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

Tax-exempt bonds: arbitrage. If an issuer of state or local bonds used the proceeds of those bonds to pay more than fair market value for nonpurpose investments deposited into an advance refunding escrow, procedures are provided for an issuer to request a closing agreement pursuant to which the purchase of those investments alone will not cause sections 103(b)(2) and 148 of the Code to apply to those bonds.

EXEMPT ORGANIZATIONS
Exempt organizations holding group exemption letters should file the annual reports required to maintain a group exemption letter at the Ogden Service Center. Rev. Proc. 80–27 modified.

Announcement 96–69, page 38.
A list is given of organizations now classified as private foundations.

Announcement 96–70, page 40.
The Frank Nappi Foundation no longer qualifies as an organization to which contributions are deductible under section 170 of the Code.

ADMINISTRATIVE
Requirements are set forth for reproducing paper substitutes for Forms 1096, 1098, 1099 series, 5498, and W-2G, and for furnishing substitute statements to form recipients. Rev. Proc. 89–42 superseded.

This notice states that the Service disagrees with the Eighth Circuit’s decision in Brown Group v. Commissioner 77 F.3d 217 (8th Cir. 1996), vacating and remanding 104 T.C. 105 (1995). Also, the Service intends to issue regulations under subpart F confirming that whether a controlled foreign corporation (“CFC”) partner’s distributive share of partnership income is subpart F income generally is determined at the CFC partner level.

Finding Lists begin on page 42.
Monthly Index for July on page 44.
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 semi-annually 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:

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 semi-annual basis, and are published in the first Bulletin of the succeeding quarterly and semi-annual period, respectively.
Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

Section 103.—Interest on State and Local Bonds

If an issuer of state or local bonds has used the proceeds of those bonds to pay more than fair market value for nonpurpose investments deposited into an advance refunding escrow, what are the procedures that an issuer may follow to request a closing agreement pursuant to which the purchase of those investments alone will not be sufficient to cause §§ 103(b)(2) and 148 of the Internal Revenue Code to apply to those bonds? See Rev. Proc. 96–41, page 9.

Section 280G.—Golden Parachute Payments


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

The adjusted federal long-term rate is set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

Section 408.—Individual Retirement Accounts

26 CFR 1.408–5: Annual reports by trustees or issuers.


26 CFR 1.408–7: Reports on distributions from individual retirement plans.


Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

Section 482.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of August 1996. See Rev. Rul. 96–37, on this page.

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

Rev. Rul. 96–37

This revenue ruling provides various prescribed rates for federal income tax purposes for August 1996 (the current month.) Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Finally, Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.
### REV. RUL. 96–37 TABLE 1

**Applicable Federal Rates (AFR) for August 1996**

*Period for Compounding*

<table>
<thead>
<tr>
<th>Period for Compounding</th>
<th>Annual</th>
<th>Semiannual</th>
<th>Quarterly</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-Term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFR</td>
<td>6.15%</td>
<td>6.06%</td>
<td>6.01%</td>
<td>5.98%</td>
</tr>
<tr>
<td>110% AFR</td>
<td>6.78%</td>
<td>6.67%</td>
<td>6.62%</td>
<td>6.58%</td>
</tr>
<tr>
<td>120% AFR</td>
<td>7.40%</td>
<td>7.27%</td>
<td>7.21%</td>
<td>7.16%</td>
</tr>
<tr>
<td>130% AFR</td>
<td>8.04%</td>
<td>7.88%</td>
<td>7.80%</td>
<td>7.75%</td>
</tr>
<tr>
<td><strong>Mid-Term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFR</td>
<td>6.84%</td>
<td>6.73%</td>
<td>6.67%</td>
<td>6.64%</td>
</tr>
<tr>
<td>110% AFR</td>
<td>7.54%</td>
<td>7.40%</td>
<td>7.33%</td>
<td>7.29%</td>
</tr>
<tr>
<td>120% AFR</td>
<td>8.24%</td>
<td>8.08%</td>
<td>8.00%</td>
<td>7.95%</td>
</tr>
<tr>
<td>130% AFR</td>
<td>8.94%</td>
<td>8.75%</td>
<td>8.66%</td>
<td>8.59%</td>
</tr>
<tr>
<td>150% AFR</td>
<td>10.36%</td>
<td>10.10%</td>
<td>9.98%</td>
<td>9.89%</td>
</tr>
<tr>
<td>175% AFR</td>
<td>12.13%</td>
<td>11.78%</td>
<td>11.61%</td>
<td>11.50%</td>
</tr>
<tr>
<td><strong>Long-Term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFR</td>
<td>7.21%</td>
<td>7.08%</td>
<td>7.02%</td>
<td>6.98%</td>
</tr>
<tr>
<td>110% AFR</td>
<td>7.94%</td>
<td>7.79%</td>
<td>7.72%</td>
<td>7.67%</td>
</tr>
<tr>
<td>120% AFR</td>
<td>8.68%</td>
<td>8.50%</td>
<td>8.41%</td>
<td>8.35%</td>
</tr>
<tr>
<td>130% AFR</td>
<td>9.41%</td>
<td>9.20%</td>
<td>9.10%</td>
<td>9.03%</td>
</tr>
</tbody>
</table>

### REV. RUL. 96–37 TABLE 2

**Adjusted AFR for August 1996**

*Period for Compounding*

<table>
<thead>
<tr>
<th>Period for Compounding</th>
<th>Annual</th>
<th>Semiannual</th>
<th>Quarterly</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>adjusted AFR</td>
<td>3.97%</td>
<td>3.93%</td>
<td>3.91%</td>
<td>3.90%</td>
</tr>
<tr>
<td><strong>Mid-term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>adjusted AFR</td>
<td>4.89%</td>
<td>4.83%</td>
<td>4.80%</td>
<td>4.78%</td>
</tr>
<tr>
<td><strong>Long-term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>adjusted AFR</td>
<td>5.80%</td>
<td>5.72%</td>
<td>5.68%</td>
<td>5.65%</td>
</tr>
</tbody>
</table>

### REV. RUL. 96–37 TABLE 3

**Rates Under Section 382 for August 1996**

<table>
<thead>
<tr>
<th>Rate Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted federal long-term rate for the current month</td>
<td>5.80%</td>
</tr>
<tr>
<td>Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months)</td>
<td>5.80%</td>
</tr>
</tbody>
</table>

### REV. RUL. 96–37 TABLE 4

**Appropriate Percentages Under Section 42(b)(2) for August 1996**

<table>
<thead>
<tr>
<th>Percentage Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate percentage for the 70% present value low-income housing credit</td>
<td>8.65%</td>
</tr>
<tr>
<td>Appropriate percentage for the 30% present value low-income housing credit</td>
<td>3.71%</td>
</tr>
</tbody>
</table>
Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations


Section 6041.—Information at Source


Section 6041A.—Returns Regarding Payments of Remuneration for Services and Direct Sales


Section 6042.—Returns Regarding Payments of Dividends and Corporate Earnings and Profits


Section 6042A.—Returns Regarding Payments of Patronage Dividends and Corporate Earnings and Profits


Section 6043.—Liquidating, Etc., Transactions


Section 6044.—Returns Regarding Payments of Patronage Dividends


Section 6045.—Returns of Brokers


Section 6046.—Returns of Unemployment Compensation


Section 6047.—Information Relating to Certain Trusts and Annuity Plans


Section 6048.—Returns Relating to Energy Grants and Financing


Section 6049.—Returns Regarding Payments of Interest


Section 6050H.—Returns Relating to Mortgage Interest Received in Trade or Business From Individuals

26 CFR 1.6050H–1: Information reporting of mortgage interest received in a trade or business from an individual.


26 CFR 1.6050H–2: Time, form, and manner of reporting interest received on qualified mortgage.


Section 6050J.—Returns Relating to Foreclosures and Abandonments of Security

26 CFR 1.6050J–1T: Questions and answers concerning information returns relating to foreclosures and abandonments of security (Temporary).


Section 6050P.—Returns Relating to the Cancellation of Indebtedness by Certain Financial Entities

26 CFR 1.6050P–1T: Information reporting for discharges of indebtedness by certain financial entities (temporary).

26 CFR 1.6050P–1: Information reporting for discharges of indebtedness by certain financial entities.


Section 6050N.—Returns Regarding the Payment of Royalties

26 CFR 1.6050N–1: Statements to recipients of royalties.


Section 7121.—Closing Agreements

If an issuer of state or local bonds has used the proceeds of those bonds to pay more than fair market value for nonpurpose investments deposited into an advance refunding escrow, what are the procedures that an issuer may follow to request a closing agreement pursuant to which the purchase of those investments alone will not be sufficient to cause §§ 103(b)(2) and 148 of the Internal Revenue Code to apply to those bonds? See Rev. Proc. 96–41, page 9.

Section 7520.—Valuation Tables


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

Part III. Administrative, Procedural, and Miscellaneous

Determination of Whether Income of a Controlled Foreign Corporation Earned Through a Partnership Is Subpart F Income

Notice 96–39

This Notice sets forth the Service’s position on the Eighth Circuit’s recent decision in Brown Group, Inc. v. Commissioner, 77 F.3d 217 (8th Cir. 1996), vacating and remanding 104 T.C. 105 (1995). This Notice also announces that the Service intends to issue regulations under Subpart F of the Internal Revenue Code describing how the aggregate approach to partnerships applies to determine the treatment of a controlled foreign corporation’s (“CFC’s”) distributive share of partnership income for purposes of subpart F.

BACKGROUND

In Brown Group, a CFC incorporated in the Cayman Islands was a partner in a Cayman Islands partnership. The partnership was not a sham. It acted as a purchasing agent for the CFC’s U.S. parent with respect to footwear manufactured in Brazil and received commission income from the U.S. parent as compensation for its efforts. The footwear imported by the U.S. parent was sold primarily in the United States. For its fiscal year ended November 1, 1986, the U.S. parent did not include as subpart F income the CFC’s distributive share of the partnership’s commission income.

At issue in Brown Group was whether the CFC partner’s distributive share of the income of the Cayman Islands partnership was foreign base company sales income. If so, this income would be currently includible in the gross income of the CFC’s U.S. shareholder as subpart F income. See sections 951(a)(1) and (b), 952(a), 954(d) and 957(a) of the Internal Revenue Code. Foreign base company sales income is defined under section 954(d) to include commission income from the purchase of personal property on behalf of a related person where the property that is purchased is both manufactured and sold for use outside the CFC’s country of incorporation.

In Brown Group, the parties agreed that the commission income was earned from purchasing personal property that was both manufactured and sold for use outside the CFC’s country of incorporation. The narrow issue in dispute was whether the footwear was purchased on behalf of a related person, as defined in section 954(d)(3) of the Code. It was undisputed that the U.S. parent, on whose behalf the purchases were made, was a related person with respect to the CFC. The Service argued that an aggregate theory of partnerships should apply, under which the CFC’s distributive share of the partnership’s commission income would be tested at the CFC level to determine whether it was foreign base company sales income. Accordingly, the related person determination would be made at the partner level, as if the purchases had been made directly by the CFC. The taxpayer argued that an entity theory of partnerships should apply, under which the CFC’s distributive share of partnership commission income would be tested at the partnership level. The taxpayer maintained that, at the partnership level, the purchases were not made on behalf of a related person.

