

Internal Revenue bulletin

Bulletin No. 1997-50
December 15, 1997

HIGHLIGHTS OF THIS ISSUE

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

INCOME TAX

Rev. Rul. 97-52, page 4.

LIFO; price indexes; department stores. The October 1997 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, October 31, 1997.

Notice 97-72, page 7.

Leased property; substantial modification. Taxpayers are informed of certain conditions under which changes in rental payment terms resulting from a lessor's refinancing of its indebtedness will not be a substantial modification of the rental agreement for purposes of section 467 of the Code.

Announcement 97-120, page 61.

Uniform capitalization; farming exception; nursery growers. The Service confirms that recently issued proposed regulations specifically permit nursery growers to qualify for the "farming exception" to the uniform capitalization rules under section 263A of the Code.

EMPLOYEE PLANS

T.D. 8736, page 5.

Final and temporary regulations under section 6071 of the Code relate to the filing date by which Form 4720 returns

must be filed by disqualified persons and organization managers liable for Code section 4958 excise taxes.

Announcement 97-121, page 62.

This announcement sets forth administrative programs established by the Service that, if applicable, may be utilized by a sponsor of a qualified plan or a tax-sheltered annuity (collectively "the plan") in order for a plan to maintain its tax-favored status.

Announcement 97-122, page 63.

This announcement describes interim guidance with respect to model and prototype Roth IRAs within the meaning of section 408A of the Code as added by section 302 of the Taxpayer Relief Act of 1997.

EXEMPT ORGANIZATIONS

Announcement 97-119, page 61.

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

ADMINISTRATIVE

Rev. Proc. 97-54, page 8.

Substitute printed, computer-prepared, and computer-generated tax forms and schedules for 1997. Requirements are set forth for privately designed and printed federal tax return forms and conditions under which the Service will accept computer-prepared and computer-generated tax forms and schedules. Rev. Proc. 96-48 superseded.

Finding Lists begin on page 66.



Department of the Treasury
Internal Revenue Service

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 prod-

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

Statement of Principles of Internal Revenue Tax Administration

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

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

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

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

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

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents of a permanent nature are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

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

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

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

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

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

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

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

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

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

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

Section 472.—Last-in, First-out Inventories

Rev. Rul. 97-52

years ended on, or with reference to, October 31, 1997.

26 CFR 1.472-1: Last-in, first-out inventories.

LIFO; price indexes; department stores. The October 1997 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or within reference to, October 31, 1997.

The following Department Store Inventory Price Indexes for October 1997 were issued by the Bureau of Labor Statistics on November 18, 1997. The indexes are accepted by the Internal Revenue Service, under § 1.472-1(k) of the Income Tax Regulations and Rev. Proc. 86-46, 1986-2 C.B. 739, for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory methods for tax

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups - soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, foods, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS (January 1941 = 100, unless otherwise noted)

| Groups | Oct. 1996 | Oct. 1997 | Percent Change from Oct. 1996 to Oct. 1997 ¹ |
|---|--------------|--------------|---|
| 1. Piece Goods | 561.0 | 534.5 | -4.7 |
| 2. Domestics and Draperies | 641.0 | 638.4 | -0.4 |
| 3. Women's and Children's Shoes | 661.8 | 672.2 | 1.6 |
| 4. Men's Shoes | 920.1 | 910.2 | -1.1 |
| 5. Infants' Wear | 626.4 | 615.5 | -1.7 |
| 6. Women's Underwear | 536.8 | 560.1 | 4.3 |
| 7. Women's Hosiery | 285.7 | 301.6 | 5.6 |
| 8. Women's and Girls' Accessories | 557.5 | 541.7 | -2.8 |
| 9. Women's Outerwear and Girls' Wear | 417.5 | 431.3 | 3.3 |
| 10. Men's Clothing | 621.9 | 625.3 | 0.5 |
| 11. Men's Furnishings | 581.7 | 601.0 | 3.3 |
| 12. Boys' Clothing and Furnishings | 490.7 | 505.9 | 3.1 |
| 13. Jewelry | 1043.6 | 995.5 | -4.6 |
| 14. Notions | 797.3 | 844.4 | 5.9 |
| 15. Toilet Articles and Drugs | 901.4 | 916.4 | 1.7 |
| 16. Furniture and Bedding | 667.5 | 666.2 | -0.2 |
| 17. Floor Coverings | 585.2 | 578.2 | -1.2 |
| 18. Housewares | 808.1 | 812.1 | 0.5 |
| 19. Major Appliances | 246.2 | 243.3 | -1.2 |
| 20. Radio and Television | 77.8 | 74.5 | -4.2 |
| 21. Recreation and Education ² | 111.8 | 108.6 | -2.9 |
| 22. Home Improvements ² | 125.6 | 132.7 | 5.7 |
| 23. Auto Accessories ² | 107.4 | 107.9 | 0.5 |
| Groups 1 - 15: Soft Goods | 603.4 | 610.1 | 1.1 |
| Groups 16 - 20: Durable Goods | 467.7 | 463.9 | -0.8 |
| Groups 21 - 23: Misc. Goods ² | 112.9 | 111.6 | -1.2 |
| Store Total ³ | 556.1 | 558.5 | 0.4 |

