payer's local District Director containing the following information:

- (a) Payer Name
- (b) TIN
- (c) Address
- (d) Type of Return
- (e) Specify that the extension request is to provide statements to recipients.
- (f) Reason for Delay
- (g) Signature of Payer or Person Duly Authorized

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

Sec. 12. Processing of Information Returns 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 If the data is formatted incorrectly, the file will be returned for replacement accompanied with a Media Tracking Slip (Form 9267). If media is returned, it is because IRS/MCC encountered errors (not limited to format) and was unable to process the media, therefore, requiring a replacement. Open all packages immediately.

.03 Files must be corrected and returned with the Media Tracking Slip (Form 9267) to IRS/MCC within 45 days from the date of the letter IRS/MCC included with the returned files. A penalty for failure to file correct information returns by the due date will be assessed if the files are not corrected and returned within the 45 days or if the incorrect files are returned by IRS/MCC for replacement more than two times. A penalty for intentional disregard of filing requirements will be assessed if a replacement file is not received. (For penalty information, refer to the Penalty section of the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G.") When possible, IRS/MCC may return only the portion of the file that needs replacement.

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

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

- A **correction** is an information return submitted by the transmitter to correct an information return that was previously submitted to IRS/MCC, but contained erroneous information.
- A **replacement** is an information return file that IRS/MCC has returned to the transmitter due to errors encountered during processing. After necessary changes have

been made, the file must be returned for processing along with the blue and white Media Tracking Slip (Form 9267) which was included in the shipment from IRS/MCC.

- Filers should never send anything to IRS/MCC marked "REPLACEMENT" unless IRS/MCC returned media to them.

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

.07 IRS/MCC will work with filers as much as possible to assist with processing problems.

☛ **Note: If the filer is contacted by IRS/MCC, a prompt response is important. IRS/MCC may have information that the filer needs to correct his or her file.**

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

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

Sec. 13. Corrected Returns

.01 The magnetic media filing requirements of 250 information returns applies separately to both original and corrected returns.

E If a payer has 100 Forms 1099-A to **X** be corrected, they can be filed on **A** paper since they fall under the 250 **M** threshold. However, if the payer has **P** 300 Forms 1099-B to be corrected, **L** they must be filed magnetically or **E** electronically since they meet the 250 threshold. If for some reason a payer cannot file the 300 corrections on magnetic media, to avoid penalties, a request for a waiver must be submitted before filing on paper. No waiver is required for corrections that fall under the required threshold.

.02 Corrections should be filed as soon as possible. Corrections filed after August 1 may be subject to the maximum penalty of \$50 per return. Corrections filed prior to August 1 may be subject to a lesser penalty. (For information on penalties, refer to the Penalty Section of the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G.") However, if payers discover errors after August 1, they may still be required to file corrections so that they will not be subject to a penalty for intentional disregard of the filing requirements. Failure to correct information returns may result in penalties for failure to provide correct information. **All fields must be completed with the correct information, not just the data fields needing correction.** Submit corrections only for the returns filed in error, not the entire file. Furnish corrected statements to recipients as soon as possible.

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

.04 Corrected returns may be included on the same medium as original returns; however, separate "A" Records are required. Corrected returns must be identified on the Form 4804 and the external media label by indicating "Correction."

☛ **Note: If filers discover that certain information returns**

were omitted on their original file, they must not submit these documents as corrections. They must submit them as originals.

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

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

This information will be forwarded to the appropriate office in an attempt to prevent erroneous notices from being sent to the payees. The correction must be submitted on an actual information return document or filed magnetically/electronically. Provide the correct tax year in Box 2 of the Form 4804 and the external media label.

.06 Prior year data, original and corrected, **must** be filed according to the requirements of this revenue procedure. If submitting prior year corrections, use the record format for the current year and submit on separate media. However, use the actual year designation of the correction in field

positions 2-3. If filing electronically, a separate transmission must be made for each tax year.

.07 In general, filers should submit corrections for returns to be filed within the last three calendar years (four years if the payment is a reportable payment subject to backup withholding under section 3406 of the Code).

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

.09 Form 4804 and Form 4802, must be submitted with corrected files submitted magnetically or electronically.

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

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

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

Guidelines for Filing Corrected Returns Magnetically/Electronically

Error Made on the Original Return

How To File the Corrected Return

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

Transaction 1: Identify incorrect returns

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

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

Error Made on the Original Return	How To File the Corrected Return
(a) No Payee TIN (SSN or EIN)	B. Mark "Correction" in Block 1 of Form 4804.
(b) Incorrect Payee TIN	C. Prepare a new file.
(c) Incorrect Payee Name	Make a separate "A" Record for each type of return being reported. The information in the "A" Record will be exactly the same as it was in the original submission.
(d) Wrong type of return indicator	D. The Payee "B" Record must contain exactly the same information as submitted previously, except, insert a "G" in field position 7 of the "B" Record, and for all payment amounts, enter "0" (zero).
	E. Corrected returns submitted to IRS/MCC using a "G" coded "B" Record may be on the same tape or diskette as those returns submitted without the "G" code; however, separate "A" Records are required.
	F. Prepare a "C" Record.
	Transaction 2: Report the correct information
	A. Prepare a new file with the correct information in all records.
	B. Make a separate "A" Record for each type of return and each payer being reported.
	C. The "B" Record must show the correct Information as well as a "C" in field position 7.
	D. Corrected returns submitted to IRS/MCC using a "C" coded "B" Record may be on the same tape or diskette as those returns submitted without the "C" code; however, separate "A" Records are required.
	E. Prepare a "C" Record.
	F. Indicate "Correction" on the external media label.
Note 1: Payers who can show that they have reasonable cause (defined in the regulations under sections 6721-6724 of the Internal Revenue Code) are not required to make corrections for returns filed with a missing or incorrect name and/or TIN. These payers should change their records in order to submit correct information in the future. Payers who cannot show reasonable cause are encouraged to make corrections for the current processing year by August 1 to reduce applicable penalties. Corrections filed by August 1 will reduce the \$50 per return penalty for filing returns with missing or incorrect information to \$15 or \$30. (For penalty information, refer to the Penalty section of the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G.") Corrections filed after August 1 will not reduce the penalty but will allow IRS to update the payee's records. The regulations for IRC sections 6721-6724 are available in Publication 1586, Reasonable Cause Regulations and Requirements as They Apply to Missing and Incorrect TINs. The publication may be obtained by calling 1-800-TAX-FORM (1-800-829-3676).	

ONE TRANSACTION IS REQUIRED TO MAKE THE FOLLOWING CORRECTIONS PROPERLY (See Note 2).

2. Original return was filed with one or more of the following errors:
- | | |
|---|--|
| <ul style="list-style-type: none"> (a) Incorrect Payment Amount Codes in the "A" Record (b) Incorrect Payment amounts in the "B" Record (c) Incorrect Code in the Document Specific/Distribution Code Field in the "B" Record (d) Incorrect Payee Address (e) Direct Sales Indicator | <ul style="list-style-type: none"> A. Prepare a new Form 4804/4802 that includes information relating to this new file. B. Mark "Correction" in Block 1 of Form 4804. C. Prepare a new file. Make separate "A" Records for each type of return being reported. Information in the "A" Record may be the same as it was in the original submission. D. The "B" Record must show the correct information as well as a "G" in field position 7. E. Corrected returns submitted to IRS/MCC using a "G" coded "B" Record may be on the same tape or diskette as those returns submitted without the "G" code; however, separate "A" Records are required. F. Prepare a "C" Record. G. Mark "Correction" on the external media label. |
|---|--|

Error Made on the Original Return

How To File the Corrected Return

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

Sec. 14. Taxpayer Identification Number (TIN)

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

.02 The payee’s TIN and name combination is used to associate information returns reported to IRS/MCC with corresponding information on tax returns. It is imperative that **correct** Social Security and Employer Identification Numbers for payees be provided to IRS/MCC. **Do not enter hyphens or alpha characters.** Entering all zeros, ones, twos, etc., will have the effect of an incorrect TIN.

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

.04 Failure to provide the correct name and corresponding TIN could result in a penalty and/or backup withholding notice (sometimes referred to as a “B” notice). (For penalty information, refer to the Penalty Section of the 1996 “Instructions for Forms 1099, 1098, 5498, and W-2G.” For “B” Notice information, refer to the Backup Withholding Section of the same publication.)

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

Chart 1. Guidelines for Social Security Numbers

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

Chart 2. Guidelines for Employer Identification Numbers

For this type of account-	In the Taxpayer Identification Number field of the Payee “B” Record, enter the EIN of-	In the First Payee Name line of the Payee “B” Record, enter the name of-
1. A valid trust, estate, or pension trust	Legal entity ¹	The legal trust, estate, or pension trust
2. Corporate	The corporation	The corporation
3. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization	The organization

Chart 2. Guidelines for Employer Identification Numbers (Continued)

For this type of account-	In the Taxpayer Identification Number field of the Payee "B" Record, enter the EIN of-	In the First Payee Name line of the Payee "B" Record, enter the name of-
4. Partnership account held in the name of the business	The partnership	The partnership
5. A broker or registered nominee/middleman	The broker or nominee/middleman	The broker or nominee/middleman
6. Account with Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison), that receives agriculture program payments	The public entity	The public entity
7. Sole proprietorship	The business (An EIN or SSN)	The owner, not the business name (the filer may enter the business name on the second name line).

¹Do not furnish the identification number of the personal representative or trustee unless the name of the representative or trustee is used in the account title.

Sec. 15. Effect on Paper Returns

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

.02 Payers are responsible for providing statements to the payees as outlined in the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G." Refer to these instructions for filing information returns on paper with the IRS and furnishing statements to recipients.

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

Sec. 16. Combined Federal/State Filing Program

.01 The Combined Federal/State Filing Program was established to simplify information returns filing for the taxpayer. IRS/MCC will forward this information to participating states free of charge for approved filers. Separate reporting to those states is not necessary.

The following Information Returns may not be filed under this program:

Form 1098—Mortgage Interest Statement

Form 1099-A—Acquisition or Abandonment of Secured Property

Form 1099-B—Proceeds for Broker and Barter Exchange Transactions

Form 1099-C—Cancellation of Debt

Form 1099-S—Proceeds From Real Estate Transactions

**and
Form W-2G—Certain Gambling Winnings**

.02 To request approval to participate, a magnetic media or electronic test file coded for this program **must** be submitted to IRS/MCC between November 1 and December 31. **Hard copy print tests are not acceptable** for Combined Federal/State Filing approval.

.03 Attach a letter to the Form 4804 submitted with the test file to indicate a desire to participate in this program.

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

.05 If the test file is acceptable, IRS/MCC will send the filer an approval letter, and a Form 6847, Consent for Internal Revenue Service to Release Tax Information, which the payer **must** complete, sign, and return to IRS/MCC before any tax information can be released to the state. Filers must write their TCC on Form 6847. If the test file is not acceptable, IRS/MCC will return the media with a letter indicating

the problems. The replacement test file must be returned to IRS/MCC postmarked on or before December 31.

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

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

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

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

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

.11 To simplify filing, some of the participating states have provided their information return reporting requirements (see **Table 2**). **Each state filing**

regulations are subject to change by the state. It is the payer's responsibility to contact the participating states to verify the criteria provided in this table.

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

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

Table 1. Participating States And Their Codes

State	Code	State	Code	State	Code
Alabama	01	Iowa	19	North Carolina	37
Arizona	04	Kansas	20	North Dakota	38
Arkansas	05	Maine	23	Oregon	41
California	06	Massachusetts	25	South Carolina	45
Delaware	10	Minnesota	27	Tennessee	47
District of Columbia	11	Mississippi	28	Wisconsin	55
Georgia	13	Missouri	29		
Hawaii	15	Montana	30		
Idaho	16	New Jersey	34		
Indiana	18	New Mexico	35		

Table 2. Dollar Criteria For State Reporting

STATE	1099-DIV	1099-G	1099-INT	1099-MISC	1099-OID	1099-PATR	1099-R	5498
Alabama	\$1500	\$ NR	\$1500	\$1500	\$1500	\$1500	\$1500	NR
Arkansas	100	2500	100	2500	2500	2500	2500	a
District of Columbia ^b	600	600	600	600	600	600	600	NR
Hawaii	10	a	10	600	10	10	600	a
Idaho	10	10	10	600	10	10	600	a
Iowa	100	1000	1000	1000	1000	1000	1000	NR
Minnesota	10	10	10	600	10	10	600	a
Mississippi	600	600	600	600	600	600	600	NR
Missouri	NR	NR	NR	1200 ^c	NR	NR	NR	NR
Montana	10	10	10	600	10	10	600	a
New Jersey	1000	1000	1000	1000	1000	1000	1000	NR
North Carolina	100	100	100	600	100	100	100	a
Tennessee	25	NR	25	NR	NR	NR	NR	NR
Wisconsin	NR	NR	NR	600	NR	NR	600	NR

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

Filing requirements for any state in TABLE 1 not shown in TABLE 2 are the same as the federal requirement.

NR = No filing requirement.

Footnotes:

- a. All amounts are to be reported.
- b. Amounts are for aggregates of several types of income from the same payer.
- c. Missouri would prefer those returns filed with respect to non-Missouri residents to be sent directly to their state agency.

Sec. 17. Definition of Terms

<i>Element</i>	<i>Description</i>
Asynchronous Protocols	This type of data transmission is most often used by microcomputers, PCs and some minicomputers. Asynchronous transmissions transfer data at arbitrary time intervals using the start-stop method. Each character transmitted has its own start bit and stop bit.
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.
Bisynchronous Protocols	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.
Correction	A correction is an information return submitted by the payer to correct erroneous information previously submitted to IRS/MCC.
☛ Note: A correction should not be confused with a REPLACEMENT. Only media returned to the filer by IRS/MCC due to processing problems should be marked REPLACEMENT.	
CUSIP Number	A number developed by the Committee on Uniform Security Identification Procedures to serve as a common denominator in communications among users for security transactions and security information.
Employer Identification Number (EIN) Electronic Filing	A nine-digit number assigned by IRS for federal tax reporting purposes. Submission of information returns using switched telecommunications network circuits. These transmissions use modems, dial-up phone lines, and asynchronous or bisynchronous protocols. See Parts A, C, and D of this publication for specific information on electronic filing.
File	For purposes of this revenue procedure, a file consists of all records submitted by a payer or transmitter, either magnetically or electronically.
Filer	Person responsible for submitting information returns to IRS.
<i>Filing Year</i>	<i>The year in which the information returns are being submitted to IRS/MCC (if magnetically) or service center (if paper).</i>
Golden Parachute Payment	A payment made by a corporation to a certain officer, shareholder, or highly compensated individual when a change in the ownership or control of the corporation occurs or when a change in the ownership of a substantial part of the corporate assets occurs.
Incorrect Taxpayer Identification Number (Incorrect TIN)	A TIN may be incorrect for several reasons: <ol style="list-style-type: none">The payee gave a wrong number (<i>e.g.</i>, the payee is listed as the only owner of an account but provided someone else’s TIN).A processing error (<i>e.g.</i>, the number was typed incorrectly).The payee’s status changed (<i>e.g.</i>, a payee name change was not conveyed to the IRS or SSA so that they could enter the change in their records).
Information Return	The vehicle for submitting required information about another person to IRS. Information returns are filed by financial institutions and by others who make certain types of payments as part of their trade or business.