The Tax Court, after withdrawing an earlier opinion favorable to the taxpayer, held in a reviewed opinion that the CFC partner’s distributive share of the partnership’s commission income was foreign base company sales income. The Tax Court reached its conclusion based upon an analysis of the provisions and purposes of subpart F and subchapter K, as well as the case law discussing the application of the entity and aggregate theories of partnership taxation. The Tax Court’s holding is consistent with the Service’s published position in Rev. Rul. 89–72, 1989–1 C.B. 257.

On appeal by the taxpayer, the Eighth Circuit vacated and remanded the decision of the Tax Court. The court concluded, based upon its application of the definition of related person in section 954(d)(3) of the Code, that the commission income was not foreign base company sales income at the partnership level and that the CFC partner’s distributive share of this partnership income therefore was not subpart F income.

THE SERVICE’S POSITION

The Service disagrees with the opinion of the Eighth Circuit in Brown Group. To permit a CFC to avoid subpart F by earning income through a partnership under circumstances in which the income would be subpart F income if earned directly by the CFC would be contrary to the purposes of subpart F. See S. Rep. No. 1881, 87th Cong., 2d Sess. 78–79 (1962).

The legislative history of subchapter K indicates that, although a partnership is to be considered an entity in the treatment of transactions between a partner and a partnership, it need not be considered a separate entity for purposes of applying other provisions of the Code “if the concept of the partnership as a collection of individuals is more appropriate for such provisions.” H.R. Conf. Rep. No. 2543, 83d Cong. 2d Sess. 59 (1954). The courts have recognized that the aggregate approach may be applied in appropriate circumstances. See Casel v. Commissioner, 79 T.C. 424, 433 (1982); Unger v. Commissioner, T.C. Memo. 1990–15, aff’d 936 F.2d 1316 (D.C. Cir. 1991). Section 1.701–2(e) and (f) of the Income Tax Regulations confirmed the Commissioner’s authority to treat a partnership as an aggregate of its partners in whole or in part as appropriate for such purposes of any provision of the Code or regulations thereunder.

The Service intends to issue regulations under subpart F to confirm its position that whether a CFC partner’s distributive share of partnership income is subpart F income generally is determined at the CFC partner level. Prior to the effective date of those regulations, the Service will rely on principles and authorities under subpart F and subchapter K to apply the aggregate approach, including section 1.701–2(e) and (f) of the regulations for periods for which it is effective.

The principal author of this notice is Valerie Mark of the Office of the Associate Chief Counsel (International). For further information regarding this notice, contact Ms. Mark at (202) 622–3840 (not a toll-free call).

26 CFR 601.201: Rulings and determination letters. (Also Part I, § 501; 1.501(a)–1.)

Rev. Proc. 96–40

SECTION 1. PURPOSE

The purpose of this revenue procedure is to modify Rev. Proc. 80–27, 1980–1 C. B. 677, by identifying the one central location where all filers of reports required of group parents to maintain group exemptions should send the required annual reports.
SEC. 2. BACKGROUND

Rev. Proc. 80–27, provides, in § 6.02, for nine separate locations to which group parents should send the annual information required to maintain a group exemption letter. These designations were generally based upon the locations of the service centers closest to the filers. The Service has now centralized the filing of the required information in the Internal Revenue Service Center, Ogden, Utah.

SEC. 3. CHANGES

.01 Rev. Proc. 80–27 is modified by deleting the text of § 6.02 in its entirety and substituting the following:

Filers of the information listed in § 6.01 should send the report to:

Ogden Service Center
Mail Stop 6271
1000 South 1200 West
Ogden, UT 84404–4749

SEC. 4. EFFECTIVE DATE

This revenue procedure is effective for all group exemption filings submitted on or after July 1, 1996, to comply with the requirements of § 6 of Rev. Proc. 80–27.

SEC. 5. EFFECT ON OTHER REVENUE PROCEDURES

Rev. Proc. 80–27 is modified.

SEC. 6. DRAFTING INFORMATION

The principal author of this revenue procedure is E. D. Luft of the Exempt Organizations Division. For further information regarding this revenue procedure, contact Mr. Luft on (202) 622–6488 (not a toll-free number).


Rev. Proc. 96–41

SECTION 1. PURPOSE

This revenue procedure applies to an issuer of state or local bonds that has used the proceeds of state or local bonds sold prior to July 19, 1996, to pay more than fair market value for nonpurpose investments deposited into an advance refunding escrow. It provides a program under which an issuer may request a closing agreement pursuant to which the purchase of those investments alone will not be sufficient to cause §§ 103(b)(2) and 148 of the Internal Revenue Code to apply to those bonds.

SECTION 2. BACKGROUND

.01 Section 103(a) provides, in general, that gross income does not include interest on any state or local bond. Section 103(b)(2) provides, however, that this exclusion from gross income does not apply to arbitrage bonds.

.02 Section 148(a)(1) provides, in general, that bonds of an issue are arbitrage bonds if any portion of the proceeds of the issue is "reasonably expected" on the issue date of the issue to be used directly or indirectly to acquire higher yielding investments.

.03 Section 1.148–1(b) of the Income Tax Regulations provides that an issuer’s expectations or actions are reasonable only if a prudent person in the same circumstances as the issuer would have those same expectations or take those same actions, based on all the objective facts and circumstances. Section 1.148–1(b) also provides that factors relevant to a determination of reasonableness include the level of inquiry by the issuer into factual matters.

.04 Section 148(f) provides, in general, that bonds of an issue are arbitrage bonds unless the earnings from the investment of bond proceeds in excess of the yield on the issue are rebated to the United States. The rebate requirement of § 148(f) is generally not based on reasonable expectations.

.05 Section 1.148–6(c) provides that gross proceeds of an issue of bonds are not allocated to a payment for a nonpurpose investment in an amount greater than the fair market value of that investment on the purchase date. For this purpose only, the fair market value of a nonpurpose investment is adjusted to take into account qualified administrative costs allocable to that investment.

.06 Section 1.148–5(d)(6)(i) generally defines fair market value as the price at which a willing buyer would purchase from a willing seller in a bona fide, arm’s-length transaction. Fair market value generally is determined on the date on which a contract to purchase the nonpurpose investment becomes binding (that is, the trade date rather than the settlement date).

.07 Section 1.148–5(d)(6)(iii) provides that the purchase price of a guaranteed investment contract is treated as its fair market value on the purchase date if the issuer makes a bona fide solicitation for a guaranteed investment contract that meets the requirements of that section. The definition of guaranteed investment contract in § 1.148–1(b) generally does not include the purchase of investments for an escrow for an advance refunding transaction.

.08 Section 1.148–2(d)(2)(ii) defines "materially higher yield" for investments in an advance refunding escrow as 0.001 percent higher than the yield on the issue.


.10 Issuers of advance refunding bonds commonly enter into an agreement to purchase United States Treasury securities that are to be deposited into an escrow to pay the refunded prior issue of bonds. In most cases, an issuer enters into this investment purchase agreement on the same date it enters into an agreement to sell its advance refunding bonds. That date (the "sale date") is often several weeks before the issue date of the issue of bonds.

.11 In a typical tax-exempt advance refunding transaction, the obligation to purchase the Treasury securities is contingent on the issuance and sale of the advance refunding bonds, which in turn are commonly subject to contingencies that are standard in the municipal bond industry (such as the ability of bond counsel to render an unqualified opinion on the validity of the bonds).

.12 In general, a valuation method must take into account all pertinent information. A valuation method that singles out one economic factor and disregards other significant economic factors is erroneous. See, e.g., Powers v. Commissioner, 312 U.S. 259, 260 (1941), 1941–1 C.B. 448; Guggenheim v. Rasquin, 312 U.S. 259, 260 (1941), 1941–1 C.B. 445; Commissioner v. McCann, 146 F.2d 385 (2d Cir. 1944).

.13 Certain state and local government issuers, and certain sellers of Treasury securities to state and local government issuers, of advance refunding bonds have used a valuation method that results in prices for those Treasury securities that exceed the fair market value of the securities. It has been asserted that the risk of nonsettlement justifies the inclusion of the cost of a hedge (such as a put option on Treasury securities) in the fair market value of the...
Treasury securities to protect the seller against any increase in interest rates between the sale date (trade date) and the issue date (settlement date).

.14 In these transactions, a substantial mark-up of the price of Treasury securities for the risk of nonsettlement is inappropriate for two reasons. First, the risk of nonsettlement is remote. In addition, the seller of the Treasury securities is in a position to benefit if interest rates fall. This potential for benefit should reduce the weight given to the potential for loss if rates should rise. In general, nonsettlement is not more likely when interest rates rise than when they fall.

.15 In other cases, issuers have entered into agreements to purchase open market Treasury securities to be deposited into an escrow to pay the refunded prior issue of bonds. On the same date, issuers have subscribed to purchase United States Treasury securities—State and Local Government Series ("SLGS") from the United States Department of the Treasury, Bureau of Public Debt to pay the same refunded prior issue of bonds. In effect, this arrangement provides a call option on the open market Treasury securities to the seller of those securities.

.16 In the case of simultaneous SLGS subscription and forward purchase contracts, the issuer and the seller of the open market Treasury securities agree on the sale date that, if the advance refunding bonds are issued and if interest rates decline between the sale date and the issue date of the advance refunding bonds so that the value of the nonpurpose investments increases, the issuer will purchase the SLGS. In this case, the seller will not be obligated to deliver the open market Treasury securities to the issuer. Alternatively, if the advance refunding bonds are issued and if interest rates remain the same or increase between the sale date and the issue date so that the value of the nonpurpose investments remains the same or decreases, the issuer will be obligated to purchase the open market Treasury securities. In this case, the seller will be obligated to deliver the open market Treasury securities to the issuer for deposit into the advance refunding escrow. In addition, the issuer will not purchase the SLGS. In such a case, by subscribing for the SLGS, the issuer in effect provides a call option on the open market Treasury securities to the seller of the open market Treasury securities. For purposes of the arbitrage rules, the fair market value of the open market Treasury securities under the agreement with the seller must accordingly be reduced by the value of this call option.

.17 Even if the issuer obtains certifications that the purchase price being paid for nonpurpose investments does not exceed the fair market value of those investments, an issue may nevertheless fail to meet the reasonable expectations standard of § 148(a). Further, in general, an agreement between unrelated persons about price does not presumptively establish fair market value in a situation where one party to the agreement lacks financial incentive to obtain the best price. See Raymond v. Commissioner, 114 F.2d 140 (7th Cir.), cert. denied, 311 U.S. 710 (1940).