¹Absence of a minus sign before percentage change in this column signifies price increase.

²Indexes on a January 1986=100 base.

³The store total index covers all departments, including some not listed separately, except for the following: candy, foods, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Stan Michaels of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Michaels on (202) 622-4970 (not a toll-free call).

Section 6071.—Time for Filing Returns and Other Documents

26 CFR 53.6071-1: *Time for filing returns.*

T.D. 8736

DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 53

Time for Filing Form 4720 Return

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and temporary regulations.

SUMMARY: This document contains a regulation that specifies the filing date by which Form 4720 returns must be filed by disqualified persons and organization managers liable for Internal Revenue Code section 4958 excise taxes. These excise taxes are imposed on excess benefit transactions between disqualified persons and section 501(c)(3) organizations (except for private foundations) or section 501(c)(4) organizations.

DATES: This regulation is effective October 7, 1997.

For dates of applicability, see § 53.6071-1(f).

FOR FURTHER INFORMATION CONTACT: Phyllis Haney, (202) 622-4290 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Foundation and Similar Excise Taxes regulations (26 CFR part 53) under Internal Revenue Code (Code) section 6071.

Those amendments provide guidance on the time for filing the return that is required to accompany payment of section 4958 excise taxes. This rule was first published in Notice 96-46 (1996-39 I.R.B. 7) (September 23, 1996). A notice of proposed rule-making (NPRM) of that rule was published at 62 Fed. Reg. 84, by cross reference to a temporary regulation, (T.D. 8705, 62 FR 25), on January 2, 1997. The deadline for comments on the NPRM was April 2, 1997; no comments were received.

Taxpayer Bill of Rights 2, Public Law 104-168, 110 Stat. 1452 (TBOR2), enacted July 30, 1996, added section 4958 to the Code, which imposes excise taxes on excess benefit transactions. Section 4958 taxes apply retroactively to excess benefit transactions occurring on or after September 14, 1995. The taxes do not, however, apply to any benefit arising from a transaction pursuant to any written contract which was binding on September 13, 1995, and at all times thereafter before such transaction occurred.

An “excess benefit transaction” subject to tax under section 4958 is any transaction in which an economic benefit is provided by an organization described in Code section 501(c)(3) (except for a private foundation) or 501(c)(4) directly or indirectly to, or for the use of, any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing the benefit. A “disqualified person” is any person who was, at any time during the 5-year period ending on the date of the excess benefit transaction, in a position to exercise substantial influence over the affairs of the organization. Disqualified persons also include family members and certain entities in which at least 35 percent of the control or beneficial interest are held by persons described in the preceding sentence.

Code section 4958 imposes three taxes. The first tax is equal to 25 percent of the excess benefit amount, and is to be paid by any disqualified person who engages in an excess benefit transaction. The second tax is equal to 200 percent of the excess benefit amount, and is to be paid by any disqualified person if the excess benefit transaction is not corrected within the taxable period. The third tax is equal to

10 percent of the excess benefit amount, and is to be paid generally by any organization manager who knowingly participates in an excess benefit transaction. The maximum amount of this third tax with respect to any one excess benefit transaction may not exceed \$10,000. An “organization manager” is any officer, director, trustee, or any individual having powers or responsibilities similar to those of any officer, director, or trustee. Final regulations under Code section 6011 were published on January 2, 1997, at T.D. 8705 (62 FR 25), prescribing Form 4720 for calculating and paying the first and third taxes described above.