<i>Element</i>	<i>Description</i>
Magnetic Media	The information required to be reported on an information return includes interest, dividends, pensions, nonemployed compensation for personal services, stock transactions, sales of real estate, mortgage interest, and other types of information. For this revenue procedure, an information return is Form 1098, 1099-A, 1099-B, 1099-C, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, 1099-S, 5498, or W-2G. For this revenue procedure, the term “magnetic media” refers to ½-inch magnetic tape; IBM 3480/3490/3490E or AS400 compatible tape cartridge; or 5¼- and 3½-inch diskette.
<i>Media Tracking Slip</i>	<i>Form 9267 accompanies media that IRS/MCC has returned to the filer for correction due to format or fatal errors encountered when trying to process media. THIS MUST BE RETURNED WITH THE REPLACEMENT FILE.</i>
Missing Taxpayer Identification Number (Missing TIN)	The payee TIN on an information return is “missing” if: (a) there is no entry in the TIN field, (b) includes one or more alpha characters (a character or symbol other than an Arabic number) as one of the nine digits, OR (c) payee TIN has less than nine digits
PS 58 Costs	The current cost of life insurance under a qualified plan taxable under section 72(m) and Regulations section 1.72-16(b). (See Part B, Sec. 7, Payee “B” Record, Document Specific/Distribution Code, Category of Distribution, Code 9.)
Payee	Person or organization receiving payments from the payer, or for whom an information return must be filed. The payee includes a borrower (Form 1099-A), a debtor (1099-C), a participant (Form 5498), and a gambling winner (Form W-2G). For Form 1098, the payee is the individual paying the interest. For Form 1099-S, the payee is the seller or other transferor.
Payer	Includes the person making payments, a recipient of mortgage interest payments, a broker, a person reporting a real estate transaction, a barter exchange, a creditor, a trustee, or an issuer of an IRA or SEP, or a lender who acquires an interest in secured property or who has reason to know that the property has been abandoned. The payer will be held responsible for the completeness, accuracy, and timely submission of magnetic media files.
Replacement	A replacement is an information return file that IRS/MCC has returned to the transmitter due to errors encountered during processing.
<p>⚡ Note: <i>Filers should never submit media to IRS/MCC marked “REPLACEMENT” unless IRS/MCC returned media to the filers. When sending “REPLACEMENT” media, be sure to include the Media Tracking Slip (Form 9267) which will accompany media returned by IRS/MCC. Media that has been incorrectly marked as REPLACEMENT may result in duplicate filing.</i></p>	
Service Bureau	Person or organization with whom the payer has a contract to prepare and/or submit information return files to IRS/MCC. A parent company submitting data for a subsidiary is not considered a service bureau.
Social Security Number (SSN)	A nine-digit number assigned by SSA to an individual for wage and tax reporting purposes.
Special Character	Any character that is not a numeral, an alpha, or a blank.
SSA	Social Security Administration.

<i>Element</i>	<i>Description</i>
Statement to Recipient	For purposes of this revenue procedure, the copy of Form 1099, 1098, 5498, or W-2G that is required to be sent by the payer to the recipient to provide information to be reported on the recipient's tax return. When reporting Form 1098, the payer is the receiver of the mortgage interest and the recipient is the person making the interest payment. When reporting Form 1099-S, the payer is the entity reporting the transaction and the recipient is the seller or other transferor.
Taxpayer Identification Number (TIN)	May be either an Employer Identification Number (EIN) or Social Security Number (SSN).
<i>Tax Year</i>	<i>The year in which payments were made by a payer to a payee.</i>
Transfer Agent	The transfer agent, or paying agent, is the entity who has been contracted or authorized by the payer to perform the services of paying and reporting backup withholding (Form 945). The payer may be required to submit to IRS/MCC a Form 2678, Employer Appointment of Agent Under Section 3504 of the Internal Revenue Code, which notifies IRS/MCC of the transfer agent relationship.
Transmitter	Person or organization submitting file(s) magnetically/electronically. May be payer or agent of payer.
Transmitter Control Code (TCC)	A five character alpha/numeric number assigned by IRS/MCC to the transmitter prior to actual filing magnetically or electronically. This number is inserted in the 'A' Record of the files and must be present before the file can be processed. An application Form 4419 must be filed with IRS/MCC to receive this number.
<i>Vendor</i>	<i>Service bureaus that will produce information return files on the prescribed types of magnetic media or via electronic filing for payers who meet the 250 threshold or may be unable to prepare their own media. Companies who provide software for payers who wish to produce their own media or electronic files.</i>

Sec. 18. State Abbreviations

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

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

State	Code	State	Code	State	Code
Illinois	IL	North Carolina	NC	Wyoming	WY
Indiana	IN	North Dakota	ND		
Iowa	IA	Northern			
Kansas	KS	Mariana Islands	MP		

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

.03 For foreign country addresses, filers may use a 40 position free format which should include city, province or state, postal code, and name of country in this order. This is allowable only if a “1” (one) appears in the Foreign Country Indicator Field of the “B” Record.

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

EXAMPLE:

Payee Name	PVT Willard J. Doe
Mailing Address	Company F, PSC Box 100 167 Infantry REGT
Payee City	AP0 (or FPO)
*Payee State	AE, AA, or AP
Payee ZIP Code	098010100

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

Sec. 19. Major Problems Encountered

IRS/MCC encourages filers to verify the format and content of each type of record to ensure the accuracy of the data. This may eliminate the need for IRS/MCC to return files for replacement. This may be important for those payers who have either had their files prepared by a service bureau (see **Note**) or who have purchased preprogrammed software packages. If a filer purchased a software package for a previous tax year, it may no longer be valid for reporting current tax year information returns. Following are some of the most frequently encountered problems with magnetic/electronic files submitted to IRS/MCC.

Some of the problems listed in the Major Problems Encountered may result in media being returned for replacement.

☛ **Note: If filers meet the filing requirements and engage a service bureau to prepare media on their behalf, the filers should be careful not to report duplicate data which may generate penalty notices.**

1. Discrepancy between IRS/MCC totals and totals in Payer “C” Records

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

2. The Payment Amount Fields in the “B” Record do not correspond to the Amount Codes in the “A” Record

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

EXAMPLE: “A” RECORD	247bbbbbb	—	(‘b’ denotes a blank)
	(Pos. 23–31)		
“B” RECORD	0000867599	—	(Payment Amount 2)
	(Pos. 61–70)		
	0000709097	—	(Payment Amount 4)
	(Pos. 81–90)		
	0000044985	—	(Payment Amount 7)
	(Pos. 111–120)		

3. Blanks or invalid characters appear in Payment Amount Fields in the “B” Record

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

4. Incorrect TIN in Payer “A” Record

The Payer’s TIN reported in positions 7–15 of the “A” Record must be correct in order for IRS/MCC to process the media. The TIN provided in the “A” Record should correspond with the name provided in the first payer name line.

5. Bad Format

IRS/MCC receives data in prior year format. Be sure to use **the current revenue procedure (Publication 1220)** for formatting data.

6. Incorrect tax year in the Payer “A” Record and the Payee “B” Record

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

7. Incorrect reporting of Form W–2 information to IRS

Form W–2 information is submitted to SSA, and **not** to IRS/MCC. SSA has its own magnetic media reporting program and specifications for wage information, and the media containing Forms W–2 is submitted to SSA. Any media received at IRS/MCC that contains Form W–2 information will be returned to the filer. The local SSA office should be contacted for information concerning filing Forms W–2 on magnetic media.

8. Excessive withholding credits

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

9. Incorrect format for TINs in the Payee “B” Record

A check of “B” Records should be made to ensure the Taxpayer Identification Numbers (TINs) are formatted correctly. There should be nine numerics, no alphas, hyphens, commas, or blanks. Incorrect formatting of TINs may result in a penalty. (For penalty information, refer to the Penalty section of the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G.”)

IRS/MCC contacts filers who have submitted payee data with missing TINs in an attempt to prevent erroneous notices. Payers/transmitters who submit data with missing TINs and have taken the required steps to obtain this information are encouraged to attach a letter of explanation to the required Form 4804. This will prevent unnecessary contact from IRS/MCC. This letter, however, will not prevent backup withholding notices (CP2100 and CP2100A Notices) or penalties for missing or incorrect TINs. (For penalty information, refer to the Penalty section of the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G.”)

10. Distribution Codes for Form 1099–R reported incorrectly

Distribution Codes for Form 1099–R are being reported incorrectly or not being reported. See valid distribution codes for 1099–R in the Payee “B” Record layout.

11. Incorrect Record Totals Listed on Form 4804

The Combined Total Payee Records listed on the Form 4804 (Box 9) are used in the verification process of information returns. The figure in this box should be the total number of Payee “B” Records contained on the media submitted with the Form 4804. The figures on the Form 4804 are compared against the total number of Payee “B” Records processed on the media. Imbalances may necessitate the return of the files for replacement.

12. Invalid Use of IRA/SEP Indicator

The IRA/SEP Indicator for Form 1099–R should be used only for the reporting of a distribution from an IRA or SEP. The total amount distributed from an IRA or SEP should be reported in Payment Amount Field 2 (IRA/SEP Distribution).

Part B. Magnetic Media Specifications

Sec. 1. General

.01 The specifications contained in this part of the revenue procedure define the required format and contents of the records to be included in the magnetic media file.

.02 A provision is made in the "B" Records for Special Data Entries. These entries are optional. If the field is not utilized, enter blanks to maintain a fixed record length of 420 positions. The field is intended to serve one or both of these purposes:

(a) Contain information required by state or local governments. Filers who wish to use this option for satisfying state or local reporting requirements should contact the state or local department of revenue for filing instructions. (Also refer to Part A, Sec. 16.)

(b) Contain information for the filer's own personal use and used at the discretion of the filer to include information related to each individual return. IRS/MCC will not use the information supplied in this field. The length of this field will vary depending on the type of return.

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

.04 Use "K" Records **only** if the payer is an approved Combined Federal/State filer.

Sec. 2. Tape Specifications

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

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

- (1) Odd parity.
- (2) A density of 1600 or 6250 CPI.
- (3) If transmitters use UNISYS Series 1100, they must submit an interchange tape.

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

- (1) Odd parity.
- (2) A density of 1600 or 6250 CPI.

Transmitters should be consistent in the use of recording codes and density on files.

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

- (a) Tape thickness: 1.0 or 1.5 mils and
- (b) Reel diameter: $10\frac{1}{2}$ -inch (26.67 cm), $8\frac{1}{2}$ -inch (21.59 cm), 7-inch (17.78 cm), or 6-inch.

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

- (a) A block must not exceed 32,760 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 420.
- (d) Records may not span blocks.

.04 Labeled or unlabeled tapes may be submitted.

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

Tape Mark:

- (a) 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.

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

Sec. 3. Tape Cartridge Specifications

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

- (a) Must be IBM 3480, 3490, 3490E, or AS400 compatible.
- (b) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:

- (1) Tape cartridges will be $\frac{1}{2}$ -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 $\frac{1}{2}$ -inch tape.
- (3) Cartridges must be 18-track or 36-track parallel (See **Note**).
- (4) 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.

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

- (a) A block **must not** exceed 32,760 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 rec-

ord 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 420.

(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 external media label and transmittal Form 4804 whether the cartridge is 36-track or 18-track.**

Sec. 4. 8mm (.315-inch) Tape Cartridges

For Tax Year 1996, the processing of 8mm tape cartridge (also referred to as cassette) as an acceptable form of magnetic media is offered as a pilot program for transmitters with AS400 operations systems only.

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

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

(1) 8mm (.315-inch) tape cartridges will be 2¹/₂-inch by 3³/₄-inch.

(2) Magnetic tape will be chromium dioxide particle based 8mm tape.

(3) Mode will be full function.

(4) Compressed data is not acceptable.

(5) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII

(American Standard Coded Information Interchange) may be used. However, IRS/MCC encourages the use of EBCDIC. This information must appear on the external media label affixed to the cartridge.

(6) A file may consist of more than one cartridge, however, no more than 250,000 documents may be transmitted per file or per cartridge. The filename, for example; IRSTAX will contain a three digit extension. The extension will indicate the sequence of the cartridge within the file 1 of 3, 2 of 3, and 3 of 3 and would appear in the header label IRSTAX.001, IRSTAX.002, and IRSTAX.003 on each cartridge of the file.

.02 The 8mm (.315-inch) tape cartridge records defined in this revenue procedure may be blocked subject to the following:

(a) A block must not exceed 32,760 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 420.

(d) 'COPY' or 'SAVE' command must be used to store data on the cartridge.

(e) Extraneous data following the 'F' record will result in media being returned for replacement.

(f) Records may not span blocks.

(g) No more than 250,000 documents per cartridge and per file.

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

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

Tape Mark:

(a) 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.

.05 If extraneous data follows the end of the file 'F' Record, the file must be returned for replacement. Therefore, IRS/MCC encourages transmitters to use blank tape cartridges rather than cartridges previously used, in the preparation of data when submitting information returns.

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

Sec. 5. 5¹/₄-inch and 3¹/₂-inch Diskette Specifications

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

(a) 5¹/₄- or 3¹/₂-inches in diameter.

(b) Data must be recorded in standard ASCII code. For 5¹/₄-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 420 bytes per record.

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

(e) Positions 419 and 420 of each record have been reserved for use as carriage return/line feed (cr/lf) characters if applicable.

(f) Filename of IRSTAX must be used. Do not enter any other data in this field. If a file will consist of more than one diskette, the filename IRSTAX will contain a three-digit extension. This extension will indicate the sequence of the dis-

kettes within the file. For example, the first diskette will be named IRSTAX.001, the second diskette will be IRSTAX.002, etc.