.18 All the facts and circumstances are considered in the determination of whether the proceeds of the issue are to be invested at a materially higher yield. Factors strongly tending to establish that an issuer does not reasonably expect the proceeds of the issue to be invested at a materially higher yield are (1) the use of a bona fide bidding procedure to reasonably probe the market for the fair market value of nonpurpose investments and (2) reasonable due diligence by the issuer to review the method used to determine the fair market value of Treasury securities. One important factor tending to establish that a bidding procedure is bona fide is that it is conducted by a person that does not have a material financial interest in the transaction (for example, as the seller of Treasury securities to the issuer).

.19 Some issuers have obtained Treasury securities for an advance refunding escrow by using procedures that generally are designed to conform to the safe harbor for guaranteed investments contracts in § 1.148–5(d)(6)(ii). Although that safe harbor does not expressly apply to the purchase of Treasury securities for an advance refunding escrow, the Internal Revenue Service will apply the principles underlying that safe harbor to the purchase of those nonpurpose investments. Absent extraordinary circumstances, a bona fide bidding procedure consistent with the principles of the safe harbor for guaranteed investments contracts is rebuttably presumed to establish fair market value for transactions to which this revenue procedure is applicable, even in cases where the forward price paid for Treasury securities is greater than the spot price of those Treasury securities. Other procedures may also establish fair market value.


SECTION 3. DESCRIPTION OF THE CLOSING AGREEMENT PROGRAM FOR ADVANCE REFUNDING ESCROWS

.01 Under the program established by this revenue procedure, the Service will enter into closing agreements with the issuers of bonds. These closing agreements will resolve the effect of the payment of more than fair market value for the nonpurpose investments for yield restriction and rebate purposes under § 148. The closing agreements will not resolve any other matters.

.02 The closing agreements will provide that, for purposes of § 148, the amount paid by the issuer for the Treasury securities deposited into an advance refunding escrow will be treated as the fair market value for the nonpurpose investments. For purposes of computing rebate under § 148(f), the closing agreement amount will not be treated as a rebate payment.

.03 This program is a compliance program but is not based upon an examination of an issue of bonds by the Service.

.04 Because this program does not arise out of an examination, consideration under this program does not preclude or impede an examination of the issuer, the bondholders, or the issue of bonds by the Service with respect to matters not addressed in the closing agreement.

.05 The intent underlying this program is to treat expeditiously all requests for closing agreements which are submitted in accordance with sections 5 and 6 of this revenue procedure. Accordingly, negotiations with the issuers on the basis of mitigating circumstances of individual cases will not be entertained under the terms of this revenue procedure.

SECTION 4. SCOPE

.01 This revenue procedure applies to any issue of advance refunding bonds which was sold prior to July 19, 1996, and issued prior to August 19, 1996, and the proceeds of which were used to
purchase nonpurpose investments pursuant to an agreement that is substantially similar to an agreement to purchase described in sections 2.13 or 2.15 of this revenue procedure.

.02 An issue of bonds that is under an examination by the Service is not eligible for the program. An issue of bonds is under examination if the issuer of the bonds has been contacted in any manner by the Service for the purpose of scheduling any type of examination of that issue of bonds. For issuers that do not avail themselves of a closing agreement under this revenue procedure, the Service will treat the purchase of nonpurpose investments with the proceeds of an issue of bonds as being subject to the usual procedures governing tax consequences. The result upon any examination by the Service of the issue of bonds could be different from the terms of this revenue procedure, depending on the merits of the issuer’s position.

.03 For purposes of this revenue procedure, “issuer” means only the entity that actually issues the bonds and not a conduit borrower of the issue.

SECTION 5. PROCEDURE

.01 The issuer seeking relief must request a closing agreement within 1 year from July 19, 1996, following the procedures in this revenue procedure.

.02 The issuer must request a closing agreement using Form 10001, which is shown as an exhibit at the end of this revenue procedure.

.03 The closing agreement will be prepared by the Service and, in general, will be in substantially the same form as the model closing agreement set forth in Announcement 95–61, Exhibit (7)(10)-(15)0–6, 1995–32 I.R.B. 54, 74, or any successor of Announcement 95–61.

.04 As a condition to executing a closing agreement under this procedure, the issuer must agree to pay, simultaneously with the execution by the issuer of the closing agreement, the closing agreement amount computed under section 6 of this revenue procedure.

.05 The Service will not challenge whether an issuer paid more than fair market value for Treasury securities that are purchased other than directly from the United States Treasury and deposited into an advance refunding escrow in a transaction described in section 2.13 of this revenue procedure if:

(1) The amount paid for the Treasury securities does not exceed the spot price as described in section 6.02 of this revenue procedure;

(2) The period between the sale date and the issue date of the issue of bonds was not greater than 1 month; and

(3) The Treasury securities are purchased prior to July 19, 1996.

SECTION 6. CLOSING AGREEMENT AMOUNT

.01 The closing agreement amount is equal to:

(1) The excess of the amount paid by the issuer for the nonpurpose investments deposited in the advance refunding escrow over the spot price (as described in section 6.02 of this revenue procedure) of those nonpurpose investments (this excess is referred to as the “differential amount”); plus

(2) Interest on the differential amount from the issue date of the bonds to the date of payment at an interest rate equal to the yield on the issue of bonds.

.02 The spot price is the noncontingent price on the trade date of a nonpurpose investment for delivery on the next business day after the trade date.

.03 In the case of an agreement to purchase Treasury securities described in section 2.15 of this revenue procedure, the differential amount must include the value of a call option on an equivalent portfolio of Treasury securities for the period from the sale date to the issue date of the advance refunding bonds at a strike price for the portfolio equal to the price established in the agreement.

.04 Use of the spot price as the basis for the settlement amount under this revenue procedure is for the administrative convenience of state and local government issuers and the Service and does not reflect a view by the Service that the spot price closely reflects the fair market value in all cases of a contingent forward price for the portfolio. For example, in many cases, use of the noncontingent forward price for Treasury securities may be a more accurate basis for determining the fair market value of the contingent forward price.

.05 Use of the spot price of the nonpurpose investments is not permitted if the period between the sale date and the issue date of the issue of bonds was greater than 1 month.

SECTION 7. INQUIRIES

Inquiries in regard to this revenue procedure should be directed to:

Internal Revenue Service
CP:E:EO:T:4 Room 6236
1111 Constitution Ave. NW
Washington, D.C. 20224

SECTION 8. EFFECTIVE DATE

This revenue procedure is effective July 19, 1996, and applies to state or local bonds described in section 4.01 of this revenue procedure.

DRAFTING INFORMATION

The principal author of this revenue procedure is Loretta J. Finger of the Office of Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure contact Loretta J. Finger on (202) 622–3980 (not a toll-free call).
Rev. Proc. 96–42

CONTENTS

PART A. GENERAL

SECTION 1. PURPOSE

SECTION 2. NATURE OF CHANGES

SECTION 3. REQUIREMENTS FOR ACCEPTABLE SUBSTITUTE FORMS

SECTION 4. DEFINITIONS

SECTION 5. INSTRUCTIONS FOR PREPARING PAPER FORMS THAT WILL BE FILED WITH THE IRS

SECTION 6. MAGNETIC MEDIA AND ELECTRONIC FILING

SECTION 7. SUBSTITUTE STATEMENTS TO RECIPIENTS AND FORM RECIPIENT COPIES

PART B. SPECIFICATIONS FOR SUBSTITUTE FORMS TO BE FILED WITH IRS (EXCEPT W–2G)

SECTION 1. GENERAL

SECTION 2. SPECIFICATIONS FOR FORM 1096 AND COPY A OF FORM 1098, 1099, AND 5498

PART C. SPECIFICATIONS FOR SUBSTITUTE FORMS W–2G TO BE FILED WITH IRS

SECTION 1. GENERAL

SECTION 2. SPECIFICATIONS FOR COPY A FOR FORMS W–2G

PART D. ADDITIONAL INSTRUCTIONS FOR FORMS 1098, 1099, 5498, AND W–2G

SECTION 1. OTHER COPIES

SECTION 2. OMB REQUIREMENTS

SECTION 3. REPRODUCTION PROOFS

SECTION 4. EFFECT ON OTHER REVENUE PROCEDURES

PART E. EXHIBITS

EXHIBIT A. FORM 1098

EXHIBIT B. FORM 1099–A

EXHIBIT C. FORM 1099–B

EXHIBIT D. FORM 1099–C

EXHIBIT E. FORM 1099–DIV

EXHIBIT F. FORM 1099–G

EXHIBIT G. FORM 1099–INT

EXHIBIT H. FORM 1099–MISC

EXHIBIT I. FORM 1099–OID

EXHIBIT J. FORM 1099–PATR

EXHIBIT K. FORM 1099–R

EXHIBIT L. FORM 1099–S

EXHIBIT M. FORM W–2G

EXHIBIT N. FORM 5498

EXHIBIT O. FORM 1096

PART A. GENERAL

SECTION 1. PURPOSE

.01 The purpose of this revenue procedure is to set forth the requirements for:

1. Using official Internal Revenue Service (IRS) forms to file information returns with IRS;

2. Preparing acceptable substitutes of the official IRS forms to file information returns, and

3. Using such official or acceptable substitute forms to furnish information to a recipient.

This revenue procedure contains specifications for the following information returns:

(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 W–2G Certain Gambling Winnings;

(n) Form 5498 Individual Retirement Arrangement Information; and

(o) Form 1096 Annual Summary and Transmittal of U.S. Information Returns.

.02 For the purpose of this revenue procedure, a substitute form or statement is one that is not printed by the IRS. For a substitute form or statement to be acceptable to the IRS, it must conform to the official form or the specifications outlined in this revenue procedure. DO NOT SUBMIT ANY SUBSTITUTE FORMS OR STATEMENTS TO IRS FOR APPROVAL. Private printers cannot state “This is an IRS approved form.” Further, only those forms that conform to the official form or comply with the specifications set forth herein are acceptable. See Part A, Section 7, for the specifications that apply to form recipient statements (generally Copy B).

.03 Filers who make payments to certain persons (payees) (or in some cases receive payments) during a calendar year are required by the Internal Revenue Code (IRC) to file information returns with the IRS reflecting these payments. Further, as discussed below, these filers must provide this information to their payees.

.04 In general, the manner in which a filer must file an information return is governed by section 6011 of the IRC. A filer must file information returns on magnetic media or on paper. Under section 6011 of the IRC, a filer who is required to file 250 or more information returns (of any one type) during a calendar year must file those returns on magnetic media. Filers required to file less than 250 returns during a calendar year may, but are not required to, file such information returns on magnetic media. The IRS explains these legal requirements for filing information returns (and providing a copy to a payee) in the annual publication of Instructions for Forms 1099, 1098, 5498, and W–2G.

.05 Copies of the official forms for the reporting year and the instruction booklet may be obtained by calling our toll-free number 1–800–TAX–FORM (1–800–829–3676).

.06 The IRS prints and provides the forms on which various payments must be reported. Alternatively, filers may prepare substitute copies of these IRS forms and use such forms to report payments to the IRS.