TBOR2 also amended Code section 6033(b) to require section 501(c)(3) organizations to report the amounts of the taxes paid under section 4958 with respect to excess benefit transactions involving the organization, as well as any other information the Secretary may require concerning those transactions. Section 6033(f) also was amended to impose the same reporting requirements on section 501(c)(4) organizations. Those amendments to section 6033 only apply to organizations’ returns for taxable years beginning after July 30, 1996. These and other TBOR2 amendments to the reporting requirements for section 501(c)(3) and section 501(c)(4) organizations are reflected on IRS Forms 990 and 990-EZ beginning with the 1996 versions.

Explanation of Provisions

This regulation provides the general rule that Form 4720 returns will be due on or before the 15th day of the fifth month following the close of the taxable year of any disqualified person or organization manager who is liable for section 4958 excise taxes on excess benefit transactions. The regulations also provide that returns on Form 4720 for taxable years ending after September 13, 1995, and on or before July 30, 1996, will be due on or before December 15, 1996. See also Notice 96-46 (1996-39 I.R.B. 7) (September 23, 1996), and 62 FR 25, 84 (January 2, 1997).

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in EO 12866.

Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulation does not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, these regulations will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

Drafting Information

The principal author of these regulations is Phyllis Haney, Office of Associate Chief Counsel (Employee Benefits and Exempt

Organizations). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 53

Excise taxes, Foundations, Investments, Lobbying, Reporting and record-keeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 53 is amended as follows:

PART 53—FOUNDATION AND SIMILAR EXCISE TAXES

Paragraph 1. The authority citation for part 53 continues to read as follows:

Authority: 26 U.S.C. 7805.

§53.6071-1T [Amended]

§53.6071-1 [Amended]

Par 2. In §53.6071-1T, paragraph (f) is redesignated as paragraph (f) of §53.6071-1.

§53.6071-1T [Removed]

Par 3. §53.6071-1T is removed.

Michael P. Dolan,
*Acting Commissioner of
Internal Revenue.*

Donald C. Lubick,
*Acting Assistant Secretary of
the Treasury.*

(Filed by the Office of the Federal Register on October 6, 1997, 8:45 a.m., and published in the issue of the Federal Register for October 7, 1997, 62 F.R. 52256)

Part III. Administrative, Procedural, and Miscellaneous

Substantial Modification of Rental Agreements

Notice 97-72

PURPOSE

This notice informs taxpayers of certain conditions under which changes in rental payment terms resulting from a refinancing of indebtedness incurred by a lessor to acquire property that is the subject of a rental agreement will not be a substantial modification of the rental agreement for purposes of § 467 of the Internal Revenue Code. The Treasury Department intends to issue final regulations under § 467 that will incorporate these conditions.

BACKGROUND

On June 3, 1996, the Internal Revenue Service and Treasury issued proposed Income Tax Regulations under § 467, published in a Notice of Proposed Rulemaking (61 Fed. Reg. 27834). The regulations provide that, if a rental agreement is a § 467 rental agreement, the lessor and lessee must take into account for a taxable year the § 467 rent and the § 467 interest for that year. The proposed regulations provide that a rental agreement is a § 467 rental agreement if it has increasing or decreasing rent, or deferred or prepaid rent, and the aggregate rental payments and other consideration to be received for the use of the property exceed \$250,000.

Under § 1.467-3 of the proposed regulations, if a § 467 rental agreement is a leaseback or long-term agreement that provides for increases or decreases in rent that have a principal purpose of Federal income tax avoidance (a disqualified leaseback or long-term agreement), the Commissioner may require the lessor and lessee to use constant rental accrual. Section 467(e)(1) provides that the "constant rental amount" is an amount that, if paid at the close of each lease period under the agreement, would result in an aggregate present value equal to the present value of

the aggregate payments required under the agreement. Section 467(b)(5) and the § 467 proposed regulations provide certain safe harbor exceptions to the application of constant rental accrual.