- (g) A diskette file may consist of multiple diskettes as long as the file naming 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 (See Note). If extraneous data follows the end of file "F" 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.

Note: 3½-inch Diskettes Created on a System 36 or AS400 Are Not Acceptable.

IRS/MCC has equipment that can convert diskettes created under most operating systems 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.

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

Sec. 6. Payer/Transmitter "A" Record—General Field Descriptions

.01 The Payer/Transmitter "A" Record identifies the payer and transmitter

of the magnetic media file and provides parameters for the succeeding Payee "B" Records. IRS computer programs rely on the absolute relationship between the parameters and data fields in the "A" Record and the data fields in the "B" Records to which they apply.

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

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

.04 The first record on the file must be an "A" Record. A transmitter may include "B" Records for more than one payer on a tape or diskette. However, each group of "B" Records must be preceded by an "A" Record and followed by an End of Payer "C" Record. A single tape or diskette may contain different types of returns but the types of returns **must not** be intermingled. A separate "A" Record

is required for each payer and each type of return being reported.

.05 All records must be a fixed length of 420 positions.

.06 An "A" Record may be blocked with "B" Records, however, the initial record on a file must be an "A" Record. IRS/MCC will accept an "A" Record after a "C" Record.

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

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

.09 When filing Form 1098, Mortgage Interest Statement, the "A" Record will reflect the name of the recipient of the interest referred to as the payer in these instructions. The "B" Record will reflect the individual paying the interest (borrower/payer of record) and the amount paid.

Note: For all fields marked **Required**, a transmitter must provide the information described under Description and Remarks. For fields **not marked Required**, a transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated media position(s) and for the indicated length. All records are now a fixed length of 420 positions.

Record Name: Payer/Transmitter "A" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter "A."
2-3	Payment Year	2	Required. Enter "96" (unless reporting prior year data).

Record Name: Payer/Transmitter "A" Record—Continued

Field Position	Field Title	Length	Description and Remarks																														
4-6	Reel Sequence Number	3	The reel sequence number is incremented by 1 for each tape or diskette on the file starting with 001. The transmitter may enter blanks or zeros in this field. IRS/MCC bypasses this information. Indicate the proper sequence on the external media label.																														
7-15	Payer's TIN	9	Required. Must be the valid nine-digit Taxpayer Identification Number assigned to the payer. Do not enter blanks, hyphens, or alpha characters. All zeros, ones, twos, etc., will have the effect of an incorrect TIN. For foreign entities that are not required to have a TIN, this field may be blank. However, the Foreign Entity Indicator, position 49 of the "A" Record, should be set to "1" (one).																														
16-19	Payer Name Control	4	Not a required field. The Payer Name Control can be obtained only from the mail label on the Package 1099 that is mailed to most payers each December. To distinguish between Package 1099 and the Magnetic Media Reporting (MMR) Package, the Package 1099 contains instructions for paper filing only, and the mail label on the package contains a four (4) character name control. The MMR Package contains instructions for filing magnetically or electronically. The mail label does not contain a name control. Names of less than four (4) characters should be left-justified, filling the unused positions with blanks. If a Package 1099 has not been received or the Payer Name Control is unknown, this field must be blank filled.																														
20	Last Filing Indicator	1	Enter a "1" (one) if this is the last year the payer will file, otherwise, enter blank. Use this indicator if the payer will not be filing information returns under this payer name and TIN in the future either magnetically, electronically, or on paper.																														
21	Combined Federal/State Filer	1	Required for the Combined Federal/State Filing Program. Enter "1" (one) if participating in the Combined Federal/State Filing Program, otherwise, enter blank. Refer to Part A, Sec. 16, for further information. Forms 1098, 1099-A, 1099-B, 1099-C, 1099-S, and W-2G cannot be filed under this program.																														
22	Type of Return	1	Required. Enter the appropriate code from the table below: <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><i>Type of Return</i></th> <th style="text-align: right;"><i>Code</i></th> </tr> </thead> <tbody> <tr><td>1098</td><td style="text-align: right;">3</td></tr> <tr><td>1099-A</td><td style="text-align: right;">4</td></tr> <tr><td>1099-B</td><td style="text-align: right;">B</td></tr> <tr><td>1099-C</td><td style="text-align: right;">5</td></tr> <tr><td>1099-DIV</td><td style="text-align: right;">1</td></tr> <tr><td>1099-G</td><td style="text-align: right;">F</td></tr> <tr><td>1099-INT</td><td style="text-align: right;">6</td></tr> <tr><td>1099-MISC</td><td style="text-align: right;">A</td></tr> <tr><td>1099-OID</td><td style="text-align: right;">D</td></tr> <tr><td>1099-PATR</td><td style="text-align: right;">7</td></tr> <tr><td>1099-R</td><td style="text-align: right;">9</td></tr> <tr><td>1099-S</td><td style="text-align: right;">S</td></tr> <tr><td>5498</td><td style="text-align: right;">L</td></tr> <tr><td>W-2G</td><td style="text-align: right;">W</td></tr> </tbody> </table>	<i>Type of Return</i>	<i>Code</i>	1098	3	1099-A	4	1099-B	B	1099-C	5	1099-DIV	1	1099-G	F	1099-INT	6	1099-MISC	A	1099-OID	D	1099-PATR	7	1099-R	9	1099-S	S	5498	L	W-2G	W
<i>Type of Return</i>	<i>Code</i>																																
1098	3																																
1099-A	4																																
1099-B	B																																
1099-C	5																																
1099-DIV	1																																
1099-G	F																																
1099-INT	6																																
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1099-PATR	7																																
1099-R	9																																
1099-S	S																																
5498	L																																
W-2G	W																																
23-31	Amount Codes (See Note)	9	Required. Enter the appropriate amount codes for the type of return being reported. Generally, for each amount code entered in this field, a corresponding payment amount must appear in the Payee "B" Record. In most cases, the box numbers on paper information returns correspond with the amount codes used to file magnetically/electronically. However, if discrepancies occur, this revenue procedure governs.																														

Field Position	Field Title	Length	Description and Remarks
	Example of Amount Codes:		
	If position 22 of the Payer/Transmitter "A" Record is "A" (for 1099-MISC) and positions 23-31 are "1247bbbb", this indicates the payer is reporting any or all four payment amounts (1247) in all of the following "B" Records. (In this example, "b" denotes blanks in the designated positions. Do not enter the letter 'b'.)		
	<p>The first payment amount field will represent rents;</p> <p>the second will represent royalties;</p> <p>the third will be all "0" (zeros);</p> <p>the fourth will represent federal income tax withheld;</p> <p>the fifth and sixth will be all "0" (zeros);</p> <p>the seventh will represent nonemployed compensation;</p> <p>and</p> <p>the eighth and ninth will be all "0" (zeros).</p>		
	Enter the amount codes in ascending sequence (<i>i.e.</i> , 1247bbbb, left justify information, and fill unused positions with blanks. For further clarification of the amount codes, contact IRS/MCC. (In this example, "b" denotes blanks in the designated positions. Do not enter the letter 'b'.)		
	<p>☛ Note: A type of return and an amount code must be present in every Payer "A" Record even if no money amounts are being reported. For a detailed explanation of the information to be reported in each amount code, refer to the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G."</p>		
Amount Codes	Form 1098—		For Reporting Mortgage Interest Received From Payers/Borrowers (Payer of
Mortgage Interest Statement			Record) on Form 1098:
		<i>Amount</i>	
		<i>Code</i>	<i>Amount Type</i>
		1	Mortgage interest received from payer(s)/borrower(s)
		2	Points paid on purchase of principal residence
		3	Refund of overpaid interest
Amount Codes	Form 1099-A—		For Reporting the Acquisition or Abandonment of Secured Property on Form
Acquisition or Abandonment of			1099-A:
Secured Property (See Note 1)			
		<i>Amount</i>	
		<i>Code</i>	<i>Amount Type</i>
		2	Balance of principal outstanding
		4	Fair market value of property
	<p>☛ Note 1: If, in the same calendar year, a debt is canceled in connection with the acquisition or abandonment of secured property and the filer would be required to file both Forms 1099-A and 1099-C (Cancellation of Debt) for one debtor, the filer is required to file Form 1099-C only. See the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" for further information on coordination with Form 1099-C.</p>		
Amount Codes	Form 1099-B		For Reporting Payments on Form 1099-B:
Proceeds From Broker and			
Barter Exchange Transaction			
		<i>Amount</i>	
		<i>Code</i>	<i>Amount Type</i>
		2	Stocks, bonds, etc. (For forward contracts, See Note 1)
		3	Bartering (Do not report negative amounts.)
		4	Federal income tax withheld (backup withholding) (Do not report negative amounts.)
		6	Profit or (loss) realized on Closed Regulated Futures or Foreign Currency Contracts in 1996 (See Note 2).
		7	Unrealized profit or (loss) on open contracts—12/31/95 (See Note 2).
		8	Unrealized profit or (loss) on open contracts—12/31/96 (See Note 2).
		9	Aggregate profit or (loss) (See Note 2).
	<p>☛ Note 1: The payment amount field associated with Amount Code 2 may be used to represent a loss from a closing transaction on a forward contract. Refer to the "B" Record — General Field Descriptions, Payment Amount Fields, for instructions on reporting negative amounts.</p>		

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

Amount Codes
Form 1099-C—Cancellation
of Debt (See **Note 1**)

For Reporting Cancellation of Debt on Form 1099-C:

<i>Amount Code</i>	<i>Amount Type</i>
2	Amount of debt canceled (See Note 2)
3	Interest included in Amount Code 2
4	Penalties, fines, or administrative costs included in Amount Code 2
7	Fair market value of property (See Note 3)

Note 1: If, in the same calendar year, a debt is canceled in connection with the acquisition or abandonment of secured property for one debtor and the filer would be required to file both Forms 1099-C and 1099-A (Acquisition or Abandonment of Secured Property) the filer is required to file Form 1099-C only. See the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" for further information on coordination with Form 1099-A.

Note 2: A debt is any amount owed to the debtor including principal, interest, penalties, administrative costs, and fines, to the extent they are indebtedness under section 61(a)(12). The amount of debt discharged or canceled may be all or only part of the total amount owed. See the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" for further information.

Note 3: Amount Code 7 will be used only if a combined Form 1099-A and 1099-C is being filed. See the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" for further information on reporting the fair market value of property and coordination with Form 1099-A.

Amount Codes
Form 1099-DIV—Dividends
and Distributions

For Reporting Payments on Form 1099-DIV:

<i>Amount Code</i>	<i>Amount Type</i>
1	Gross dividends and other distributions on stock (See Note)
2	Ordinary dividends (See Note)
3	Capital gain distributions (See Note)
4	Nontaxable distributions (if determinable) (See Note)
5	Investment expenses (See Note)
6	Federal income tax withheld (backup withholding)
7	Foreign tax paid
8	Cash liquidation distributions
9	Noncash liquidation distributions (show fair market value)

Note: Amount Code 1 MUST be present (unless the payer is using Amount Codes 8 or 9 only) and must equal the sum of amounts reported for Amount Codes 2, 3, 4, and 5. If an amount is present for Amount Code 1, there must be an amount present for Amount Codes 2-5 as applicable.

Amount Codes
Form 1099-G—Certain
Government Payments

For Reporting Payments on Form 1099-G:

<i>Amount Code</i>	<i>Amount Type</i>
1	Unemployment compensation
2	State or local income tax refunds, credits, or offsets
4	Federal income tax withheld (backup withholding)
6	Taxable grants
7	Agriculture payments

Amount Codes
Form 1099-INT—Interest
Income

For Reporting Payments on Form 1099-INT:

Field Position	Field Title	Length	Description and Remarks
			<i>Amount Code</i>
			<i>Amount Type</i>
		1	Interest income not included in Amount Code 3
		2	Early withdrawal penalty
		3	Interest on U.S. Savings Bonds and Treasury obligations
		4	Federal income tax withheld (backup withholding)
		5	Foreign tax paid
Amount Codes			For Reporting Payments on Form 1099-MISC:
Form 1099-MISC—			
Miscellaneous Income			<i>Amount Code</i>
			<i>Amount Type</i>
		1	Rents (See Note 1)
		2	Royalties (See Note 2)
		3	Other income
		4	Federal income tax withheld (backup withholding and withholding on payments of Indian gaming profits)
		5	Fishing boat proceeds
		6	Medical and health care payments
		7	Nonemployed compensation or crop insurance proceeds (See Note 3)
		8	Substitute payments in lieu of dividends or interest
		9	Excess golden parachute payments
			(Filers: See Note 4)

☛ **Note 1: If reporting the Direct Sales Indicator only, use Type of Return Code A for 1099-MISC in position 22, and Amount Code 1 in position 23 of the Payer "A" Record. All payment amount fields in the Payee "B" Record will contain zeros.**

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

☛ **Note 3: Amount Code 7 is normally used to report nonemployed compensation. However, Amount Code 7 may also be used to report crop insurance proceeds. See positions 4-5 of the "B" Record for instructions. If nonemployed compensation and crop insurance proceeds are being paid to the same payee, a separate "B" Record for each transaction is required.**

☛ **Note 4: For the convenience of the payer, the Special Data Entries Field in the Payee "B" Record may be used to report state and local income tax withheld. This information does not need to be reported to IRS.**

Amount Codes
Form 1099-OID—Original
Issue Discount

For Reporting Payments on Form 1099-OID:

			<i>Amount Code</i>
			<i>Amount Type</i>
		1	Original issue discount for 1996
		2	Other periodic interest
		3	Early withdrawal penalty
		4	Federal income tax withheld (backup withholding)

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

For Reporting Payments on Form 1099-PATR:

			<i>Amount Code</i>
			<i>Amount Type</i>
		1	Patronage dividends
		2	Nonpatronage distributions
		3	Per-unit retain allocations
		4	Federal income tax withheld (backup withholding)
		5	Redemption of nonqualified notices and retain allocations
			Pass-Through Credits (See Note)
		6	For filers' use

Field Position	Field Title	Length	Description and Remarks
			<i>Amount Code</i>
			<i>Amount Type</i>
		7	Energy investment credit
		8	Jobs credit
		9	Patron's Alternative Minimum Tax (AMT) Adjustment

☛ **Note:** Amount Codes 6, 7, and 8 are reserved for the patron's share of unused credits that the cooperative is passing through to the patron. Other credits, such as the Indian employment credit may be reported in Amount Code 6. The title of the credit reported in Amount Code 6 should be reported in the Special Data Entries Field in the Payee "B" Record. The amounts shown for Amount Codes 6, 7, 8, and 9 must be reported to the payee. These Amount Codes and the Special Data Entries Field are for the convenience of the filer. This information is not needed by IRS/MCC.