.07 IRS operates a centralized call site, located at the Martinsburg Comput-
ing Center (MCC), to answer questions related to information returns, penalties, and backup withholding. The call site phone number is 304–263–8700. The number for Telecommunications Device for the Deaf (TDD) is 304–267–3367. These are not toll-free numbers.

.08 IRS has established a personal computer based Information Reporting Bulletin Board System (IRP–BBS) at MCC. This system provides information about forms and publications, including this revenue procedure, news of the latest changes, answers to questions, access to shareware, and other features. The IRP–BBS is available for public use and can be reached by dialing 304–264–7070. The IRP–BBS is compatible with most modems. For more information concerning this system, call MCC at 304–263–8700 (not a toll-free number) Monday through Friday 8:30 A. M. to 4:30 P. M. eastern time.

SEC. 2. NATURE OF CHANGES

.01 The text and exhibits were updated for tax year 1996.

.02 The telephone number for the Information Reporting Bulletin Board System (IRP–BBS) has been changed. See Part A, Sec. 1.08.

.03 On Form 5498, new box 5 (check box for simplified employee pension (SEP)) was added. See Exhibit N.

.04 A statement regarding the acceptance of handwritten forms has been added to Part A, Section 5.04.

.05 A note requesting that a phone number be included on statements to recipients has been added to Part A, Sections 7.01(7) and 7.02(2).

.06 A note referring to the correct form measurements has been added to Part B, Sec. 2.01.

.07 The note regarding new verbiage for paper and ink specifications for substitute forms has been deleted from Part B, Sec. 2.02. The current specifications are applicable to our new OCR equipment. Therefore, it is not necessary to change the current specifications.

.08 New procedures for obtaining Reproducible copies were added to Part D, Sec. 3.

SEC. 3 REQUIREMENTS FOR ACCEPTABLE SUBSTITUTE FORMS

.01 Paper substitutes for Form 1096 and Copy A of Forms 1098, 1099, 5498, and W–2G that totally conform to the specifications contained in this revenue procedure may be privately printed and filed as returns with the IRS. The reference to the Department of the Treasury - Internal Revenue Service should be included on all such forms. The Catalog Number (Cat. No.) shown on the 1996 Forms 1096, 1098, 1099, 5498, and W–2G is used for IRS distribution purposes and need not be printed on any substitute forms.

If you are uncertain of any specification set forth herein and want that specification clarified, you may submit a letter citing the specification in question, giving your understanding and interpretation of the specification, and enclosing an example of the form (if appropriate) to:

Internal Revenue Service
ATTN: T:S:P:S - SAL (IRP Coordinator)
1111 Constitution Avenue, N.W.
Washington, DC 20224

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

.02 Copy B (Form 1098 - For Payer, Form 1099–A - For Borrower, Form 1099–C - For Debtor, Form 1099–S - For Transferor, Other Forms 1099 - For Recipient, Form 5498 - For Participant, and Forms W–2G and 1099–R - To Be Attached To the Federal Tax Return), and Copy C - (Form 1099–R For Recipient’s Records and Form W–2G For Winner’s Records) must contain the information specified in PART A Section 7 in order to constitute a “statement” or “official form” under the applicable provisions of the Internal Revenue Code. The format of this information is at the discretion of the filer with the exception of the location of the tax year, form number and form name specified in Part A Section 7.01(6) and composite Form 1099 statements specified in PART A Sections 7.02 and 7.04.

.03 Forms 1096, 1098, 1099, 5498, and W–2G are subject to annual review and possible change. Therefore, filers are cautioned against overstocking supplies of privately printed substitutes.

THE SPECIFICATIONS CONTAINED IN THIS REVENUE PROCEDURE APPLY TO 1996 FORMS ONLY.

.04 Proposed substitutes for Copy A that do not conform to the specifications in this revenue procedure are not acceptable. Further, if you file such forms with IRS, you may be subject to a penalty for failure to file an information return under section 6721 of the Internal Revenue Code (IRC). Generally, the penalty is $50 for each failure to file a form (up to $250,000) that the IRS cannot accept as a return because it does not meet the provisions in this revenue procedure. No IRS office is authorized to allow deviations from this revenue procedure.

SEC. 4. DEFINITIONS

.01 The term “form recipient” means the person to whom you are required by law to furnish a copy of the official form or information statement: i.e., for Form 1098, the recipient is the “payer/borrower”; Form 1099–A, the “borrower”; Form 1099–C, the “debtor”; Form 1099–S, the “transferor”; other Forms 1099, the payment recipient; Form 5498, the “participant”; and Form W–2G, the “winner.”

.02 The term “filer” means the person or organization required by law to file a form listed in PART A Section 1.01 with the IRS. Thus, a filer may be a payer, a creditor, a recipient of mortgage interest payments, a broker, a barter exchange, a person reporting real estate transactions, a trustee or issuer of an individual retirement arrangement (including 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.

.03 A corrected (or amended) return is one that corrects information previously reported to IRS. (A voided return will not correct previously reported information.)

.04 The term “substitute form” means a paper substitute of Copy A of an official form listed in PART A Section 1.01 that totally conforms to the provisions in this revenue procedure.

.05 The term “substitute form recipient statement” means a paper statement of the information reported on a form listed in PART A Section 1.01 that must be furnished to a person (form recipient), as so defined under the applicable provisions of the Internal Revenue Code and the applicable regulations.

.06 A composite substitute statement is one in which two or more required statements (e.g., Forms 1099–INT and 1099–DIV) are furnished to the recipient on one document. However, each statement must be separately designated and must contain all the requisite Form 1099 information except as provided in Part A Section 7. A composite statement CANNOT be filed with the IRS. See PART A Section 7.02 and 7.04 for more information on composite statements.
SEC. 5. INSTRUCTIONS FOR PREPARING PAPER FORMS THAT WILL BE FILED WITH THE IRS (Copy A)

.01 The form recipient’s name, street address, city, state, and ZIP code information should be TYPED OR MACHINE PRINTED IN BLACK INK on separate lines. Carbon copies and photocopies are not acceptable. The city, state, and ZIP code must be on the same line.

.02 The name of the appropriate form recipient must be shown on the first or second name line in the area on the form provided for the form recipient’s name and address. No descriptive information or other name may precede the form recipient’s name. Only ONE form recipient’s name may appear on the first name line of the form. If the names of multiple recipients must be set forth on the form, on the first name line insert the recipient name that corresponds to the taxpayer identification number (TIN) used for information reporting purposes. Place the other form recipients’ names, on the succeeding name line (up to 2 name lines are allowable). Because certain states require that trust accounts be provided in a different format, generally filers should provide information returns reflecting payments to trust accounts with (1) the trust’s employer identification number (EIN) in the recipient’s TIN area, (2) the trust’s name on the recipient’s first name line, and (3) the name of the trustee on the recipient’s second name line.

.03 You should use the account number box for an account number designation. This number must not appear anywhere else on the form, and this box may not be used for any other item. Showing the account number is optional. However, it may be to your benefit to include the recipient’s account number or designation on paper documents if your system of records uses the account number or designation in conjunction with, or rather than, the name, social security number, or employer identification number for identification purposes. If you furnish the account number, the IRS will include it in future notices to you about backup withholding. If you use window envelopes and reduced rate mail to mail statements to recipients, be sure the account number does not appear in the window. Otherwise the Postal Service may not accept them for mailing.

.04 Although forms completed in handwriting will be accepted, in order for IRS to process the submitted forms in the most economical manner, the IRS prefers that filers TYPE OR MACHINE PRINT data entries. In addition, filers should insert data in the middle of blocks well separated from other printing and guidelines, and take other measures to guarantee a clear, dark black, sharp image.

.05 Machine printed forms should be printed using a 6 lines/inch option.

.06 Machine printed forms should be printed in 10 pitch pica (i.e., 10 print positions per inch) or 12 pitch elite (i.e., 12 print positions per inch). Proportional spaced fonts are unacceptable.

.07 To correct returns, enter an “X” within the checkbox located at the top of the form making the correction, to the left of the word “CORRECTED.” DO NOT type the words CORRECTED RETURN on the Form 1096, 1098, 1099, 5498, or W–2G. See “Corrected Returns” in the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G.”

.08 If you make an error while typing or printing a Form 1098, 1099, or 5498, enter an “X” in the “VOID” box at the top of the form. An entry in the “VOID” box will not correct previously filed information returns. See “Void Returns” in the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G.”

.09 DO NOT use a felt tip marker. The machine used to “read” paper forms generally cannot “read” this ink type.

.10 Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single sheet before they are filed with IRS. The size specified does not include pinfeed holes. Pinfeed holes MUST NOT be present on forms filed with the IRS.

.11 Use decimal points to indicate dollars and cents. DO NOT use dollar signs ($), ampersands (&), asterisks (*), commas (,), or other special characters in the numbered money boxes. Example: 2000.00 is acceptable.

.12 DO NOT FOLD Forms 1096, 1098, 1099, or 5498 being mailed to IRS. Mail these forms flat in an appropriately sized envelope or box. Folded documents cannot be readily moved through the scanner transport used in IRS processing.

.13 DO NOT STAPLE Forms 1096 to the returns being transmitted. Staple holes in the vicinity of the return code number reduce the IRS’s ability to machine scan the type of documents.

.14 DO NOT type other information on Copy A. DO NOT cut or separate the individual forms on the sheet of forms of Copy A (except Forms W–2G).

.15 MAIL completed paper forms to the IRS service center specified on the back of Form 1096 and in the 1996 “Instructions for Forms 1099, 1098, 5498, and W–2G.” CAUTION: SEE NEW “WHERE TO FILE” ADDRESSES, for tax year 1995. Specific information needed to complete the forms in this revenue procedure is given in those instructions. A chart is included in those instructions giving a quick guide to which form must be filed to report a particular payment.

SEC. 6. MAGNETIC MEDIA AND ELECTRONIC FILING

.01 All forms listed in Section 1.01 (except Form 1096) may be filed magnetically or electronically. The IRS encourages all filers including nominees (hereafter collectively referred to as filers) to file information returns on magnetic media or electronically instead of on paper forms.

.02 Any person who is required to file 250 or more (of any one type of form) information returns for one calendar year MUST file on magnetic media unless an undue hardship waiver is requested and received. To request a one year waiver of the magnetic media filing requirements, for the current tax year only, submit Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media. See Publication 1220 Part A, Sec. 5, for more information. Specifications for filing information returns on magnetic media are contained in Publication 1220, “Specifications for Filing Forms 1098, 1099, 5498, and W–2G Magnetically or Electronically.” Copies of this publication may be obtained by calling 1–800–829–3676. Payees who do not comply with the magnetic media filing requirements and who are not granted a waiver may be subject to penalties. Note: Filing electronically will satisfy the magnetic media filing requirements. Refer to Publication 1220, Part C, Bisynchronous (Mainframe) Electronic Filing Specifications and Part D, Asynchronous (IRB–BBS) Electronic Filing Specifications.
SEC. 7. SUBSTITUTE STATEMENTS TO FORM RECIPIENTS AND FORM RECIPIENT COPIES

If you are not using the official IRS form to furnish statements to your recipients, your substitute statements must comply with the rules in this section. In general, see Regulations sections 1.6042-4, 1.6044-5, 1.6049-6, and 1.6050N-1 on the manner in which certain statements must be provided to recipients (statement mailing requirements for most Forms 1099–DIV and 1099–INT, all Forms 1099–OID and 1099–PATR, and Form 1099–MISC or 1099–S for royalties).