The regulations are proposed to be effective for (1) disqualified leasebacks and long-term agreements entered into after June 3, 1996, and (2) all other rental agreements entered into after the date on which final § 467 regulations are published.

Under § 1.467-1(f) of the proposed regulations, if, after the lease term begins, the lessor and lessee agree to a substantial modification of the terms of the lease, the remaining portion of the rental agreement, as modified, is treated as a new rental agreement for purposes of § 467 and the regulations thereunder, including the effective date provisions. Thus, for example, such a rental agreement must be retested to determine whether increases or decreases in rent were motivated by Federal income tax avoidance, or whether a safe harbor exception to constant rental accrual applies.

The proposed regulations provide no guidance regarding whether a substantial modification has occurred. Consequently, commentators have expressed concern that a refinancing of indebtedness incurred to acquire property that is the subject of a rental agreement entered into prior to the effective date of the § 467 regulations will result in a substantial modification of the rental agreement. This treatment may occur because, even though the lessee is not directly obligated to pay the principal of, or interest on, such indebtedness, in many leases, the rent paid by the lessee is affected by the lessor's debt service costs. Thus, the concern of the commentators is that a refinancing of the lessor's indebtedness after June 3, 1996, will cause a change in rental payments that will constitute a substantial modification of the rental agreement and may cause the remaining portion of the rental agreement to be treated as a disqualified leaseback or long-term

agreement under the § 467 regulations (and therefore subject to constant rental accrual).

EFFECT OF REFINANCING

In response to the concerns of commentators, the final regulations under § 467 will provide that the refinancing of any indebtedness incurred by the lessor to acquire the property subject to a rental agreement and secured by the property, together with any corresponding changes in the rights or obligations of the lessee under the rental agreement, will not be treated as a substantial modification of the rental agreement if all of the following conditions are met:

(a) Neither the amount, nor the time for payment, of the principal amount of the new indebtedness differs from the amount and time for payment of the principal amount of the refinanced indebtedness, except for de minimis changes;

(b) For each of the remaining rental periods, the rent allocation schedule, the payments of rent and interest, and the amount accrued under § 467 are changed only as necessary to take into account the change in financing costs, and such changes are made pursuant to the terms of the rental agreement;

(c) The lessor and the lessee are not related persons (as defined in § 1.467-1(h)(7) of the proposed regulations) to each other or to any lender to the lessor with respect to the property (whether under the refinanced indebtedness or the new indebtedness); and

(d) The lessor has a unilateral option (within the meaning of § 1.1001-3(c)(3)), with or without the consent of the lessee, to repay the refinanced indebtedness.

DRAFTING INFORMATION

The principal author of this notice is Stephen J. Toomey of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this notice, contact Mr. Toomey at (202) 622-4960 (not a toll-free call).

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EXHIBITS

- Exhibit A-1. Schedule A (Preferred)
- Exhibit A-2. Schedule A (Acceptable)
- Exhibit B-1. Schedule B (Preferred)
- Exhibit B-2. Schedule B (Acceptable)
- Exhibit CG-A. Schedule A (Computer Generated)
- Exhibit CG-B. Schedule B (Computer Generated)
- Exhibit C. Sample Checklist
- Exhibit L-1. List of Forms Referred to in Revenue Procedure