Amount Codes **Form 1099-R**—
Distributions From Pensions,
Annuities, Retirement or Profit-
Sharing Plans, IRAs, Insurance
Contracts, etc. (See **Note 1**)

For Reporting Payments on Form 1099-R:

<i>Amount Code</i>	<i>Amount Type</i>
1	Gross distribution (See Note 2)
2	Taxable amount (See Note 3)
3	Capital gain (included in Amount Code 2)
4	Federal income tax withheld (See Note 4)
5	Employee contributions or insurance premiums
6	Net unrealized appreciation in employers' securities
8	Other
9	Total employee contributions

☛ **Note 1:** Additional information may be required in the "B" Record. Refer to positions 44 through 48 of the "B" Record.

☛ **Note 2:** If the payment shown for Amount Code 1 is a total distribution, enter a "1" (one) in position 47 of the "B" Record. An amount must be shown in Amount Field 1.

☛ **Note 3:** If a distribution is a loss, do not enter a negative amount. For example, if stock is distributed but the value is less than the employee's after-tax contributions, enter the value of the stock in Amount Code 1, enter "0" (zero) in Amount Code 2, and enter the employee's contributions in Amount Code 5. If the taxable amount cannot be determined, enter a "1" (one) in position 48 of the "B" Record. If reporting an IRA/SEP distribution, generally include the amount of the distribution in the Taxable Amount (Payment Amount Field 2, positions 61-70) and enter a "1" (one) in the IRA/SEP Indicator Field (position 44). A "1" (one) may be entered in the Taxable Amount Not Determined Indicator Field (position 48) of the Payee "B" Record, but the amount of the distribution must still be reported in Payment Amount Fields 1 and 2. See the explanation for Box 2a of Form 1099-R in the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" for more information on reporting the taxable amount.

☛ **Note 4:** See the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" for information concerning federal income tax withheld for Form 1099-R.

☛ **Note:** For payers who wish to report state or local income tax, see Part B, Section 7 (6) Payee "B" Record—Record Layout Positions 322-420 Form 1099-R.

Amount Codes **Form 1099-S**—
Proceeds From Real
Estate Transactions

For Reporting Payments on Form 1099-S:

<i>Amount Code</i>	<i>Amount Type</i>
2	Gross proceeds (See Note)
5	Buyer's part of real estate tax

☛ **Note:** Include payments of timber royalties made under a "pay-as-cut" contract, reportable under section 6050N. If timber royalties are being reported, enter "TIMBER" in the description field of the "B" Record. For more information, see Announcement 90-129, 1990-48 I.R.B. 10.

Field Position	Field Title	Length	Description and Remarks
	Amount Codes Form 5498 — Individual Retirement Arrangement Information (See Note)		For Reporting Payments on Form 5498: <i>Amount Code</i> <i>Amount Type</i> 1 Regular IRA contributions made in 1996 and 1997 for 1996. 2 Rollover IRA contributions 3 Life insurance cost included in Amount Code 1 4 Fair market value of the account
	<p>☛ Note: For information regarding Inherited IRAs, refer to the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" and Rev. Proc. 89-52, 1989-2 C.B. 632. Beneficiary information must be given in the Payee Name Line Field of the "B" Record.</p> <p>If reporting IRA contributions for a Desert Storm/Shield participant for other than 1996 or an Operations Joint Endeavor (Bosnia Region) participant, enter "DS," for Desert Storm or "JE" for Joint Endeavor, the year for which the contribution was made, and the amount of the contribution in the Special Data Entries Field of the "B" Record. Do not enter the contributions in Amount Code 1.</p> <p>For information concerning Desert Storm/Shield participant reporting, refer to the 1994 "Instructions for Forms 1099, 1098, 5498, and W-2G," or Notice 91-17, 1991-1 C.B. 319. The instructions for filing Form 5498 for Desert Storm/Shield participants will also apply to participants of Operation Joint Endeavor of the Bosnia Region.</p>		
	Amount Codes Form W-2G — Certain Gambling Winnings		For Reporting Payments on Form W-2G: <i>Amount Code</i> <i>Amount Type</i> 1 Gross winnings 2 Federal income tax withheld 3 State income tax withheld (See Note) 7 Winnings from identical wagers
	<p>☛ Note: State income tax withheld is added for the convenience of the payer but need not be reported to IRS/MCC.</p>		
32	Test Indicator	1	Required. Enter "T" if this is a test file, otherwise enter a blank.
33	Service Bureau Indicator	1	Enter "1" (one) if a service was used to develop and/or transmit files, otherwise, enter blank . See Part A, Sec. 17 for the definition of service bureau.
34-41	Blank	8	Enter blanks.
42-43	Magnetic Tape Filer Indicator	2	Required for magnetic tape/tape cartridge filers only . Enter the letters "LS" (in uppercase only). Use of this field by filers using other types of media will be acceptable but is not required.
44-48	Transmitter Control Code (TCC)	5	Required. Enter the five character alpha/numeric Transmitter Control Code assigned by IRS/MCC. A TCC must be obtained to file data on this program. Do not enter more than one TCC per file.
49	Foreign Entity Indicator	1	Enter a "1" (one) if the payer is a foreign entity and income is paid by the corporation to a U.S. resident. If the payer is not a foreign entity, enter a blank (See Note).
	<p>☛ Note: If payers erroneously report entities as foreign, they may be subject to a penalty for providing incorrect information to IRS. Therefore, payers must be sure to code only those records as foreign entities that should be coded.</p>		
50-89	First Payer Name Line	40	Required. Enter the name of the payer whose TIN appears in positions 7-15 of the "A" Record. Any extraneous information must be deleted. Left justify information, and fill unused positions with blanks. (Filers should not enter a transfer agent's name in this field. Any transfer agent's name should appear in the Second Payer Name Line Field.)

Record Name: Payer/Transmitter "A" Record—Continued

Field Position	Field Title	Length	Description and Remarks						
<p>☛ Note: When reporting Form 1098, Mortgage Interest Statement, the "A" Record will reflect the name and TIN of the recipient of the interest/the filer of Form 1098 (the payer). The "B" Record will reflect the individual paying the interest (the payer of record) and the amount paid. For Form 1099-S, the "A" Record will reflect the person responsible for reporting the transaction (the filer of Form 1099-S) and the "B" Record will reflect the seller/transferor.</p>									
90–129	Second Payer Name Line	40	If the Transfer (or Paying) Agent Indicator (position 130) contains a "1" (one), this field must contain the name of the transfer (or paying) agent. If the indicator contains a "0" (zero), this field may contain either a continuation of the First Payer Name Line or blanks. Left justify information and fill unused positions with blanks.						
130	Transfer Agent Indicator	1	<p>Required. Identifies the entity in the Second Payer Name Line Field. (See Part A, Sec. 17 for a definition of transfer agent.)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 15%;"><i>Code</i></th> <th style="text-align: left;"><i>Meaning</i></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The entity in the Second Payer Name Line Field is the transfer (or paying) agent.</td> </tr> <tr> <td>0 (zero)</td> <td>The entity shown is not the transfer (or paying) agent (<i>i.e.</i>, the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).</td> </tr> </tbody> </table>	<i>Code</i>	<i>Meaning</i>	1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.	0 (zero)	The entity shown is not the transfer (or paying) agent (<i>i.e.</i> , the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).
<i>Code</i>	<i>Meaning</i>								
1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.								
0 (zero)	The entity shown is not the transfer (or paying) agent (<i>i.e.</i> , the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).								
131–170	Payer Shipping Address	40	Required. If the Transfer Agent Indicator in position 130 is a "1" (one), enter the shipping address of the transfer (or paying) agent. Otherwise, enter the actual shipping address of the payer. The street address should include number, street, apartment or suite number (or P. O. Box if mail is not delivered to street address). Left justify information, and fill unused positions with blanks.						
171–210	Payer City, State, and ZIP Code	40	Required. If the Transfer Agent Indicator in position 130 is a "1" (one), enter the city, town, or post office, state abbreviation and ZIP Code of the transfer agent. Otherwise, enter the city, town, or post office, state, and ZIP Code of the payer. Left justify information, and fill unused positions with blanks.						
211–290	Transmitter Name	80	Required if the payer and the transmitter are not the same. Enter the name of the transmitter in the manner in which it is used in normal business. The name of transmitter must be reported in the same manner throughout the entire file. Left justify information, and fill unused positions with blanks. If the payer and transmitter are the same, this field may be blank.						
291–330	Transmitter Mailing Address	40	Required if the payer and transmitter are not the same. Enter the 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). Left justify information, and fill unused positions with blanks. If the payer and transmitter are the same, this field may be blank.						
331–370	Transmitter City, State, and ZIP Code	40	Required if the payer and transmitter are not the same. Enter the city, town, or post office, state, and ZIP Code of the transmitter. Left justify information and fill unused positions with blanks. If the payer and transmitter are the same, this field may be blank.						
371–418	Blank	48	Enter blanks.						
419–420	Blank	2	Enter blanks or Carriage Return/Line Feed (CR/LF).						

Sec. 7. Payer/Trasmitter "A" Record—Record Layout

Record Type	Payment Year	Reel Sequence Number	Payer's TIN*	Payer Name Control*	Last Filing Indicator
1	2-3	4-6	7-15	16-19	20

Combined Federal/State Filer	Type of Return	Amount Codes	Test Indicator	Service Bureau Indicator
21	22	23-31	32	33

Blank	Magnetic Tape Filer Indicator	Transmitter Control Code	Foreign Entity Indicator	First Payer Name Line*	Second Payer Name Line*
34-41	42-43	44-48	49	50-89	90-129

Transfer Agent Indicator	Payer Shipping Address*	Payer City State And Zip Code*	Transmitter Name	Transmitter Mailing Address
130	131-170	171-210	211-290	291-330

Transmitter City, State, and Zip Code	Blank	Blank or CR/LF
331-370	371-418	419-420

☛ **Note: When reporting Form 1098, Mortgage Interest Statement, the "A" Record will reflect the name and TIN of the recipient of the interest (the payer). For Form 1099-S, the "A" Record will reflect the person responsible for reporting the transaction.**

Sec. 8. Payee "B" Record—General Field Descriptions and Record Layouts

.01 The "B" Record contains the payment information from the information returns. When filing information returns, the format for the "B" Records will remain constant and is a fixed length of 420 positions. The record layout for positions 1 through 321 is the same for all "B" Records. Positions 322 through 420 vary for Forms 1099-A, 1099-B, 1099-C, 1099-OID, 1099-S, and W-2G to accommodate variations within these forms. In the "A" Record, the amount codes that appear in tape or diskette positions 23 through 31 will be left-justified and filled with blanks. In the "B" Record, the filer **must** allow for all nine Payment Amount Fields. For those fields not used, enter "0's" (zeros). For example, a payer reporting on Form 1099-MISC, should ENTER "A" in tape position 22 of the "A" Record, Type of Return. If reporting payments for Amount Codes 1, 2, 4, and 7, the payer would report media positions 23 through 31 of the "A" Record as "1247bbbb." (In this example, "b" denotes blanks. Do not enter the letter 'b'.) In the "B" Record:

Positions 51 through 60 for Payment Amount 1 will represent Rents.

Positions 61–70 for Payment Amount 2 will represent Royalties.

Positions 71–80 for Payment Amount 3 will be “0’s” (zeros).

Positions 81–90 for Payment Amount 4 will represent Federal income tax withheld.

Positions 91–110 for Payment Amounts 5 and 6 will be “0’s” (zeros).

Positions 111–120 for Payment Amount 7 will represent Non-employee compensation.

Positions 121–140 for Payment Amounts 8 and 9 will be “0’s” (zeros).

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

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

- (a) The surname of the payee whose TIN is shown in the “B” Record should always appear first. If, however, the records have been developed using the first name first, the

filer must leave a blank space between the first and last names.

- (b) In the case of multiple payees, only the surname of the payee whose TIN (SSN or EIN) is shown in the “B” Record must be present in the First Payee Name Line. Surnames of any other payees may be entered in the Second Payee Name Line.

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

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

.06 Those payers participating in the Combined Federal/State Filing Program must adhere to all of the specifications in Part A, Sec. 16, in order to participate in this program. Forms 1098, 1099–A, 1099–B, 1099–C, 1099–S, and W–2G cannot be filed under the Combined Federal/State Filing Program.

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

.08 Do not use decimal points (.) to indicate dollars and cents. Ten dollars must appear as 0000001000 in the payment amount field.

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

.10 When reporting Form 1098, Mortgage Interest Statement, the “A” Record will reflect the name and TIN of the recipient of the interest, the filer of the Form 1098 (the payer). The “B” Record will reflect the individual paying the interest (borrower/payer of record) and the amount paid. For Form 1099–S, the “A” Record will reflect the person responsible for reporting the transaction (the filer of the Form 1099–S) and the “B” Record will reflect the seller/transferor.

Note: For all fields marked **Required**, the transmitter must provide the information described under **Description and Remarks**. For those fields not marked **Required**, the transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated position(s) and for the indicated length. All records are a fixed length of 420 positions.

Record Name: Payee “B” Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter “B.”
2–3	Payment Year	2	Required. Enter “96” (unless reporting prior year data).
4–5	Document Specific/ Distribution Code	2	Required for Forms 1099–G, 1099–MISC, 1099–R and W–2G. For all other forms, or if not used, enter blanks.

Field Position	Field Title	Length	Description and Remarks
	Tax Year of Refund (Form 1099-G only)		For Form 1099-G , use only for reporting the tax year for which the *refund, credit, or offset (Amount Code 2) was issued. Enter in position 4; position 5 must be blank. If the refund, credit, or offset is not attributable to income from a trade or business, enter the numeric year from the table below for which the refund, credit, or offset was issued (<i>e.g.</i> , for 1995, enter 5). If the refund, credit or offset is exclusively attributable to income from a trade or business and is not of general application, enter the alpha equivalent of the year from the table below (<i>e.g.</i> , for 1995, enter <i>E</i>).

*Code For Tax Year
Which Refund Was Issued*

<i>Tax Year For Which Refund Was Issued</i>	<i>*Code For General Refund</i>	<i>*Code For Trade/Business Refund (Alpha Equivalent)</i>
1991	1	A
1992	2	B
1993	3	C
1994	4	D
1995	5	E
1986	6	F
1987	7	G
1988	8	H
1989	9	I
1990	0	J

***Be sure the distribution code reflects the tax year for which the REFUND was made, not the tax year of the Form 1099-G.**

Crop Insurance Proceeds
(**Form 1099-MISC only**)

For Form 1099-MISC, Enter "1" (one) in position 4 if the payments reported for Amount Code 7 are crop insurance proceeds. Position 5 will be blank.