.01 SUBSTITUTE STATEMENTS TO RECIPIENTS - Forms 1099–INT (except for interest reportable under section 6041), DIV (except for section 404(k) dividends)), OID, and PATR ONLY. The requirement to furnish form recipients with an official Form 1099–INT, DIV, OID, or PATR may be met by furnishing Copy B of the official form or by furnishing a substitute Form 1099 (form recipient statement) if it contains the same language as that of the official IRS form (such as aggregate amounts paid to the form recipient, any backup withholding, the name, address, and TIN of the person making the return, and any other information required by the official form). Information not required by the official form should not be included on the substitute form except for state tax withholding information. You may enter a total of the individual accounts listed on the form only if they have been paid by the same payer. For example, if you are listing interest paid on several accounts by one financial institution on Form 1099–INT, you may also enter the total interest amount. You may also enter a date next to the corrected box if that box is checked.

The form recipient statement, e.g., Copy B of a substitute form for 1099–INT, 1099–DIV, 1099–OID, and 1099–PATR, must comply with the following requirements.

1. Box captions and numbers that are applicable must be clearly identified, using the same wording and numbering as on the official form. However on Form 1099–INT, if box 3 is not on your substitute form, you may drop “not included in box 3” from the box 1 caption.

2. The form recipient statement must contain all applicable form recipient instructions provided on the front and back of the official IRS form. Those instructions may be provided on a separate sheet of paper.

3. The form recipient statement must contain the following statement in bold and conspicuous type, “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.”

4. The caption “Federal income tax withheld” must be in bold face type on the form recipient statement.

5. The form recipient statement must contain the Office of Management and Budget (OMB) number as shown on the official IRS form. See Part D, Section 2.

6. The form recipient statement must contain the tax year (e.g., 1996), form number (e.g., Form 1099–INT), and form name (e.g., Interest Income) of the official IRS Form 1099 for which it substitutes prominently displayed together in one area of the statement. For example, the tax year, form number, and form name could be shown in the upper right part of the statement. Each copy must be appropriately labeled (such as Copy B, For Recipient) (see PART D, Section 1.02 for applicable labels of forms). DO NOT include the words “Substitute for” or “In lieu of” on the form recipient statement.

7. Layout and format of the form is at the discretion of the filer. However, IRS encourages the use of statements with boxes so that the statement has the appearance of a form and can be easily distinguished from other nontax statements. NOTE: Please include your telephone number on statements to recipients you provide so that taxpayers can contact you directly with questions.

8. With respect to dividend income, a mutual fund family may separately state on one document (e.g., one piece of paper) the dividend income earned by a recipient from each fund within the family of funds as required by Form 1099–DIV. However, each fund and its earnings must be separately stated. The form must contain an instruction to the recipient that each fund’s dividends and name, not the name of the mutual fund family, is to be reported on the shareholder’s tax return. The form cannot contain an aggregate total of all funds.

.02 COMPOSITE SUBSTITUTE STATEMENTS - FORMS 1099–INT (except for interest reportable under section 6041), DIV (except for section 404(k) dividends)), OID, AND PATR ONLY. A composite form recipient statement is permitted for reportable payments of interest, dividends, original issue discount, and/or patronage dividends (Forms 1099–INT, DIV, OID or PATR) when one payer is reporting more than one of these payments during a calendar year to the same form recipient. Generally, do not include any other Form 1099 information (e.g., 1098 or 1099–A) on a composite statement with the information required on the forms listed in the preceding sentence. Exception: A filer may include Form 1099–B information on a composite form with the forms listed above. Although the composite form recipient statement may be on one sheet, the format of the composite form recipient statement must satisfy the following requirements in addition to the requirements listed in Section 7.01 above.

1. All information pertaining to a particular type of payment must be located and blocked together on the form and must be separate from any information covering other types of payments included on the form. For example, if you are reporting interest and dividends, the Form 1099–INT information must be presented separately from the Form 1099–DIV information.

2. The tax year, form number, and form name of the official IRS forms for which the composite form recipient statement substitutes must be prominently displayed together in one area at the beginning of each appropriate block of infor-
mation. NOTE: Please include your telephone number on statements to recipients you provide so that taxpayers can contact you directly with questions.

(3) Any information required by the official IRS forms that would otherwise be repeated in each information block is only required to be listed once in the first information block on the composite form. For example, there is no requirement to report the name of the filer in each information block. This rule does not apply to any money amounts, e.g., Federal income tax withheld, or to any other information that applies to money amounts.

(4) A composite statement shall be considered an acceptable substitute only if the type of payment and the recipient’s tax obligation with respect to the payment are no less clear than if each required statement were furnished separately on an official form.

.03 SUBSTITUTE STATEMENTS TO RECIPIENTS - FORMS 1098, 1099–A, 1099–B, 1099–C, 1099–G, 1099–MISC, 1099–R, 1099–S, 5498, W–2G, AND CERTAIN FORMS 1099–INT AND 1099–DIV. Statements to form recipients of payments reportable on Forms 1098, 1099–A, 1099–B, 1099–C, 1099–G, 1099–MISC, 1099–R, 1099–S, 5498, 1099–DIV only for section 404(k) dividends reportable under section 6047, and 1099–INT only for interest of $600 or more made in the course of a trade or business reportable under section 6041 can be, but are not required to be, copies of the official forms. If you do not use the official form as the form recipient statement, the substitute recipient statement must meet the following requirements:

(1) The tax year, form number, and form name must be the same as the official form, and must be prominently displayed together in one area of the statement.

(2) The filer’s and the form recipient’s identifying information required on the official IRS form must be included.

(3) All applicable money amounts and information, including box numbers, required to be reported to the form recipient must be titled on the form recipient statement in substantially the same manner as those on the official IRS form. The caption “Federal income tax withheld” must be in bold face type on the form recipient statement. Exception: If you are reporting a payment as “Other income” in box 3, Form 1099–MISC, you may substitute appropriate explanatory language for the box title. For example, for payments of accrued wages and leave to a beneficiary of a deceased employee, you might change the title of box 3 to “Beneficiary payments” or something similar. (You cannot make this change on Copy A.)

(4) Appropriate instructions to the form recipient, similar to those on the official IRS form, must be provided to aid in the proper reporting of the items on the form recipient’s income tax return. For payments reported on Form 1099–B, the requirement to include instructions that are substantially similar to those on the official IRS form may be satisfied by providing form recipients with a single set of instructions with respect to all Forms 1099–B statements required to be furnished in a calendar year. NOTE: If Federal income tax withheld is shown on Form 1099–R or W–2G, Copy B (to be attached to the tax return) and Copy C (for recipient’s/winner’s records) must be furnished to the recipient. If Federal income tax withheld is not shown on Form 1099–R or W–2G, only Copy C is required to be furnished. However, instructions similar to those contained on the back of the official Copy B and Copy C of Form 1099–R must be furnished to the recipient. For convenience, you may choose to provide both Copies B and C of Form 1099–R to the recipient.

(5) The quality of carbon used to produce statements to recipients must meet new standards as follows:

(a) all copies must be CLEARLY LEGIBLE;

(b) all copies must have the capability to be photocopied;

(c) fading must not be of such a degree as to preclude legibility and the ability to photocopy. In general, black chemical transfer inks are preferred; other colors are permitted only if the above standards are met. Hot wax and cold carbon spots are NOT permitted on any of the internal form plies. These spots are permitted on the back of a mailer top envelope ply.

(6) A mutual fund family may separately state on one document (e.g., one piece of paper) the Form 1099–B information for a recipient from each fund as required by Form 1099–B. However, the gross proceeds, etc., from each transaction within a fund must be separately stated. The form must contain an instruction to the recipient that each fund’s amount and name, not the name of the mutual fund family, must be reported on the recipient’s tax return. The form cannot contain an aggregate total of all funds.

(7) For Form 1099–S. Proceeds From Real Estate Transactions, you may use a Uniform Settlement Statement under the Real Estate Settlement Procedures Act of 1974 (RESPA), as the written statement to the transferor if it is conformed to the Uniform Settlement Statement and is being furnished to the recipient. The form must contain the following legends:

(a) Form 1098—(i) “The information in boxes 1, 2 and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for the mortgage interest or for these points or because you did not report this refund of interest on your return.” (ii) “The amount shown may not be fully deductible by you on your Federal income tax return. Limitations based on the cost and value of the secured property may apply. In addition, you may only deduct an amount of mortgage interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.”

(b) Form 1099–A and 1099–C—“This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a
negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.”

(c) **1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, and W-2G (Copy C)**—“This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.” Copy B of Form W-2G must state “This information is being furnished to the Internal Revenue Service. Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 2, attach this copy to your return.”

(d) **Form 1099-R, Copy B**—“Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the Internal Revenue Service.” **Form 1099-R, Copy C**—“This information is being furnished to the Internal Revenue Service.”

(e) **Form 1099-S**—“This is important tax information and is being furnished to Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.”

(f) **Form 5498**—“The information in boxes 1, 2, 3, 4 and 5 is being furnished to the Internal Revenue Service.” **Note:** If the trustee does not issue Form 5498 to a participant because no contributions were made to an IRA for the year, a year-end statement issued to the participant reporting the fair market value of the account must contain a similar legend designating which information is being furnished to IRS.

.04 COMPOSITE SUBSTITUTE STATEMENT - FORMS SPECIFIED IN 7.03 ONLY. - A composite form recipient statement for forms specified in 7.03 is permitted when one filer is reporting more than one of the related payments during a calendar year to the same form recipient. A composite statement is not allowable for a combination of forms listed in 7.01 and forms listed in 7.03 except that a filer may report Form 1099-B information on a composite form with the forms listed in 7.01 as described in 7.02. Although the composite form recipient statement may be on one sheet, the format of the composite form recipient statement must satisfy the requirements listed in items (1), (2), (3) and (4) of 7.02 above in addition to the requirements specified in 7.03. A composite statement of Forms 1098 and 1099-INT (for interest reportable under section 6049) IS NOT ALLOWABLE.

### PART B - SPECIFICATIONS FOR SUBSTITUTE FORMS TO BE FILED WITH IRS (EXCEPT FORM W-2G)

#### SEC. 1. GENERAL

.01 The following specifications prescribe the format requirements for Forms 1096 and Copy A of Forms 1098, 1099, and 5498. (See Part C for Form W-2G specifications.)

.02 The form identifying number (e.g., 9191 for Form 1099-DIV) must be printed in non-reflective black carbon-based ink in print positions 15 through 19 using an OCR A font. The checkboxes located to the right of the form identifying number must be 10-point boxes, the void checkbox is in print position 25 and the corrected checkbox in position 33. These measurements are from the left edge of the paper, not including the perforated strip.

#### SEC. 2. SPECIFICATIONS FOR FORMS 1096 AND COPY A OF FORMS 1098, 1099 AND 5498

.01 The substitute form must be an exact replica of the official IRS reproduction proof with respect to layout and contents. **NOTE:** To determine the correct form measurements, see Exhibits A through O at the end of this publication. The specifications for Copy A of Forms 1098, 1099 and 5498 are provided in Exhibits A through N, and specifications for Form 1096 are provided in Exhibit O.] Hot wax and cold carbon spots are not permitted on any of the internal form plies. These spots are permitted on the back of a molder top envelope ply. Use of chemical transfer paper for Copy A is acceptable. The Government Printing Office (GPO) symbol must be deleted.

.02 Color and quality of paper for Copy A (cut sheets and continuous pinfeed forms) as specified by JCP Code 0-25, dated November 29, 1978, must be white 100% bleached chemical wood, optical character recognition (OCR) bond produced in accordance with the following specifications:

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

1. **Acidity:** Ph value, not less than 4.5
2. **Basis Weight** 17 x 22
   - 500 cut sheets . . . . . . . . . . . . . . . . . . . . . . . . . . 18–20
   - Metric equivalent—g/m² . . . . . . . . . . . . . . . . . . . .75
   - A Tolerance of ±5 pct. shall be allowed.
3. **Stiffness:** Average, each direction, not less than—milligrams . . . . . . . . . . . . . . . . . . . . .50
4. **Tearing strength:** Average, each direction, not less than—grams . . . . . . . . . . . . . . . .40
5. **Opacity:** Average, not less than—percent . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .82
6. **Thickness:** Average—
   - inch—0.0038
   - Metric equivalent—mm—0.097
   - A tolerance of ±0.0005 inch (0.0127 mm) shall be allowed.
   - Paper shall not vary more than 0.0004 inch (0.0102 mm) from one edge to the other.
7. **Porosity:** Average, not less than—seconds . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .10
8. **Finish (smoothness):** Average, each side—seconds . . . . . . . . . . . . . . . . . . . . . . . . . . . .20–5
   - For information only, the Sheffield equivalent—units . . . . . . . . . . . . . . . . . . . . . . . .170–100
9. **Dirt:** Average, each side, not to exceed—parts per million . . . . . . . . . . . . . . . . . . . .8

.03 All printing on Forms 1098, 1099, and 5498 must be in red OCR dropout ink, Flint J–6983 (formerly Sinclair-Valentine) or an exact match, except for the 4-digit form identifying numbers, which must be printed in non-reflective carbon-based black ink. The shaded areas of any substitute form should generally correspond to that present on the official form. Printing on Form 1096 above the statement: **"Please return this entire page to the Internal Revenue Service. Photocopies are NOT acceptable."** must be in red OCR dropout ink (except for the 4 digit form identifying number 6969). All printing including and below the statement described in the previous sentence may be in any shade or tone of black ink. Black ink should only appear on the lower portion of the reverse side of
Form 1096 where it would not bleed through and interfere with scanning. The instructions to fillers are printed on the back of the copy designated for the Payee. Recipient for 1098, Lender for Form 1099–A, Creditor for 1099–C, Filer for 1099–S, or Trustee or Issuer for Form 5498 in any ink color or tone. Separation between fields must be 0.1 inch. Other than the Form 1099–R, the numbered captions are printed as a solid with no shaded background. Other printing requirements are discussed below.

OCR Specifications

The contractor must have or initiate a quality control program to assure OCR ink density. In addition, the contractor must have access to either a MacBeth PCM–II tester or a Kidder 082A tester to evaluate the ink at regular intervals throughout a shift.

Paper and Ink

Readings will be made when printed on approved 20 lb. white OCR bond with a reflectance of not less than 80%. Black ink used must not have a reflectance greater than 15%. These readings are based on requirements of the “REI Input 80 Model C1 & D” Optical Scanner using Flint Ink (formerly known as Sinclair - Valentine J–6983 red ink) or equal.

MacBeth PCM II Tester

The tested Print Contrast Signal (PCS) values when using the MacBeth PCM–II tester on the “C” scale must range from .12 minimum to .21 maximum. White calibration disc must be 100%, sensitivity must be set at one

Kidder 082A Tester

The tested Print Contrast Signal (PCS) values when using the Kidder 082A tester on the Infra Red (IR) scale must range from .12 minimum to .21 maximum. White calibration disc must be 100%, sensitivity must be set at one (1).

Alternative Tester

If an alternative tester is used it must be approved by the Government so that tested (PCS) values can be established with this equipment. Approval may be obtained by writing to the following address:

Commissioner of Internal Revenue
Attn: HR:F:P:P Room 1237
Tax Forms Procurement Analyst
1111 Constitution Avenue, N.W.
Washington, DC 20224

.04 Typography - Type must be substantially identical in size and shape with corresponding type on the official form. All rules are either ½-point or ¾-point. Rules must be identical to that on the official IRS form. NOTE: The form identifying number must be nonreflective carbon-based black ink in OCR A Font.

.05 Dimension - Three Forms 1098, 1099, or 5498 (Copy A) are contained on a single page, except Form 1099–R which contains two documents per page, which is 8 inches wide (exclusive of any snap-stubs and/or pinfeed holes) by 11 inches deep. There is a .33 inch top margin from the top of the corrected box, and there is a .25 inch right margin. There is a ½” (0.0313”) tolerance for the right margin. These measurements are constant for all Forms 1098, 1099 and 5498. The measurements will be shown only once in the exhibit section of this publication, on the Form 1098. Exceptions to these measurements will be shown on the remainder of exhibits. If the right and top margins are properly aligned, the left margin for all forms will be correct. All margins must be free of all printing. See Exhibits A through O in this publication for the correct form measurements.

.06 The depth of the individual trim size of each form on a page must be the same as that of the official form (3½ inches, except 5½ inches for Form 1099–R).

.07 The words “For Paperwork Reduction Act Notice and instructions for completing this form, see Instructions for Forms 1099, 1098, 5498, and W–2G” must be printed on Copy A (and Copy C). The words “For more information and the Paperwork Reduction Act Notice, see the Instructions for Forms 1099, 1098, 5498, and W–2G” must be printed on Form 1096.

.08 The OMB Number must be printed on Copies A and Form 1096 in the same location as that on the official form.

.09 Privately printed continuous substitute forms (Copy A) must be perforated at each 11” (3 per page, or 2 per page for 1099–R) page depth. No perforations are allowed between the 3½” forms (or 5½” for Form 1099–R) on a single copy page of Copy A.

.10 The words “Do NOT Cut or Separate Forms On This Page” must be printed in red dropout ink (as required by form specifications) between the three, or two for Forms 1099–R. NOTE: Perforations are required between all the other individual copies (Copies B and C, and Copies 1 and 2 for Form 1099–R and Form 1099–MISC, and Copy D for Form 1099–R) included in the set.

.11 Chemical transfer paper is permitted for Copy A only if the following standards are met:

1. Only chemically backed paper is acceptable for Copy A.

2. Carbon coated forms are not permitted. Front and back chemically treated paper cannot be processed properly by machine.

3. Chemically transferred images must be black in color.

.12 Hot wax and cold carbon spots are NOT permitted for Copy A. Interleaved carbon should be black and must be of good quality to assure legibility of information on all copies to preclude smudging. All copies must be CLEARLY LEGIBLE. Fading must not be of such a degree as to preclude legibility.

.13 Printer’s symbol — The GPO symbol must not be printed on substitute Copy A. Instead, the employer identification number (EIN) of the forms printer must be entered in the bottom margin on the face of each individual form of Copy A, or the bottom margin on the reverse side of each Form 1096. THE FORM MUST NOT CONTAIN THE STATEMENT “IRS APPROVED.”

.14 A postal indicia may be used if it meets the following criteria: a) it is printed in the OCR ink color prescribed for the form; and b) no part of the indicia is within 1 print position of the scannable area.

PART C. SPECIFICATIONS FOR SUBSTITUTE FORMS W–2G TO BE FILED WITH IRS

SEC. 1. GENERAL

.01 The following specifications prescribe the format requirements for Form W–2G—COPY A ONLY.

.02 A filler may file a substitute Form W–2G with the IRS (hereinafter referred to as “substitute Copy A”). The substitute form (filed with the IRS) must be an exact replica of the official form with respect to layout and contents.
SEC. 2. SPECIFICATIONS FOR COPY A FOR FORMS W-2G

.01 Color and Quality of Paper—Paper for Copy A must be white chemical wood bond, or equivalent, 20 pound (basis 17 X 22–500), plus or minus 5 percent. The paper must consist substantially of bleached chemical wood pulp and be free from unbleached or ground wood pulp or recycled printed paper. It also must be suitably sized to accept ink without feathering.

.02 Color and Quality of Ink—All printing must be in a high quality non-gloss black ink. Bar codes should be free from picks and voids.

.03 Typography—The type must be substantially identical in size and shape with that on the official form. All rules on the document are either 1⁄2 point (.007 inch), 1 point (0.015 inch), or 3 point (0.045). Vertical rules must be parallel to the left edge of the document; horizontal rules, to the top edge.

.04 Dimensions—The official form is 8 inches wide x 3 2⁄3 inches deep, exclusive of a 2⁄3 inch snap stub on the left side of the form. The snap feature is not required on substitutes. The top and right margins must be 1⁄4 inch plus or minus .0313. If the top and right margins are properly aligned, the left margin for all forms will be correct. All margins must be free of any printing. If the substitute forms are in continuous or strip form, they must be burst and stripped to conform to the size specified for a single form.

(1) The width of a substitute Copy A must be 8 inches. The left margin must be free of all printing other than that shown on the official form.

(2) The depth of a substitute Copy A must be 3 2⁄3 inches.

.05 Hot wax and cold carbon spots are not permitted on any of the internal form plies. These spots are permitted on the back of a mailer top envelope ply. Interleaved carbons, if used, should be black and of good quality to preclude smudging.

.06 Printer’s Symbol—The Government Printing Office (GPO) symbol must not be printed on substitute Forms W–2G. Instead the employer identification number (EIN) of the forms printer must be printed in the bottom margin on the face of each individual form of Copy A of such substitute forms. The form must not contain the statement "IRS approved."

PART D. ADDITIONAL INSTRUCTIONS FOR FORMS 1098, 1099, 5498, AND W-2G

SEC. 1. OTHER COPIES

.01 Copies B, C, and in some cases D, 1, and 2, are included in the official assembly for the convenience of the filer. There is no legal requirement that privately printed substitute forms include all these copies, Copies B, and in some cases Copies C, will satisfy the requirement of the law and regulations concerning the statement of information that is required to be furnished to the form recipient. NOTE: If Federal income tax withheld is shown on Form W–2G or 1099–R, Copy B (to be attached to the tax return) and Copy C must be furnished to the recipient. Copy D (Forms 1099–R and W–2G) may be desired as a filer record copy. Only Copy A should be filed with the IRS.