Distribution Code (**Form 1099-R only**) (For a detailed explanation of the Distribution Codes, see the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G.")

For Form 1099-R, enter the appropriate distribution code(s). More than one code may apply for Form 1099-R. If only one code is required, it must be entered in position 4 and position 5 must be blank. Enter at least one (1) distribution code. A **blank** in position 4 is **not** acceptable.

Enter the applicable code from the table that follows. Position 4 must contain a numeric code in all cases except when using P, D, E, F, G, or H. Distribution Code A, B, or C, when applicable, must be entered in position 5 with the applicable numeric code in position 4.

When using Code P for an IRA distribution under section 408(d)(4) of the Internal Revenue Code, the filer may also enter Code 1 if applicable.

Only three numeric combinations are acceptable, Codes 8 and 1, Codes 8 and 2 and Codes 8 and 4, on one return. These three combinations can be used only if both codes apply to the distribution being reported. If more than one numeric code is applicable to different parts of a distribution, report two separate "B" Records.

Field Position	Field Title	Length	Description and Remarks	
	Form 1099-R Continued		Distribution Codes E, F, and H cannot be used in conjunction with other codes. Distribution Code G may be used in conjunction with Distribution Code 4 only , if applicable.	
			<i>Category</i>	<i>Code</i>
			Early (premature) distribution, no known exception	1*
			Early (premature) distribution, exception applies (as defined in section 72(q), (t), or (v) of the Internal Revenue Code) (other than disability or death)	2*
			Disability	3*
			Death (includes payments to an estate or other beneficiary)	4*
			Prohibited transaction	5*
			Section 1035 exchange	6
			Normal distribution	7*
			Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 1996	8*
			PS 58 costs	9
			Excess contributions plus earnings/excess deferrals taxable in 1995	P*
			May be eligible for 5- or 10-year tax option	A
			May be eligible for death benefit exclusion	B
			May be eligible for both A and B	C
			Excess contributions plus earnings/excess deferrals taxable in 1994	D*
			Excess annual additions under section 415	E
			Charitable gift annuity	F
			Direct rollover to IRA	G
			Direct rollover to qualified plan or tax-sheltered annuity	H

* If reporting an IRA or SEP distribution, code a "1" (one) in position 44 of the "B" Record.

Type of Wager (Form W-2G only)

For Form W-2G, enter the applicable code in position 4. Position 5 will be blank.

<i>Category</i>	<i>Code</i>
Horse race track (or off-track betting of a horse track nature)	1
Dog race track (or off-track betting of a dog track nature)	2
Jai-alai	3
State-conducted lottery	4
Keno	5
Bingo	6
Slot machines	7
Any other type of gambling winnings	8

Record Name: Payee "B" Record—Continued

Field Position	Field Title	Length	Description and Remarks								
6	2nd TIN Notice	1	For Forms 1099-B, 1099-DIV, 1099-INT, 1099-MISC, 1099-OID, and 1099-PATR only. Enter "2" to indicate notification by IRS/MCC twice within three calendar years that the payee provided an incorrect name and/or TIN combination, otherwise, enter a blank .								
7	Corrected Return Indicator	1	Indicate a corrected return. <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: left;"><i>Code</i></th> <th style="text-align: left;"><i>Definition</i></th> </tr> </thead> <tbody> <tr> <td>G</td> <td>If this is a one-transaction correction or the first of a two-transaction correction</td> </tr> <tr> <td>C</td> <td>If this is the second transaction of a two transaction correction</td> </tr> <tr> <td>Blank</td> <td>If this is not a return being submitted to correct information already processed by IRS.</td> </tr> </tbody> </table>	<i>Code</i>	<i>Definition</i>	G	If this is a one-transaction correction or the first of a two-transaction correction	C	If this is the second transaction of a two transaction correction	Blank	If this is not a return being submitted to correct information already processed by IRS.
<i>Code</i>	<i>Definition</i>										
G	If this is a one-transaction correction or the first of a two-transaction correction										
C	If this is the second transaction of a two transaction correction										
Blank	If this is not a return being submitted to correct information already processed by IRS.										

☛ **Note: C, G, and non-coded records must be reported using separate Payer "A" Records. Refer to Part A, Sec. 13, for specific instructions on how to file corrected returns.**

8-11	Name Control	4	If determinable, enter the first four (4) characters of the surname of the person whose TIN is being reported in positions 15-23 of the "B" Record, otherwise, enter blanks. This is usually the payee. If the name that corresponds to the TIN is not included in the first or second payee name line and the correct name control is not provided, a backup withholding notice may be generated for the record. Surnames of less than four (4) characters should be left-justified, filling the unused positions with blanks. Special characters and imbedded blanks should be removed. In the case of a business, other than a sole proprietorship, use the first four significant characters of the business name. Disregard the word "the" when it is the first word of the name, unless there are only two words in the name. A dash (-) and an ampersand (&) are the only acceptable special characters. Surname prefixes are considered part of the surname, <i>e.g.</i> , for Van Elm, the name control would be VANE.
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☛ **Note: Although extraneous words, titles, and special characters are allowed (i.e., Mr., Mrs., Dr., apostrophe, or dash), this information may be dropped during subsequent IRS/MCC processing.**

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

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

Record Name: Payee "B" Record—Continued

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

* Name Controls of less than four (4) significant characters must be left-justified and blank-filled.

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

12 Direct Sales Indicator 1 **1099 MISC only.** Enter a "1" (one) to indicate sales of \$5,000 or more of consumer products to a person on a buy/sell, deposit/commission, or any other commission basis for resale anywhere other than in a permanent retail establishment. Otherwise, enter a blank.

☛ **Note: If reporting direct sales only, use Type of Return "A" in position 22, and Amount Code 1 in position 23 of the Payer "A" Record. All payment amount fields in the Payee "B" Record will contain zeros.**

13 Blank 1 **Enter blank.**

14 Type of TIN 1 This field is used to identify the Taxpayer Identification Number (TIN) in positions 15–23 as either an Employer Identification Number (EIN), or a Social Security Number (SSN).* Enter the appropriate code from the following table:

* While not a "Required" field, this information is important for the correct processing of the payee's TIN.

Type of TIN	Type of Account
1	EIN A business, organization, sole proprietor, or other entity
2	SSN An individual, including a sole proprietor
Blank	N/A If the type of TIN is not determinable, enter a blank.

15–23 Taxpayer Identification Number 9 **Required.** Enter the nine digit Taxpayer Identification Number of the payee (SSN or EIN). If an identification number has been applied for but not received, enter blanks. **Do not enter hyphens or alpha characters.** All zeros, ones, twos, etc. will have the effect of an incorrect TIN. If the TIN is not available, enter blanks (See **Note**).

☛ **Note: IRS/MCC contacts payers who have submitted payee data with missing TINs in an attempt to prevent erroneous notices. Payers who submit data with missing TINs, and have taken the required steps to obtain this information are encouraged to attach a letter of explanation to the required Form 4804. This will prevent unnecessary contact from IRS/MCC. This letter, however, will not prevent backup withholding notices (CP2100 or CP2100A) or penalties. (Refer to the Penalty section of the 1996 "Instructions for Forms 1099, 1098, 5498, and W-2G" for missing or incorrect TINs.)**

Field Position	Field Title	Length	Description and Remarks
24–43	Payer’s Account Number for Payee	20	Enter any number assigned by the payer to the payee (e.g., checking or savings account number). Filers are encouraged to use this field. This number helps to distinguish individual payee records and should be unique for each document. Do not use the payee’s TIN since this will not make each record unique. This information is particularly useful when corrections are filed. This number will be provided with the backup withholding notification and may be helpful in identifying the branch or subsidiary reporting the transaction. Do not define data in this field in packed decimal format. If fewer than twenty characters are used, filers may either left or right justify, filling the remaining positions with blanks.
44	IRA/SEP Indicator	1	Form 1099–R. Enter “1” (one) if reporting a distribution from an IRA or SEP; otherwise, enter a blank (See Note). Form 5498. Enter “1” (one) if reporting <i>Simplified Employee Pension (SEP)</i> .
<p>☛ Note: For Form 1099–R, generally, report the total amount distributed from an IRA or SEP in Payment Amount Field 2 (Taxable Amount), as well as Payment Amount Field 1 (Gross Distribution) of the “B” Record. Filers may indicate the taxable amount was not determined by using the Taxable Amount Not Determined Indicator (position 48) of the “B” Record. However, still report the amount distributed in Payment Amount Fields 1 and 2. Refer to the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G” for exceptions.</p>			
45–46	Percentage of Total Distribution	2	Form 1099–R only. Use this field when reporting a total distribution to more than one person, such as when a participant is deceased and a payer distributes to two or more beneficiaries. Therefore, if the percentage is 100, leave this field blank. If the percentage is a fraction, round off to the nearest whole number (for example, 10.4 percent will be 10 percent; 10.5 percent or more will be 11 percent). Enter the percentage received by the person whose TIN is included in positions 15–23 of the “B” Record. This field must be right-justified, and unused positions must be zero-filled. If not applicable, enter blanks. Filers need not enter this information for IRA or SEP distributions or for direct rollovers.
47	Total Distribution Indicator (See Note)	1	Form 1099–R only. Enter a “1” (one) only if the payment shown for Amount Code 1 is a total distribution that closed out the account; otherwise, enter a blank.
<p>☛ Note: A total distribution is one or more distributions within one tax year in which the entire balance of the account is distributed. Any distribution that does not meet this definition is not a total distribution.</p>			
48	Taxable Amount Not Determined Indicator	1	Form 1099–R only. Enter a “1” (one) only if the taxable amount of the payment entered for Payment Amount Field 1 (Gross Distribution) of the “B” Record cannot be computed; otherwise, enter blank. If Taxable Amount Not Determined Indicator is used, enter “0’s” (zeros) in Payment Amount Field 2 of the Payee “B” Record unless the IRA/SEP Indicator is present (See Note). Please make every effort to compute the taxable amount.
<p>☛ Note: If reporting an IRA or SEP distribution for Form 1099–R, the Taxable Amount Not Determined Indicator may be used; but, it is not required. If the IRA/SEP Indicator is present, generally, the amount of the distribution must be reported in both Payment Amount Fields 1 and 2. Refer to the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G” for more information.</p>			

Field Position	Field Title	Length	Description and Remarks
49–50	Blank	2	Enter blanks.
	Payment Amount Fields (Must be numeric) (See Note 1)		<p>Required. Filers should allow for all payment amounts. For those not used, enter zeros. For example: If position 22, Type of Return, of the "A" Record is "A" (for 1099–MISC) and positions 23–31, Amount Codes, are "1247bbbb". This indicates the payer is reporting any or all four payment amounts (1247) in all of the following "B" Records. (In this example, "b" denotes blanks in the designated positions. Do not enter the letter 'b'.) Payment Amount 1 will represent rents; Payment Amount 2 will represent royalties; Payment Amount 3 will be all "0's" (zeros); Payment Amount 4 will represent Federal income tax withheld; Payment Amounts 5 and 6 will be all "0's" (zeros); Payment amount 7 will represent nonemployed compensation, and Payment Amounts 8 and 9 will be all "0's" (zeros). Each payment field must contain 10 numeric characters (See Note 2). Each payment amount must be entered in U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. Do not enter dollar signs, commas, decimal points, or negative payments, except those items that reflect a loss on Form 1099–B. Positive and negative amounts are indicated by placing a "+" (plus) or "-" (minus sign) in the left-most position of the payment amount field. A negative over punch in the units position may be used, instead of a minus sign, to indicate a negative amount. If a plus sign, minus sign, or negative over punch is not used, the number is assumed to be positive. Negative over punch cannot be used in PC created files. Payment amounts must be right-justified and unused positions must be zero-filled. Federal income tax withheld cannot be reported as a negative amount on any form.</p>
			<p>☛ Note 1: Filers are instructed to enter numeric information in all payment fields when filing magnetically or electronically. However, when reporting information on the statement to recipient, the payer may be instructed to leave a box blank. Follow the guidelines provided in the paper instructions for the statement to recipient.</p> <p>☛ Note 2: If a payer is reporting a *money amount in excess of 999999999 (dollars and cents), it must be reported as follows:</p> <p>(1) The first Payee "B" Record MUST contain *999999999.</p> <p>(2) The second Payee "B" Record will contain the remaining money amount.</p> <p style="text-align: center;">*DO NOT SPLIT THIS FIGURE IN HALF.</p>
51–60	Payment Amount 1*	10	The amount reported in this field represents payments for Amount Code 1 in the "A" Record.
61–70	Payment Amount 2*	10	The amount reported in this field represents payments for Amount Code 2 in the "A" Record.
71–80	Payment Amount 3*	10	The amount reported in this field represents payments for Amount Code 3 in the "A" Record.
81–90	Payment Amount 4*	10	The amount reported in this field represents payments for Amount Code 4 in the "A" Record.
91–100	Payment Amount 5*	10	The amount reported in this field represents payments for Amount Code 5 in the "A" Record.
101–110	Payment Amount 6*	10	The amount reported in this field represents payments for Amount Code 6 in the "A" Record.
111–120	Payment Amount 7*	10	The amount reported in this field represents payments for Amount Code 7 in the "A" Record.
121–130	Payment Amount 8*	10	The amount reported in this field represents payments for Amount Code 8 in the "A" Record.

Field Position	Field Title	Length	Description and Remarks
131–140	Payment Amount 9*	10	The amount reported in this field represents payments for Amount Code 9 in the “A” Record.
* If there are discrepancies between the payment amount fields and the boxes on the paper forms, the instructions in this revenue procedure govern.			
141–160	Blank	20	Enter blanks.
161	Foreign Country Indicator	1	If the address of the payee is in a foreign country, enter a “1” (one) in this field; otherwise, enter blanks. When filers use this indicator, they may use a free format for the payee city, state, and ZIP Code. Address information must not appear in the First or Second Payee Name Line.
162–201	First Payee Name Line	40	Required. Enter the name of the payee (preferably surname first) whose Taxpayer Identification Number (TIN) was provided in positions 15–23 of the “B” Record. Left justify and fill unused positions with blanks. If more space is required for the name, utilize the Second Payee Name Line Field. If there are multiple payees, only the name of the payee whose TIN has been provided should be entered in this field. The names of the other payees may be entered in the Second Payee Name Line Field. If reporting information for a sole proprietor, the individual’s name must always be present, preferably on the First Payee Name Line. The use of the business name is optional in the Second Payee Name Line Field.
☛ Note: When reporting Form 1098, Mortgage Interest Statement, the “A” Record will reflect the name of the recipient of the interest (the payer). The “B” Record will reflect the individual paying the interest (the borrower/payer of record) and the amount paid. For Form 1099–S, the “B” Record will reflect the seller/transferor information.			
For Form 5498 Inherited IRAs, enter the beneficiary’s name followed by the word “beneficiary.” For example, “Brian Young as beneficiary of Joan Smith” or something similar that signifies that the IRA was once owned by Joan Smith. Filers may abbreviate the word “beneficiary” as, for example, “benef.” Refer to the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G.” The beneficiary’s TIN must be reported in positions 15–23 of the “B” Record.			
202–241	Second Payee Name Line	40	If there are multiple payees, (e.g., partners, joint owners, or spouses), use this field for those names not associated with the TIN provided in position 15–23 of the “B” Record or if not enough space was provided in the First Payee Name Line, continue the name in this field. Do not enter address information. It is important that filers provide as much payee information to IRS/MCC as possible to identify the payee assigned the TIN. Left justify and fill unused positions with blanks. Fill with blanks if no entries are present for this field.
242–281	Payee Mailing Address	40	Required. Enter mailing address of payee. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to street address). Left justify information and fill unused positions with blanks. This field must not contain any data other than the payee’s mailing address.
For U.S. addresses, the payee city, state, and ZIP Code must be reported as a 29, 2, and 9 position field, respectively. Filers must adhere to the correct format for the payee city, state, and ZIP Code. For foreign addresses, filers may use the payee city, state, and ZIP Code as a continuous 40 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Country Indicator in position 161 must contain a “1” (one).			
282–310	Payee City	29	Required. Enter the city, town or post office. Left justify information and fill the unused positions with blanks. Enter APO or FPO if applicable. Do not enter state and ZIP Code information in this field.
311–312	Payee State	2	Required. Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 18.
313–321	Payee ZIP Code	9	Required. Enter the valid nine digit ZIP Code assigned by the U.S. Postal Service. If only the first five digits are known, left justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a “1” (one) in the Foreign Country Indicator Field, located in position 161 of the “B” Record.

**Standard Payee "B" Record Format For
All Types of Returns up to Position 321**

Record Type	Payment Year	Document Specific/ Distribution Code	2nd TIN Notice (Optional)	Corrected Return Indicator
1	2-3	4-5	6	7

Name Control	Direct Sales Indicator	Blank	Type of TIN	Taxpayer Identification Number	Payer's Account Number For Payee
8-11	12	13	14	15-23	24-43

IRA/SEP Indicator	Percentage of Total Distribution	Total Distribution Indicator	Taxable Amt Not Determined Indicator	Blank
44	45-46	47	48	49-50

Payment Amount 1	Payment Amount 2	Payment Amount 3	Payment Amount 4	Payment Amount 5
51-60	61-70	71-80	81-90	91-100

Payment Amount 6	Payment Amount 7	Payment Amount 8	Payment Amount 9
101-110	111-120	121-130	131-140

Blank	Foreign Country Indicator	First Payee Name Line	Second Payee Name Line	Payee Mailing Address
141-160	161	162-201	202-241	242-281

Payee City	Payee State	Payee Zip Code
282-310	311-312	313-321

Record Name: Payee “B” Record—Continued

Field Position	Field Title	Length	Description and Remarks
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The following sections define the field positions for the different types of returns in the Payee “B” Record (positions 322–420):

- (1) Forms 1098, 1099–DIV, 1099–G, 1099–INT, 1099–MISC, 1099–PATR, and 5498
- (2) Form 1099–A
- (3) Form 1099–B
- (4) Form 1099–C
- (5) Form 1099–OID
- (6) Form 1099–R
- (7) Form 1099–S
- (8) Form W–2G

(1) Payee “B” Record—Record Layout Positions 322–420 Forms 1098, 1099–DIV, 1099–G, 1099–INT, 1099–MISC, 1099–PATR, and 5498

322–349	Blank	28	Enter blanks.
350–416	Special Data Entries	67	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
417–418	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program or for forms not valid for state reporting, enter blanks.
419–420	Blank	2	Enter blanks, or carriage return/line feed (cr/lf) characters.

Payee “B” Record—Record Layout Positions 322–420

Forms 1098, 1099–DIV, 1099–G, 1099–INT, 1099–MISC, 1099–PATR, and 5498

Blank	Special Data Entries	Combined Federal/State Code	Blank or CR/LF
322–349	350–416	417–418	419–420

(2) Payee “B” Record—Record Layout Positions 322–420 Form 1099–A

322–349	Blank	28	Enter blanks.
350–370	Special Data Entries	21	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
371–376	Date of Lender’s Acquisition or Knowledge of Abandonment	6	Form 1099–A only. Enter the acquisition date of the secured property or the date they first knew or had reason to know the property was abandoned, in the format MMDDYY (<i>i.e.</i> , 052296). Do NOT enter hyphens or slashes.
377	Liability Indicator	1	Form 1099–A only. Enter the appropriate indicator from the table below:

Record Name: Payee "B" Record—Continued
Form 1099-a

Field Position	Field Title	Length	Description and Remarks
	Liability Indicator		<p><i>Indicator Usage</i></p> <p>1 Borrower was personally liable for repayment of the debt. Blank Borrower was not liable for repayment debt.</p>
378-416	Description of Property	39	Form 1099-A only. Enter a brief description of the property. For real property, enter the address, or if the address does not sufficiently identify the property, enter the section, lot and block. For personal property, enter the type, make and model (e.g., Car-1995 Buick Regal or office equipment). Enter "CCC" for crops forfeited on Commodity Credit Corporation loans. If fewer than 39 positions are required, left justify information and fill unused positions with blanks.
417-418	Blank	2	Enter blanks.
419-420	Blank	2	Enter blanks, or carriage return/line feed (cr/lf) characters.

Payee "B" Record—Record Layout Positions 322-420 Form 1099-A

Blank	Special Data Entries	Date of Lender's Acquisition or Abandonment	Liability Indicator	Description of Property	Blank	Blank or Cr/lf
322-349	350-370	371-376	377	378-416	417-418	419-420

(3) Payee "B" Record—Record Layout Position 322-420 Form 1099-B

Field Position	Field Title	Length	Description and Remarks
322-349	Blank	28	Enter blanks.
350-359	Special Data Entries	10	This portion of the "B" Record may be used to record information for state or local government reporting or the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
360	Gross Proceeds Indicator	1	<p>Form 1099-B only. Enter the appropriate indicator from the following table, otherwise, enter blanks.</p> <p><i>Indicator Usage</i></p> <p>1 Gross proceeds 2 Gross proceeds less commissions and option premiums</p>
361-366	Date of Sale	6	Form 1099-B only. For broker transactions, enter the trade date of the transaction. For barter exchanges, enter the date when cash, property, a credit, or scrip is actually or constructively received in the format MMDDYY (e.g., 052196). Enter blanks if this is an aggregate transaction. Do NOT enter hyphens or slashes
367-379	CUSIP Number	13	Form 1099-B only. For broker transactions only, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the item reported for Amount Code 2 (stocks, bonds, etc.). Enter blanks if this is an aggregate transaction. Enter "0" (zeros) if the number is not available. Right justify information and fill unused positions with blanks.

Payee “B” Record—Record Layout Positions 322–420 Form 1099–A—Continued

Field Position	Field Title	Length	Description and Remarks
380–418	Description	39	Form 1099–B only. If fewer than 39 characters are required, left justify information and fill unused positions with blanks. For broker transactions, enter a brief description of the disposition item (<i>e.g.</i> , 100 shares of XYZ Corp.). For regulated futures and forward contracts, enter “RFC” or other appropriate description and any amount subject to backup withholding (see Note). For bartering transactions, show the services or property provided.
<p>☛ Note: The amount withheld in these situations is to be included in Amount Code 4.</p>			
419–420	Blank	2	Enter blanks, or carriage return/ line feed (cr/lf) characters.

Payee “B” Record—Record Layout Positions 322–420 Form 1099–B

Blank	Special Data Entries	Gross Proceeds Indicator	Date of Sale	CUSIP Number	Description
322–349	350–359	360	361–366	367–379	380–418

Blank or CR/LF

419–420

(4) Payee “B” Record—Record Layout Positions 322–420 Form 1099–C

Field Position	Field Title	Length	Description and Remarks						
322–349	Blank	28	Enter blanks.						
350–370	Special Data Entries	21	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.						
371–376	Date Canceled	6	Form 1099–C only. Enter the date the debt was canceled in the format of MMDDYY (<i>i.e.</i> , 052296). Do not enter hyphens or slashes.						
377	Bankruptcy Indicator	1	Form 1099–C only. Enter “1” (one) to indicate the debt was discharged in bankruptcy. <table border="0"> <tr> <td><i>Indicator</i></td> <td><i>Usage</i></td> </tr> <tr> <td>1</td> <td>Debt was discharged in bankruptcy.</td> </tr> <tr> <td>Blank</td> <td>Debt was not discharged in bankruptcy.</td> </tr> </table>	<i>Indicator</i>	<i>Usage</i>	1	Debt was discharged in bankruptcy.	Blank	Debt was not discharged in bankruptcy.
<i>Indicator</i>	<i>Usage</i>								
1	Debt was discharged in bankruptcy.								
Blank	Debt was not discharged in bankruptcy.								
378–416	Debt Description	39	Form 1099–C only. Enter a description of the origin of debt, such as student loan, mortgage, or credit card expenditure. If a combined Form 1099–C and 1099–A is being filed, also enter a description of the property.						
417–418	Blank	2	Enter blanks.						
419–420	Blank	2	Enter blanks, or carriage return/line feed (cr/lf).						

Payee "B" Record—Record Layout Positions 322–422 Form 1099–C

Blank	Special Data Entries	Date Canceled	Bankruptcy Indicator	Debt Description
322–349	350–370	371–376	377	378–416

Blank	Blank Or CR/LF
417–418	419–420

(5) Payee "B" Record—Record Layout Position 322–420 Form 1099–OID

Field Position	Field Title	Length	Description and Remarks
322–349	Blank	28	Enter blanks.
350–377	Special Data Entries	28	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not used, enter blanks.
378–416	Description	39	Required 1099–OID only. Enter the CUSIP number, if any. If there is no CUSIP number, enter the abbreviation for the stock exchange and issuer, the coupon rate, and year of maturity (<i>e.g.</i> , NYSE XYZ 12 1/2 98). Show the name of the issuer if other than the payer. If fewer than 39 characters are required, left justify information and fill unused positions with blanks.
417–418	Combined Federal/State Code	2	If payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table I. For those payers or states not participating in this program and for forms not valid for state reporting, enter blanks.
419–420	Blank	2	Enter blanks or carriage return/line feed (cr/lf) characters.

Payee "B" Record—Record Layout Positions 322–420 Form 1099–OID

Blank	Special Data Entries	Description	Combined Federal/State Code	Blank or CR/LF
322–349	350–377	378–416	417–418	419–420

(6) Payee "B" Record—Record Layout Positions 322–420 1099–R

Field Position	Field Title	Length	Description and Remarks
322–349	Blank	28	Enter blanks.
350–396	Special Data Entries	47	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.

Field Position	Field Title	Length	Description and Remarks
397–406	<i>State Income Tax Withheld (Form 1099–R only)</i>	10	<i>State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries field.</i>
407–416	<i>Local Income Tax Withheld (Form 1099–R only)</i>	10	<i>Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. Payment amount must be right justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.</i>
417–418	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 16, Table 1. For those payers or states not participating in this program or for forms not valid for state reporting, enter blanks .
419–420	Blank	2	Enter blanks , or carriage return/line feed (cr/lf) characters.

Payee "B" Record—Record Layout Positions 322–420 Form 1099-R

Blank	Special Data Entries	<i>State Income Tax Withheld (Form 1099–R Only)</i>	<i>Local Income Tax Withheld (Form 1099–R Only)</i>	Combined Federal/State Code
322–349	350–396	397–406	407–416	417–418

Blank or CR/LF

419–420

(7) Payee "B" Record—Record Layout Positions 322–420 Form 1099-S

Field Position	Field Title	Length	Description and Remarks
322–349	Blank	28	Enter blanks.
350–372	Special Data Entries	23	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks .
373–378	Date of Closing	6	Required Form 1099–S only. Enter the closing date in the format MMDDYY (e.g., 052296). Do not enter hyphens or slashes.
379–417	Address or Legal Description	39	Required Form 1099–S only. Enter the address of the property transferred (including city, state, and ZIP Code). If the address does not sufficiently identify the property, also enter a legal description, such as section, lot, and block. For timber royalties, enter "TIMBER." If fewer than 39 positions are required, left justify information and fill unused positions with blanks.

Field Position	Field Title	Length	Description and Remarks
418	Property or Services To Be Received	1	Required Form 1099-S only. Enter "1" (one) if the transferor received or will receive property (other than cash and consideration treated as cash in computing gross proceeds) or services as part of the consideration for the property transferred. Otherwise, enter a blank.
419–420	Blank	2	Enter blanks or carriage return/line feed (cr/lf) characters.

Payee "B" Record—Record Layout Positions 322–420 Form 1099-S

Blank	Special Data Entries	Date of Closing	Address Or Legal Description	Property Or Services Received	Blank or CR/LF
322–349	350–372	373–378	379–417	418	419–420

☛ **Note:** When reporting Form 1099-S, the "B" Record will reflect the seller/transferor information.

(8) Payee "B" Record—Record Layout Positions 322–420 Form W-2G

Field Position	Field Title	Length	Description and Remarks
322–352	Blank	31	Enter blanks.
353–358	Date Won	6	Required Form W-2G only. Enter the date of the winning event in the format MMDDYY (<i>e.g.</i> , 052296). Do not enter hyphens or slashes. This is not the date the money was paid, if paid after the date of the race (or game).
359–373	Transaction	15	Required Form W-2G only. For state-conducted lotteries, enter the ticket or other identifying number. For keno, bingo, and slot machines, enter the ticket or card number (and color, if applicable), machine serial number, or any other information that will help identify the winning transaction. All others, enter blanks.
374–378	Race	5	Form W-2G only. If applicable, enter the race (or game) relating to the winning ticket. Otherwise, enter blanks.
379–383	Cashier	5	Form W-2G only. If applicable, enter the initials of the cashier making the winning payment; otherwise, enter blanks.
384–388	Window	5	Form W-2G only. If applicable, enter the window number or location of the person paying the winnings; otherwise, enter blanks.
389–403	First ID	15	Form W-2G only. For other than state lotteries, enter the first identification number of the person receiving the winnings; otherwise, enter blanks.
404–418	Second ID	15	Form W-2G only. For other than state lotteries, enter the second identification number of the person receiving the winnings; otherwise, enter blanks.
419–420	Blank	2	Enter blanks, or carriage return/line feed (cr/lf) characters.