.02 Arrangement of Assembly- The parts of the assembly must be arranged, from top to bottom, as follows: (a) All forms-Copy A “For Internal Revenue Service Center.” (b) Form 1098- Copy B “For Payer”; Copy C “For Recipient.” (c) Form 1099–A Copy B “For Borrower”; Copy C “For Lender.” (d) Form 1099–C Copy B “For Debtor”; Copy C “For Creditor”; (e) Forms 1099–B, 1099–DIV, 1099–G, 1099–INT, 1099–OID, and 1099–PATR- Copy B “For Recipient”; Copy C “For Payer.” (f) Form 1099–MISC- Copy 1 “For State Tax Department”; Copy B “For Recipient”; Copy 2 “To be filed with recipient’s state income tax return, when required.”; Copy C “For Lender.” (g) Form 1099–R- Copy 1 “For State, City, or Local Tax Department”; Copy B “Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return.”; Copy C “For Recipient’s Records”; Copy 2 “File this copy with your state, city, or local income tax return, when required.”; Copy D “For Payer.” (h) Form 1099–S- Copy B “For Transferor”; Copy C “For File.” (i) Form 5498– Copy B “For Participant”; Copy C “For Trustee or Issuer.” (j) Form W–2G- Copy 1 “For State Tax Department”; Copy B “Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 2, attach this copy to your return.”; Copy C “For Winner’s Records”; Copy 2 “Attach this copy to your state income tax return, if required.”; Copy D “For Payer.”

.03 Perforations are required between forms on all copies except Copy A to enable the separation of individual forms. Copy A of Form W–2G may be perforated.

SEC. 2. OMB REQUIREMENTS

.01 Office of Management and Budget (OMB) Requirements for Substitute Forms—Public Law 96–511 requires that: (1) OMB approve Internal Revenue Service tax forms, (2) each form show (in the upper right corner) the OMB approval number, and (3) the form (or its instructions) state why IRS is collecting the information, how it will be used and whether it must be given to IRS. The official IRS forms or instructions contain this information and any substitute must contain it also.

.02 The OMB requirements for substitute IRS forms are:

(1) All substitute forms, including substitute statements to recipients, must show the OMB number as it appears on the official IRS form;

(2) For Copy A, the OMB number must appear exactly as shown on the official IRS form;

(3) For any copy other than Copy A, the OMB number must use one of the following formats:

(a) OMB No. XXXX–XXXX (preferred) or;

(b) OMB # XXXX–XXXX.

.03 All substitute forms (Copy A only) must state “For Paperwork Reduction Act Notice, see Instructions for Forms 1099, 1098, 5498, and W–2G.”

SEC. 3. REPRODUCIBLE COPIES

.01 As of April 30, 1996, IRS discontinued taking orders for reproducible and information copies of federal tax materials. However, there will be several new options available to obtain federal tax material in the future. The new options are:

(1) Internal Revenue Information Services (IRIS)—IRIS is housed within FedWorld, known also as the Electronic Marketplace of U.S. Government Information. IRIS at FedWorld can be reached by:

(a) Modem (dial up) at (703) 321–8020,
(b) by Internet - Telnet to iris.irs.ustreas.gov
(c) by File Transfer Protocol (FTP) connect to - ftp.irs.ustreas.gov
(d) or by World Wide Web - http://www.irs.ustreas.gov

(2) IRS Federal Tax Forms CD–ROM—The IRS also offers an alternative to downloading electronic files from IRIS and provides prior-year access to tax forms and instructions through it’s Federal Tax Forms CD–ROM. First offered during 1994, the CD will again be available for the upcoming filing season. For system requirements and to order the 1996 Federal Tax Forms CD–ROM contact the Government Printing Office’s (GPO’s) Superintendent of Documents either:
   (a) by telephone (202) 521–1800; or
   (b) electronically through GPO’s Federal Bulletin Board on (202) 512–1387.

CAMERA COPY HERE
CAMERA COPY HERE
CAMERA COPY HERE
CAMERA COPY HERE
CAMERA COPY HERE
Part IV. Items of General Interest

Foundations Status of Certain Organizations

Announcement 96–69

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

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

- Absalom Jones Cultural Center Inc., Philadelphia, PA
- African Council Inc., Englewood, NJ
- African Peoples Relief Fund Inc., Washington, DC
- Against All Odds Ministries Full Gospel Church, Philadelphia, PA
- AIDS Interfaith Network Inc., New Haven, CT
- AIDS Resources of Central Shenandoah, Staunton, VA
- Aisquith-Somerset Development Inc., Columbia, MD
- Aleph-Bet Child Development Center Incorporated, Randallstown, MD
- Allied Pharmacists Association, Baltimore, MD
- Alpha Scholarship Foundation Inc., Boston, MA
- Altamont Society Inc., Meadowview, VA
- Alternatives Research Center Inc., Toms River, NJ
- American Civil War Association, Winchester, VA
- American Friends of Beth Jacob Teachers Institute of Jerusalem, Brooklyn, NY
- American Friends of Birkas Rifka Inc., Lakewood, NJ
- American Friends of Universe Fund Inc., Quebec, CA
- American Friends of Yeshiva Halacha Lmoshe, Inc., Queens, NY
- American Housing Foundation Inc., Fairfax, VA
- American Institute for Public Health Education Inc., Lutherville, MD
- American Public Priorities Institute, Washington, DC
- American School of Tampico Foundation, Wilmington, DE
- American Society of Soviet Political Prisoners, New York, NY
- A Musical Journey in Jazz Inc., Shaker Heights, OH
- Apostolic Christian Village Inc., Francesville, IN
- Appalachian Youth Ministries, Abingdon, VA
- Artist Citizen Corp., Dover, NH
- Art of Living Institute, Northampton, PA
- Aspen Cancer Conference Inc., Kensington, MD
- Battery Park City Parks Corporation, New York, NY
- Bay Cove Moseley Group Home Inc., Boston, MA
- Bay Shores Chapel Inc., Jupiter, FL
- Benefit Foundation for Children Inc., Boston, MA
- B H R A G S Housekeeping Inc., Brooklyn, NY
- B H R A G S Senior Citizens Program Inc., Brooklyn, NY
- B H R A G S Thompson Park Inc., Brooklyn, NY
- Black Administrators Faculty and Staff, Brookville, NY
- Blauvelt Lions Charities, Inc., Blauvelt, NY
- Boeotian Institute of Financial Gerontology, Philadelphia, PA
- Boys and Girls Club of Bentonville Bella Vista Arkansas, Inc., Bentonville, AR
- Brain Injury Association of Greater Rochester, Inc., Rochester, NY
- Bridge Street Senior Citizens Center, Inc., Brooklyn, NY
- Brotherhood Classic Association, Inc., Bronx, NY
- Brunswick Hospital Center Foundation, Amityville, NY
- Burgettstown Area Youth Baseball Association, Burgettstown, PA
- Cape Ann Bike Trek Assoc. Partners in Rehab, Medford, MA
- Capital City Kiwanis Club Foundation Inc., Tallahassee, FL
- Capital Region School and Business Alliance, Inc., Albany, NY
- Cathedral Tenants United, Inc., Boston, MA
- Center for Soviet-American Musical Exchange, Inc., Carmel, NY
- Central Florida Area Health Education Center Inc., Apopka, FL
- Chelmsford Youth Basketball League, Inc., Chelmsford, MA
- Chinese Scalp Acupuncture Association International Inc., San Francisco, CA
- Christ the King Counseling Ministry, Columbus, OH
- Citizens for a Safe Environment, Inc., North Muskegon, MI
- Citizens Promoting the Book of Hope, Cincinnati, OH
- Citizen’s Rapid Transit Committee, Denver, CO
- Clerc Foundation Ltd., Boston, MA
- CMU Presents, Inc., New York, NY
- Coalition of Consumer Self Advocates, Providence, RI
- Cognosco, Inc., New Bedford, MA
- Community Alcohol and Drug Awareness Committee, Inc., Chelmsford, MA
- Dallas-Fort Worth Hebert High School Alumni Association, Dallas, TX
- Danvers Educational Enrichment Program, Inc., Danvers, MA
- Devereaux Corporation, Lanham, MD
- Discovery Center A Blacks Hills Handon Museum, Rapid City, SD
- Dixie Child Care Inc., Springfield, LA
- Earthcard Land Trust Inc., Melbourne, FL
- Earthkind International, Washington, DC
- East Side Coalition of Arts, Inc., Buffalo, NY
- Eddy’s Miracle Donors Henry County Chapter, Paris, TN
- Edison Boosters Club Inc., Minneapolis, MN
- Environscape, Inc., Lexington, KY
- Ethical Treatment in Health Care, Inc., Weston, MA
- Faiths Way, Saline, MI
- Fathers, Inc., Roxbury Crossing, MA
- Feres Project Foundation Inc., Meridian, MS
- Flamingo Park Neighborhood Association, West Palm Beach, FL
- Florida Association for Staff Development Inc., Orlando, FL
- Florida Federation of Community Development Corporations Incorporated, Miami, FL
- Florida Sun Coast Figure Skating Club Inc., Clearwater, FL
- Forest & Trees Inc., Deland, FL
- Forest Park School Foundation, Crystal Falls, MI
- 420 Gifford Street Hospitality House for Youth, Inc., Syracuse, NY
- Foster Manor Apartments Inc., Lancaster, OH
Fort Des Moines, Des Moines, IA
47th Precinct Youth Council, Bronx, NY
Friends of Dade County Elderly Inc., Miami, FL
Friends of Haiti National Foundation Inc., Miami, FL
Friends of Melrose Football, Inc., Melrose, MA
Friends of The Ashby Public Library, Ashby, MA
Friends of The Rapids Library Inc., Alexandria, LA
Friends of Whittier, Lorain, OH
Friends of Woodside, Inc., Colchester, VT
Fund for Special Music School of Music NY, Inc., Stamford, CT
Garden of the Child, Inc., Chester, NY
Gaston Futures, Institute, Inc., Gastonia, NC
General Resource Guidance Center, Alice, TX
Greater Cincinnati Blues Society Inc., Cincinnati, OH
Hampden County Sheriffs Dept Sexual Abuse Treatment Program, Ludlow, MA
Hands Extended Ministries, St. Francis, MN
Harlem Girls Ensemble Inc., New York, NY
Harlem Jazz Homecoming Festival, Inc., New York, NY
Hartford Sunrise Sunshine Fund, Inc., Hartford, CT
Harvest Christian Mission, Memphis, TN
Hatian Community AIDS Outreach Project, Inc., Dorchester, MA
Health Services Development Inc., Washington, DC
Helping Hands Community Hospice, Inc., Cordele, GA
Hidden Signal Theatre Company, Inc., Brooklyn, NY
Holocaust Educational Center of Volusia & Flagler Counties, Palm Coast, FL
Housing Partnership Inc., Delray Beach, FL
Hudson Valley Wind Symphony, Inc., Bardonia, NY
Human Resources Training & Development Institute Inc., Miami, FL
I Love America Education Foundation, Lakewood, CO
Ilankai Thamil Sangam Florida Chapter Inc., Coral Springs, FL
Inner Change, Inc., Newburgh, IN
International Foundation for Eye Transplant Research, Inc., New York, NY
Isadora Duncan International Center for Dance, New York, NY
Jackson Foundation, New Milford, CT
James Kavanaugh Institute, Highland Park, IL
Jesus Never Fails, Chicago, IL
Jewish Media Workshop, Bensalem, PA
J Jireh Ministries, Columbus, OH
Kayumanggi Choral, Inc., New York, NY
Keren Ahavat Achim, Inc., Brooklyn, NY
Knox County Child Abuse Prevention Council, Inc., Vincennes, IN
Lena Burkard Public Charities Inc., Kirk, CO
Liberty City Optimist Club of Florida Inc., Miami, FL
Lion Study, Englewood, CO
Little Falls Sports Arena Inc., Little Falls, MN
Los Brazos De Cristo, McAllen, TX
Louisiana Association for the Education of Young Children, Metairie, LA
Masters Plan Inc., Sarasota, FL
MBA of New York Scholarship Foundation, Inc., New York, NY
Mennonite Disaster Service of Eastern Pennsylvania & New Jersey, Souderton, PA
Miami Artwords Inc., Coral Gables, FL
Middle Creek National Battlefield Foundation, Inc., Prestonsburg, KY
Mike Reynolds Memorial Scholarship Fund, Des Moines, IA
Minority Business Council Inc., Pompano Beach, FL
Mt. Zion Safe House, Inc., Kalamazoo, MI
Multinational Transitional Housing Program of New Jersey, Orange, NJ
National Association of Italian American Police Officers, Inc., Stoneham, MA
National Science Research Institute Inc., Abingdon, MD
National We Care Foundation, Carrollton, TX
Neighborhood Women of Williamsburg-Greenpoint, Inc., Brooklyn, NY
19th Street Baptist Community Development Corporation, Philadelphia, PA
North Aurora Baseball Association, North Aurora, IL
North Kingstown Business-Education Partnership, Inc., North Kingstown, RI
Northwest Suburban Christian Academy, Lake Zurich, IL
Off-Broadways Best Inc., Hollywood, FL
Old Broadway House, Inc., New York, NY
100 Black Men of Maryland Inc., Baltimore, MD
Open Hearth, New Castle, ME
Paleontological Research Institute, Inc., Arlington, TX
Parenting Partnerships Inc., Lacombe, LA
Paul A Nuzzo Memorial Scholarship Fund Inc., Tampa, FL
Phoenix Project I, Inc., Detroit, MI
Pilgrim Productions, Elmendorf, TX
PTA Florida Congress Gulf Gate Elementary, Sarasota, FL
Puertorician and Caribbean Organization (PACO), Fairborn, OH
Ravenwood Community Betterment, Ravenwood, MO
Repairers of the Breast Inc., Milwaukee, WI
Sampson Haven Inc., Clinton, NC
Santas Anonymous of DuPage Inc., Chicago, IL
Saturn Institute, St. Paul, MN
Schiller International University Alumni Association Inc., England
School Buildings Inc., Atlanta, GA
Search for Missing Children Inc., Plantation, FL
Self Employment Training Associates Corporation SETA, St. Petersburg, FL
Sharenet Association, Independence, MO
Sharon Glen, Wheaton, IL
Show Theatre Group, Chicago, IL
Sirach House Inc., West Orange, NJ
Skyview Village Inc., Denver, CO
South African Azanian Student Movement—SAASM, Washington, DC
South Dakota Expressions, Sioux Falls, SD
South Hall Community Development Corp., Alcoa, TN
South Pointe Family & Children Center Inc., Miami, FL
Southwest Animal Rehabilitation, Inc., Angel Fire, NM
Southwest Just Say No Club, Springdale, AR
Sports Against Drugs International Inc., McLean, VA
Springfield Education Association Philantrhopic Fund Inc., Union, NJ
St. Agnes Foundation, Minneapolis, MN
St. Elizabeth’s Children Home, Lexington, MS
Stairways Supported Housing Corporation, Erie, PA
Student Foundation of Florida Institute of Technology Inc., Melbourne, FL
Tampa Bay Wheelchair Athletic Association Inc., Belleair Beach, FL
TBVJC, Inc., Dublin, OH
Deletions from Cumulative List of Organizations Contributions to Which Are Deductible Under Section 170 of the Code