Payee "B" Record — Record Layout Positions 322–420 Form W-2G

Blank	Date Won	Transaction	Race	Cashier	Window	First Id
322–352	353–358	359–373	374–378	379–383	384–388	389–403

Second Id	Blank or CR/LF
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404-418 419-420

Sec. 9. End of Payer "C" Record—Record Layout

.01 The End of Payer "C" Record is a fixed record length of 420 positions. The control total fields are each 15 positions in length.

.02 The "C" Record consists of the total number of payees and the totals of the payment amount fields filed by a given payer and/or a particular type of return. The "C" Record **must** be written after the last "B" Record for each type of return for a given payer. For each "A" Record and group of "B" Records on the file, there must be a corresponding "C" Record.

.03 In developing the "C" Record, for example, if a payer used Amount Codes 1, 3, and 6 in the "A" Record, the totals from the "B" Records will appear in Control Totals 1, 3, and 6 of the "C" Record. In this example, positions 26-40, 56-85, and 101-145 would be zero filled. Positions 146-420 would be blank filled.

.04 Payers/Transmitters should verify the accuracy of the totals since data with missing or incorrect "C" Records may be returned for replacement.

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter "C."
2-7	Number of Payees	6	Required. Enter the total number of "B" Records covered by the preceding "A" Record. Right justify information and fill unused positions with zeros.
8-10	Blank	3	Enter blanks.

Required. Accumulate totals of any payment amount fields in the "B" Record into the appropriate control total fields of the "C" Record. **Control totals must be right-justified and unused control total fields zero-filled.** All control total fields are 15 positions in length.

11-25	Control Total 1	15	
26-40	Control Total 2	15	
41-55	Control Total 3	15	
56-70	Control Total 4	15	
71-85	Control Total 5	15	
86-100	Control Total 6	15	
101-115	Control Total 7	15	
116-130	Control Total 8	15	
131-145	Control Total 9	15	
146-420	Blank	275	Enter blanks. Filers may enter carriage return/line feed (cr/lf) characters in positions 419-420.

End of Payer "C" Record—Record Layout

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3
1	2-7	8-10	11-25	26-40	41-55

End of Payer “C” Record—Record Layout—Continued

Control Total 4	Control Total 5	Control Total 6	Control Total 7	Control Total 8	Control Total 9	Blank or CR/LF
56–70	71–85	86–100	101–115	116–130	131–145	146–420

Sec. 10. State Totals “K” Record—Record Layout

.01 The State Totals “K” Record is a fixed record length of 420 positions. The control total fields are each 15 positions in length.

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

.03 The “K” Record will contain the total number of payees and the totals of the payment amount fields filed by a given payer for a given state. The “K” Record(s) must be written after the “C” Record for the related “A” Record.

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

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

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

.07 *Control total fields have been added for the accumulated totals of state and local withholding fields from the “B” Records for Form 1099–R only for each state being reported.*

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

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter “K.”
2–7	Number of Payees	6	Required. Enter the total number of “B” Records being coded for this state. Right justify information and fill unused positions with zeros.
8–10	Blank	3	Enter blanks.

Required. Accumulate totals of any payment amount fields in the “B” Records for each state being reported into the appropriate control total fields of the appropriate “K” Record. **Control totals must be right-justified, and unused control total fields zero-filled.** All control total fields are 15 positions in length.

11–25	Control Total 1	15	
26–40	Control Total 2	15	
41–55	Control Total 3	15	
56–70	Control Total 4	15	
71–85	Control Total 5	15	
86–100	Control Total 6	15	
101–115	Control Total 7	15	
116–130	Control Total 8	15	
131–145	Control Total 9	15	
146–416	Blank	271	Reserved for IRS use. Enter blanks.
417–418	Combined Federal/ State Code	2	Required. Enter the code assigned to the state which is to receive the information. (Refer to Part A, Sec. 16 Table I.)

Field Position	Field Title	Length	Description and Remarks
419-420	Blank	2	Enter blanks or carriage return/line feed (cr/lf) characters.

State Totals "K" Record—Record Layout

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3
1	2-7	8-10	11-25	26-40	41-55

Control Total 4	Control Total 5	Control Total 6	Control Total 7	Control Total 8	Control Total 9
56-70	71-85	86-100	101-115	116-130	131-145

Blank	Combined Federal/State Code	Blank or CR/LF
146-416	417-418	419-420

(2) State Totals "K" Record—Record Layout Form 1099-R

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	Required. Enter "K."
2-7	Number of Payees	6	Required. Enter the total number of "B" Records being coded for this state. Right justify and fill unused positions with zeros.
8-10	Blank	3	Enter blanks.

Required. Accumulate totals of any payment amount fields in the "B" Records for each state being reported into the appropriate control total fields of the appropriate "K" Record. **Control totals must be right justified, and unused control total fields zero-filled.** All control total fields are 15 positions in length.

11-25	Control Total 1	15
26-40	Control Total 2	15
41-55	Control Total 3	15
56-70	Control Total 4	15
71-85	Control Total 5	15
86-100	Control Total 6	15
101-115	Control Total 7	15
116-130	Control Total 8	15
131-145	Control Total 9	15

146-386	Blank	241	Reserved for IRS use. Enter blanks.
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Field Position	Field Title	Length	Description and Remarks
387-401	Control Total State Income Tax Withheld (Form 1099-R only)	15	Accumulate totals of the state income tax withheld field in the Payee "B" Record. Otherwise, enter blanks .
402-416	Control Total Local Income Tax Withheld (Form 1099-R only)	15	Accumulate totals of the local income tax withheld field in the Payee "B" Record. Otherwise, enter blanks .
417-418	Combined Federal/State Code	2	Required. Enter the code assigned to the state which is to receive the information. (Refer to Part A, Sec. 16, Table 1.)
419-420	Blank	2	Enter blanks or carriage return/line feed (cr/lf) characters.

State Totals "K" Record—Record Layout—1099-R

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3
1	2-7	8-10	11-25	26-40	41-55

Control Total 4	Control Total 5	Control Total 6	Control Total 7	Control Total 8	Control Total 9
56-70	71-85	86-100	101-115	116-130	131-145

Blank	Control Total State Income Tax Withheld (Form 1099-R Only)	Control Total Local Income Tax Withheld (Form 1099-R Only)	Combined Federal/State Code	Blank or CR/LF
146-386	387-401	402-416	417-418	419-420

Sec. 11. End of Transmission "F" Record—Record Layout

.01 The end of transmission "F" Record is a fixed record length of 420 positions. The "F" Record is a summary of the number of payers in the entire file.

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

Record Name: End of Transmission "F" Record

1	Record Type	1	Required. Enter "F."
2-5	Number of "A" Records	4	Enter the total number of Payer "A" Records in the entire file (right justify and zero fill) or enter all zeros.
6-30	Zero	25	Enter zeros.
31-420	Blank	390	Enter blanks. Filers may enter carriage return/line feed (cr/lf) characters in positions 419-420.

Record Type	Number of "A" Records	Zeros	Blank or CR/LF
1	2-5	6-30	31-420

Part C. Bisynchronous (Mainframe) Electronic Filing Specifications

Sec. 1. General

.01 Bisynchronous electronic filing of Forms 1098, 1099, 5498, and W-2G 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 requirement, but would prefer to file their information returns this way.

.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 "A", "B", "C", "K", and "F" Records are the same for electronically filed records as they are for 5¼- and 3½-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) "F" 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. (Filers who currently have a TCC for magnetic filing 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 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 must submit either Form 4419 or a letter to indicate that they wish to file information returns electronically. Another TCC will **not** 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, MS-370
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 at:

☒ IRS/MCC
Information Returns Branch
P. O. Box 1359, MS-360
Martinsburg, WV 25401

or by calling: **304-263-8700.**

.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; 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 1996 (returns to be filed in 1997), it **must** be submitted to IRS/MCC **no earlier than** November 1, 1996, through December 31, 1996.

.02 If a filer encounters problems while transmitting electronic test files, contact IRS/MCC 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.

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

Sec. 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 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 "A" 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. 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 may be faxed to IRS/MCC at the following number: **304-264-5602**. Faxed transmittals will allow IRS/MCC to begin processing the file immediately; however, a filer must still send the actual signed Form 4804 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, AT&T 2296A for 9600 bps transmissions, or Hayes OPTIMA 288 V.FC Smartmodem for 14400 bps transmissions. These 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**. **For 14400 bps, the circuit will be 304-264-7045**. These 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

.05 *The 14400 bps line terminates at a Hayes OPTIMA 288 V.FC smartmodem. The Hayes OPTIMA smartmodem is a half-duplex, ITU-T (formerly CCITT) V.32 and V.32 bis compatible unit which operates at 14400 bps, 9600 bps, or 4800 bps (fallback). The following options have been selected:*

— Monitor DTR signal

— Assert DSR signal after handshake negotiation, but before connect result code

— Ring control S=1

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 420 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 characters: \$\$REQUEST ID=MSGFILE
21-420	Blank	400	Enter blanks.

Electronic Filing Identifier \$\$REQUEST RECORD—Record Layout

\$\$REQUEST Identifier Record	Blank
1-20	21-420

.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) “F” 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.
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 E = <i>Extension File</i>
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.

Field Position	Field Title	Length	Description and Remarks
52	Quote	1	Enter a single quote (').
53-420	Blanks	368	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	53-420

Part D. Asynchronous (IRP-BBS) Electronic Filing Specifications

Sec. 1. General

.01 Asynchronous electronic filing of Forms 1098, 1099, 5498, and W-2G, originals, corrections, and replacements of information returns is offered as an alternative to magnetic media (tape, tape cartridge, or diskette) or paper filing, but is not a requirement. 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 per-

sonnel 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. *Files submitted in this manner must be in standard ASCII code.*

.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 "A", "B", "C", "K", and "F" Records are the same for electronically filed records as they are for 5¼- and 3½-inch diskettes, tapes, and tape cartridges and *must be in standard ASCII code.* For electronically filed documents, each transmission is considered a separate file; therefore each transmission **must** have an End of Transmission (EOT) "F" Record.

Sec. 2. Electronic Filing Approval Procedure

.01 Filers must obtain, or already have, a Transmitter Control Code (TCC) assigned to them prior to sub-

mitting their files electronically. (Filers who currently have a TCC for magnetic filing 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 1996 (returns to be filed in 1997), it **must** be submitted to IRS/MCC **no earlier than** November 1, 1996, through December 31, 1996.

.02 If a filer encounters problems while transmitting the electronic test files, 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 two workdays after their transmission is received by IRS/MCC.

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

Sec. 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 re-

quested if needed. It may be advantageous to break down large files (**files in excess of two hours of transmission time**) into several smaller files. For example, if large files contain several types of returns or payers, transmit each return or payer as a separate file. As a result, if only one of the files is incorrect, a replacement would be needed for only the incorrect file.

.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

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. A copy of the form is also available in the back of this publication. 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 "A" 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

conjunction with V.42bis hardware compression.

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 time required to transmit a file can be reduced by as much as 85 percent by using software compression and hardware compression.**

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 percent faster when using the XMODEM-1K or ZMODEM protocols.)

☒ **Attn: Electronic Filing Coordinator**

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

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 two 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 1220 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 two 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) Enter the letter, that corresponds to the filer's terminal, from the following:

<A>	IBM PC		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.

(B) Upper/lower case, line feed needed, O (zero) nulls after each <CR>, do you wish to modify this? (Most users answer no.)

Common User Problems

Problem	Probable Cause	Solution
File does not upload/download	Not starting communication when prompted by 'Awaiting Start Signal'	Start upload/download on filer's 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 24 to 48 hours 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 setting on user's end	Reference your modem manual about increasing the value of the S10 register
Unreadable screens after selecting "IBM w/ANSI"	ANSI.SYS driver not loaded in the user's PC	Select non ANSI under (Y)our settings

IRS Encountered Problems

Problem	Probable Cause	Solution
IRS cannot complete final processing of data	User did not mail the Form 4804	Mail completed Form complete final 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 two 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 Extensions of Time

Sec. 1. General Information

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

.02 *Only filers who have been assigned a Transmitter Control Code may request an extension of time magnetically or electronically. If you meet the threshold of more than 50 payers when requesting an extension but are below the 250 documents threshold, you must still submit a Form 4419, Application for Filing Information Returns Magnetically/Electronically.* Requests for extensions of time may be made for Forms 1098, 1099, 5498, W-2G, W-2, and 1042-S.

.03 For Tax Year 1996 (returns due to be filed in 1997), transmitters requesting an extension of time to file for **more than 50 payers (not payees) are required to file the extension request on magnetic media or electronically.** Transmitters requesting an extension of time for 10 to 50 payers (*not payees*) are encouraged to file the request magnetically or electronically. The request may be filed on tape, tape cartridge, 5¼- and 3½-inch diskette, or electronically through the IRP-BBS.

.04 For extension requests filed on magnetic media, the transmitter must

fax 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 FAX the Form 8809 the same day the transmission is made.

.05 **Transmitters should not submit a list of payer names and TINS with the Form 8809 with the magnetic media or electronic files. Box 6 of the Form 8809 must be completed with the total number of payer records (total number of payers) on the transmitter's extension of time file.**

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

.07 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 submitted date. This should be considered in meeting filing requirements timely.

.10 Transmitters who submit their extensions of time requests magnetically or electronically will receive a letter from IRS/MCC with an attached list of the payers specifying approval and/or denial.

.11 Do not submit tax year 1996 extensions of time to file requests on magnetic media or electronically before January 1, 1997.

.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 transmitter 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 media label containing the following information:

- (a) Transmitter name
- (b) Transmitter Control Code (TCC)
- (c) Tax year
- (d) The words "Extension of Time"
- (e) Record count

.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 the first request for an extension of time to file was submitted magnetically or electronically, additional extension requests should be submitted in the same manner.

.16 If an additional extension of time is needed, a second Form 8809 may be submitted before the end of the initial extension with a postmark reflecting the date mailed. Line 7 on the form should be checked to indicate that the original extension has been received and the additional extension is being requested.