Announcement 96-70

The name of an organization that no longer qualifies as an organization described in section 170(c)(2) of the Internal Revenue Code of 1986 is 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 not 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 August 5, 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.

Frank Nappi Foundation
Ashtabula, OH

Section 7428(c) Validation of Certain Contributions Made During Pendency of Declaratory Judgment Proceedings

This announcement serves notice to potential donors that the organization listed below has recently filed a timely declaratory judgment suit under section 7428 of the Code, challenging revocation of its status as an eligible donee under section 170(c)(2).

Protection under section 7428(c) of the Code begins on the date that the notice of revocation is published in the Internal Revenue Bulletin and ends on the date on which a court first determines that an organization is not described in section 170(c)(2), as more particularly set forth in section 7428(c)(1). In the case of individual contributors, the maximum amount of contributions protected during this period is limited to $1,000, with a husband and wife being treated as one contributor. This protection 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. This protection also applies (but without limitation as to amount) to organizations described in section 170(c)(2) which are exempt from tax under section 501(a). If the organization ultimately prevails in its declaratory judgment suit, deductibility of contributions would be subject to the normal limitations set forth under section 170.

Music Square Church
Van Buren, AR
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.  
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.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
FR—Federal Register.  
FX—Foreign Corporation.  
G.C.M.—Chief Counsel’s Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
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—Transferor.  
TFR—Transferor.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.
Numerical Finding List


Announcements:
96–64, 1996–29 I.R.B. 18

Notices:
96–37, 1996–31 I.R.B. 29

Proposed Regulations:

Railroad Retirement Quarterly Rate
1996–29 I.R.B. 14

Revenue Procedures:
96–37, 1996–29 I.R.B. 16

Revenue Rulings:
96–33, 1996–27 I.R.B. 4

Tax Conventions:

Treasury Decisions:
8673, 1996–27 I.R.B. 4
8676, 1996–30 I.R.B. 4
8677, 1996–30 I.R.B. 7
8679, 1996–31 I.R.B. 4

1A cumulative list of all Revenue Rulings, Revenue Procedures, Treasury Decisions, etc., published in Internal Revenue Bulletins 1996–1 through 1996–26 will be found in Internal Revenue Bulletin 1996–27, dated July 1, 1996.
Finding List of Current Action on Previously Published Items


*Denotes entry since last publication

Revenue Procedures:

95–29
Superseded by

95–29A
Superseded by

1A cumulative finding list for previously published items mentioned in Internal Revenue Bulletins 1996–1 through 1996–26 will be found in Internal Revenue Bulletin 1996–27, dated July 1, 1996.
Index


For index of items published during the first six months of 1996, see I.R.B. 1996–27, dated July 1, 1996.

The abbreviation and number in parenthesis following the index entry refer to the specific item; numbers in roman and italic type following the parenthesis refer to the Internal Revenue Bulletin in which the item may be found and the page number on which it appears.

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

EMPLOYMENT TAXES

Railroad retirement:
Rate determination, quarterly (July 1, 1996) 29, 14

INCOME TAX

Bonds:
Qualified mortgage bonds:
Mortgage credit certificates:
National median gross income (RP 37) 29, 16
Claiming a refund. U.S. v. IBM (Notice 37) 31, 29
Employee plans:
Funding:
Full funding limitations, weighted average interest rate, June 1996 (Notice 36) 27, 11; July 1996 (Notice 38) 31, 29
Interest:
Investment:
Federal short-term, mid-term, and long-term rates, July 1996 (RR 34) 28, 4

INCOME TAX—Continued

Inventories:
LIFO:
Price indexes, department stores, May 1996 (RR 36) 30, 6
Low-income housing credit:
Bond factor amounts, April—June 1996 (RR 33) 27, 4
FEMA (RR 35) 31, 4
Proposed regulations:
26 CFR 1.61–8(b), revised; 1.451–1(g), added; 1.467–1, amended; 1.467–4, amended; 1.467–0 through –8, added; rental agreements (IA–292–84) 28, 38
26 CFR 1.61–12(c), 1.163–7(c), 1.171–1—1.171–4, 1.1016–5(b), revised; 1.163–13, 1.171–5, added; 1.1016–9, removed; amortizable bond premium (FI–48–95) 31, 36
26 CFR 1.148–5(d)(vi) and intermediary sections; 1.148–5(c)(2)(iv), added; arbitrage restrictions on tax-exempt bonds (FI–28–96) 31, 33
26 CFR 1.166–3(a)(3), added; bad debts modifications and dealer assignments of notional principal contracts (FI–48–95) 31, 30
26 CFR 1.110–3, added; debt instruments modifications (TD 8675) 29, 5
26 CFR 1.1394–0, –1, added; enterprise zone facility bonds (TD 8673) 27, 4
26 CFR 1.1502–90T—99T and intermediary sections, added; consolidated groups, net operating loss carryforwards and built-in losses and credits following ownership change, limitations (TD 8678) 31, 11
Returns:
Magnetic media reporting, Forms 1098, 1099, 5498, and W–2G (RP 36) 27, 11

INCOME TAX—Continued

Regulations:—Continued
26 CFR 1.116–7(a), added; 1.446–4, amended; 1.483–2T, removed; 1.483–4, added; 1.1001–1, revised; 1.1012–1(g), revised; 1.1271–0(b), amended; 1.1272–1(c)(7), added; 1.1274–2(g), revised; 1.1274–2(i) and (j), added; 1.1275–2(g), (h), (i), (j), added; 1.1275–2T, removed; 1.1275–4, added; 1.1275–5(a)(5), (6), added; 1.1275–5(c)(1), (5), revised; 1.1275–6, added; debt instruments with original issue discount, contingent payments, anti-abuse rule (TD 8674) 28, 7
26 CFR 1.116–3T, 1.1001–4T, added; bad debts modifications and dealer assignments of notional principal contracts (TD 8676) 30, 4
26 CFR 1.382–5T, –8T, –2T(f)(1)i—(ii) and intermediary sections, added; 1.382–2, –2T, removed; consolidated groups, short taxable years for controlled groups (TD 8679) 31, 4
26 CFR 1.1394–0, –1, added; enterprise zone facility bonds (TD 8673) 27, 4
26 CFR 1.1502–90T—99T and intermediary sections, added; consolidated groups, net operating loss carryforwards and built-in losses and credits following ownership change, limitations (TD 8678) 31, 11

44