.17 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) A block must not exceed 32,600 tape positions and must be a multiple of 200.
- (e) Record length of 200 bytes.
- (f) Labeled or unlabeled tapes may be submitted.

.02 Tape cartridge specifications are as follows:

- (a) Must be IBM 3480, 3490, or AS400 compatible.
- (b) Must meet American National Standard Institute (ANSI) standards and have the following characteristics:
 - (1) Tape cartridges will be 1/2-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.
 - (2) Magnetic tape will be chromium dioxide particle based 1/2-inch tape.
 - (3) Cartridges will be 18-track or 36-track parallel. *Indicate on the external media label if the tape cartridge is 18- or 36-track.*
 - (4) Mode will be full function.
 - (5) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
 - (6) Either EBCDIC or ASCII.
- (c) A block must not exceed 32,600 tape positions and must be a multiple of 200.
- (d) Record length of 200 bytes.
- (e) Labeled or unlabeled tape cartridges may be submitted.

.03 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. 3, of this revenue procedure.
- (c) Record length of 200 bytes.
- (d) Diskettes must be created using the MS-DOS operating system.
- (e) Filename of IRSEOT must be used. No other filenames are acceptable. If a file will consist of more than one diskette, the filename IRSEOT will contain a three-digit extension. This extension will indicate the sequence of the diskettes within the file. For example, the first diskette will be named IRSEOT.001, the second diskette will be named IRSEOT.002, etc.

- (f) Delimiter character commas (,) 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 Bisynchronous electronic specifications include:

- (a) Transmitter must have Transmitter Control Code number (TCC).
- (b) Access phone numbers :

4800 bps	304-264-7080
9600 bps	304-264-7040
14400 bps	304-265-7045
- (c) Data compression is encouraged.

☛ **Note: See Part C, Bisynchronous (Mainframe) Electronic Filing Specifications, for detailed information on filing with IRS/MCC via bisynchronous protocols.**

.05 IRP-BBS specifications include:

- (a) Transmitter must have Transmitter Control Code number (TCC).
- (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 1200 to 28,800 bps.
- (e) Data compression is encouraged.

☛ **Note: 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 **payer** for whom the extension of time to file is being requested. Do not enter transmitter information in these fields. **Only one TCC may be present in a file.**

Record Layout

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 TCC per file is acceptable.												
6-14	Payer TIN	9	Required. Must be the valid nine-digit EIN/SSN assigned to the payer. Do not enter blanks, hyphens or alpha characters. All zeros, ones, twos, etc. will have the effect of an incorrect TIN. For foreign entities that are not required to have a TIN, this field may be blank; however, the Foreign Entity Indicator, position 176, must be set to "X."												
15-54	Payer Name	40	Required. Enter the name of the payer whose TIN appears in positions 6-14. Left justify information.												
55-94	Second Payer Name	40	If additional space is needed, this field may be used to continue name line information (e.g., % First National Bank), otherwise, enter blanks.												
95-134	Payer Address	40	Required. Enter the payer's address. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to a street address).												
135-163	Payer City	29	Required. Enter payer city, town, or post office.												
164-165	Payer State	2	Required. Enter payer valid U.S. Postal Service state abbreviation (refer to Part A, Sec. 18).												
166-174	Payer ZIP Code	9	Required. Enter payer ZIP code. If using a five-digit ZIP code, left justify information and fill unused positions with blanks.												
175	Document Indicator (See Note)	1	<p>Required. Enter the document you are requesting an extension of time for using the following code:</p> <table style="margin-left: 40px;"> <thead> <tr> <th>Code</th> <th>Document</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>W-2</td> </tr> <tr> <td>2</td> <td>1098, 1099-A, 1099-B, 1099-C, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, 1099-S, or W-2G</td> </tr> <tr> <td>3</td> <td>5498</td> </tr> <tr> <td>4</td> <td>1042-S</td> </tr> <tr> <td>5</td> <td>REMIC Documents (1099-INT or 1099- OID)</td> </tr> </tbody> </table>	Code	Document	1	W-2	2	1098, 1099-A, 1099-B, 1099-C, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, 1099-S, or W-2G	3	5498	4	1042-S	5	REMIC Documents (1099-INT or 1099- OID)
Code	Document														
1	W-2														
2	1098, 1099-A, 1099-B, 1099-C, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, 1099-S, or W-2G														
3	5498														
4	1042-S														
5	REMIC Documents (1099-INT or 1099- OID)														
<p>☛ Note: Do not enter any other values in this field. Submit a separate record for each document. For example, if you are requesting an extension for 1099-INT and 5498 for the same payer, submit one record with "2" coded in this field and another record with "3" coded in this field. If you are requesting an extension for 1099-DIV and 1099-MISC for the same payer, submit one record with "2" coded in this field.</p>															
176	Foreign Entity Indicator	1	Enter character "X" if Indicator 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.												

Extension of Time Record Layout

Transmitter Control Code	Payer EIN	Payer Name	Second Payer Name	Payer Address	Payer City
1-5	6-14	15-54	55-94	95-134	135-163

Payer State	Payer Zip Code	Document Indicator	Foreign Entity Indicator	Blank
164–165	166–174	175	176	177–198

Blank or CR/LF

199–200

Part F. Miscellaneous Information

Sec. 1. Addresses for Martinsburg Computing Center

To submit an application to file, waiver request (forms), correspondence, and magnetic media files, use the following:

Mailing by U. S. Postal Service: ☒

**IRS—Martinsburg Computing Center
P. O. Box 1359, MS-360
Martinsburg, WV 25401-1359**

Shipping by truck or air freight: ✈

**IRS—Martinsburg Computing Center
Information Reporting Program
Route 9 and Needy Road, MS-360
Martinsburg, WV 25401**

To submit a magnetically filed extension of time request, use the following:

Mailing by U.S. Postal Service: ☒

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

Shipping by truck or air freight: ✈

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

Sec. 2. Telephone Numbers for Contacting IRS/MCC



**Phone Numbers for
Contacting the Martinsburg Computing Center**

Information Reporting Program Call Site:

**?
304-263-8700**

Between 8:30 a.m. and 4:30 p.m. Eastern Time

304-267-3367
Telecommunication Device for the Deaf (TDD)

Information Returns FAX Machine:

304-264-5602

Electronic Filing:

(IRP-BBS)
(Asynchronous)
304-264-7070

Mainframe Filing—(Bisynchronous Filing)

4.8 Modems 304-264-7080

9.6 Modems 304-264-7040

14.4 Modems 304-264-7045

HOURS OF OPERATION—

24 HOURS A DAY

7 DAYS A WEEK

Sec. 3 Preparation Instructions for Media Label

Media label, Form 5064, has been obsoleted. It is no longer necessary to use special labels from IRS for your media. Any pressure sensitive label can now be used as long as it contains the following information:

Type of filing: Indicate whether data is **Original**, **Replacement**, **Test** or **Correction**.

Tax Year: Indicate tax year for which media is submitted.

IRS TCC: (Transmitter Control Code): Provide TCC assigned to the transmitter. (See Part A, Section 7.)

Transmitter's name

Operating system/Hardware:

For 5¼- and 3½-inch diskette files, indicate the type of personal computer operating system, and software package used to create the media (for example: IBM.PC/AT-MSD/DOS, Apple MacIntosh/MacWrite V2.2).

Recommended label format:

Type of filing _____
Tax Year _____ IRS TCC _____
Transmitter name _____
Operating system/Hardware _____
Number of payees _____
Transmitter number for media _____
Media sequence _____ of _____

For tape, indicate either EBCDIC or ASCII.

For tape cartridge, indicate operating system, either EBCDIC or ASCII, and either 18- or 36-track.

For 8mm tape cartridge, indicate operating system, and either EBCDIC or ASCII.

Number of payees: Indicate the total number of Payee "B" Records, Recipient "Q" Records for Form 1042S, or total number of establishments for Form 8027 reported on the media.

Transmitter number for media: If available, provide the in-house number assigned by your organization to the tapes, tape cartridges or diskettes.

Media sequence: Indicate sequence number of media and total number of media in file (for example: *Media sequence 1 of 3, 2 of 3, 3 of 3*).

Please affix external label to appropriate area on magnetic media. Do not hinder the ability to process media when affixing label.

This is the end of Publication 1220 for Tax Year 1996.

Part IV. Items of General Interest

Deletions from Cumulative List of Organizations Contributions to Which Are Deductible Under Section 170 of the Code

Announcement 96-61

The names of organizations that no longer qualify as organizations described in section 170(c)(2) of the Internal Revenue Code of 1986 are listed below.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction for any contributions made after an organization

ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on July 1, 1996, and would end on the date the court first determines that

the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual who was responsible, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

American Society of Humanistic Education (ASHE)

Maitland, FL

St. Albans 2700 Preservation and Restoration Society

St. Albans, WV

Voices for Freedom

Alexandria, VA

Announcement of the Disbarment, Suspension, and Consent to Voluntary Suspension of Attorneys, Certified Public Accountants, Enrolled Agents and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under 31 Code of Federal Regulations, Part 10, an attorney, certified public accountant, enrolled agent or enrolled actuary, in order to avoid the institution or conclusion of a proceeding for his disbarment or suspension from practice before the Internal Revenue Service, may offer his consent to suspension from such practice. The Director of Practice, in his discretion, may suspend an attorney, certified public accountant, enrolled agent or enrolled actuary in accordance with the consent offered.

Attorneys, certified public accountants, enrolled agents and enrolled actuaries are prohibited in any Internal

Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents and enrolled actuaries to identify practitioners under consent suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attor-

ney, certified public accountant, enrolled agent or enrolled actuary and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under consent suspension from practice before the Internal Revenue Service:

Name	Address	Designation	Date of Suspension
Bruender, Lawrence	Lesueur, MN	Attorney	Indefinite from April 18, 1996
Pallman, James J.	New Haven, CT	CPA	April 19, 1996 to October 18, 1996
Pribble Jr., William C.	Minneapolis, MN	Attorney	Indefinite from May 1, 1996
Pyburn, Richard E.	Downers Grove, IL	CPA	May 1, 1996 to October 31, 1997
Scalise, James J.	New Britain, CT	Attorney	May 1, 1996 to July 31, 1996
Kieldaisch, Dale W.	Manteno, IL	CPA	May 1, 1996 to October 31, 1996
Ogorek, Charolotte F.	Park Ridge, IL	CPA	May 3, 1996 to July 2, 1996
Korman, Steven B.	Mulford, CT	CPA	May 3, 1996 to February 2, 1997
Myers, Donald L.	Olney, MD	CPA	May 7, 1996 to May 6, 1998
Sharrett, William R.	Paradise, CA	Enrolled Agent	May 8, 1996 to November 7, 1996
Cornwell, Douglas S.	Norwalk, CT	CPA	May 10, 1996 to November 9, 1996
Chang, Sun Kun	McLean, VA	Enrolled Agent	May 13, 1996 to July 12, 1996
Cariveau, Stewart	Minneapolis, MN	CPA	May 30, 1996 to August 29, 1996
Carter, Gary E.	Ashdown, AR	CPA	June 1, 1996 to August 31, 1996
Underwood, Wendell L.	Sedalia, MO	CPA	June 1, 1996 to July 31, 1996
Candiloro, James A.	Glastonbury, CT	CPA	June 1, 1996 to November 30, 1996
Schwartz, Leonard J.	Danbury, CT	Enrolled Agent	June 1, 1996 to February 28 1997
Forrester, Donald F.	Fairfield, OH	CPA	Indefinite from June 4, 1996
Shade, Stephen E.	Clearwater, FL	Enrolled Agent	June 8, 1996 to May 7, 1997
Woods, James G.	Huntington, CT	CPA	July 1, 1996 to June 30, 1997
Grove, Michael J.	Alliance, OH	CPA	July 1, 1996 to June 30, 1997
Jenkins, Frank	Montgomery, AL	CPA	July 1, 1996 to December 31, 1996
Brewton III, George W.	Greenville, MS	CPA	July 1, 1996 to September 30, 1996
Fischer, Randall E.	Lombard, IL	CPA	July 1, 1996 to September 30, 1996
Rhoney, Brian	Wheaton, IL	CPA	July 1, 1996 to December 31, 1996
Devereux, Michael J.	Florissant, MO	CPA	July 1, 1996 to March 31, 1997
Cranston, Robert S.	Saugerties, NY	CPA	July 1, 1996 to December 31, 1996
Miller, Dwight W.	Overland Pk, KS	CPA	July 1, 1996 to June 30, 1997
Beck, Clyde E.	Salina, KS	CPA	July 1, 1996 to October 31, 1996
Seal, Ernest E.	Cleveland, MS	CPA	August 1, 1996 to July 31, 1998
Dicker, Joseph W.	Minneapolis, MN	Attorney	August 1, 1996 to October 31, 1996

Under Section 330, Title 31 of the United States Code, the Secretary of the Treasury, after due notice and opportunity for hearing, is authorized to suspend or disbar from practice before the Internal Revenue Service any person who has violated the rules and regulations governing the recognition of attorneys, certified public accountants, enrolled agents or enrolled actuaries to practice before the Internal Revenue Service.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are prohibited in any Internal Revenue Service matter from directly

or indirectly employing, accepting assistance from, being employed by or sharing fees with, any practitioner disbarred or under suspension from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents and enrolled actuaries to identify such disbarred or suspended practitioners, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public accountant, enrolled

agent or enrolled actuary, and the date of disbarment or period of suspension. This announcement will appear in the weekly Bulletin for five successive weeks or as long as it is practicable for each attorney, certified public accountant, enrolled agent or enrolled actuary so suspended or disbarred and will be consolidated and published in the Cumulative Bulletin.

After due notice and opportunity for hearing before an administrative law judge, the following individuals have been disbarred from further practice before the Internal Revenue Service:

Name	Address	Designation	Effective Date
Bushta, Patrick C.	Sacramento, CA	CPA	April 18, 1996
Hart, Joel S.	Beaumont, TX	CPA	April 19, 1996
Riggs, Patricia A.	Stockton, CA	Enrolled Agent	April 19, 1996
Hammontree, Richard F.	Ogunquit, ME	CPA	April 27, 1996
Otto, Judith M.	Tucson, AZ	Enrolled Agent	May 18, 1996

Definition of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Abbreviations

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

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

E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance 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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Key to Abbreviations:

RR	Revenue Ruling
RP	Revenue Procedure
TD	Treasury Decision
CD	Court Decision
PL	Public Law
EO	Executive Order
DO	Delegation Order
TDO	Treasury Department Order
TC	Tax Convention
SPR	Statement of Procedural Rules
PTE	Prohibited Transaction Exemption

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