Chapter 1

Introduction to Substitute Forms

Overview of Revenue Procedure 97-54

| | |
|--|---|
| Purpose | This revenue procedure provides the general requirements and conditions for the development, printing, and approval of all substitute tax forms to be acceptable for filing in lieu of official IRS forms. |
| Unique Forms | Certain unique, specialized forms require the use of other additional revenue procedures to supplement this publication. See Chapter 4. |
| Scope | <p>The Internal Revenue Service accepts quality substitute tax forms that are consistent with the official forms, and that do not have an adverse impact on our processing. The IRS Substitute Forms Program administers the formal acceptance and processing of these forms nationwide. While this program deals primarily with paper documents, it also interfaces with other processing and filing media such as:</p> <ul style="list-style-type: none">• magnetic tape,• optical character recognition, and• electronic filing, etc. <p>Only those substitute forms that comply fully with the requirements set forth herein are acceptable. Exhibit L-1 lists the form numbers mentioned in this document and their titles. This revenue procedure is updated as required to reflect pertinent tax year form changes and to meet processing and/or legislative requirements.</p> |
| Forms Covered by This Revenue Procedure | <p>The following types of forms are covered by this revenue procedure:</p> <ul style="list-style-type: none">• IRS tax returns and their related forms and schedules.• Applications for permission to file returns electronically and forms submitted as required documentation for electronically filed returns.• Powers of Attorney.• Estimated tax payment vouchers.• Forms and schedules relating to partnerships, exempt organizations, and employee plans. |
| Forms NOT Covered by This Revenue Procedure | <p>The following types of forms are not covered:</p> <ul style="list-style-type: none">• W-2, W-3, 1096, 1098, 1099 series, 5498, and W-2G (see following table).• Federal Tax Deposit (FTD) coupons, which may not be reproduced.• Requests for information or documentation initiated by the Service.• Forms used internally by the Service.• State tax forms.• Forms developed outside IRS (except for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts). |

IRS Contacts

Where To Send Substitute Forms

Send your substitute forms to the following offices:

| Form | Office and Address |
|--|---|
| W-2, W-3 | Internal Revenue Service Attn: Substitute Form W-2 Coordinator CP:CO:SC:A 5000 Ellin Road Lanham, MD 20706 |
| 1096, 1098, 1099 Series, 5498, and W-2G | Internal Revenue Service Attn: IRP Coordinator T:S:P:S 5000 Ellin Road Lanham, MD 20706 |
| 4461, 4461-A, 4461-B, 5300, 5323, 5327, 5310, 5310-A, and 6406 | Internal Revenue Service Attn: EP OCR Forms Coordinator E:EP:FC 1111 Constitution Avenue, NW Room 2232 IR Washington, DC 20224 |
| All others | Internal Revenue Service Attn: Substitute Forms Program T:FP:S 1111 Constitution Avenue, NW Room 2708 IR Washington, DC 20224 |

In addition, the Substitute Forms Program can be contacted via email at steves@publish.no.irs.gov. DO NOT attach graphic files for approval with email.

Nature of Changes

Changes to the Revenue Procedure

- Information on IRS Contact offices has been consolidated.
 - Payment vouchers size requirements have been revised and specifications moved from exhibits to text.
 - Graphics changes revised for Form 1040, Page 2.
 - A sample exhibit of a checklist of forms for use in submitting substitute forms has been included.
 - Instructions for machine reading (scanning) Form 941 OCR or Schedule B (Form 941) have been deleted.
 - Previous instructions labeled “Special Form 941 Requirements” have been removed from this revenue procedure.
 - The office phone number and address for 1040PC Project Office has been updated.
 - A paragraph has been added on Tax Fax and CD-ROM ordering instructions have been updated.
 - Various editorial changes have been made.
-

Definitions

| | |
|--|---|
| Substitute Form | A tax form (or related schedule) that differs in any way from the official version and is intended to replace the entire form that is printed and distributed by the Service. This term also covers those approved substitute forms exhibited in this revenue procedure. |
| Printed (or Preprinted) Form | A form produced using conventional printing processes. Also, a printed form which has been reproduced by photocopying or similar processes. |
| Preprinted Pin-Fed Form | A printed form that has marginal perforations for use with automated and high-speed printing equipment. |
| Computer-Prepared Substitute Form | A preprinted form in which the taxpayer's tax entry information has been inserted by a computer, computer-printer, or other computer type equipment, such as word-processing equipment. |
| Computer-Generated Substitute Tax Return or Form | A tax return or form that is entirely designed and printed by the use of a computer printer, such as a laser printer, etc., on plain white paper. This return or form must conform to the physical layout of the corresponding Service form although the typeface may differ. The text should match the text on the officially printed form as closely as possible; condensed text and abbreviations will be considered on a case-by-case basis. Exception: All jurats (perjury statements) must be reproduced verbatim. |
| Manually-Prepared Form | A preprinted reproduced form in which the taxpayer's tax entry information is entered by an individual using a pen, pencil, typewriter, or other non-automated equipment. |
| Computer-Generated Answer Sheet Format Tax Return | A tax return that contains only the taxpayer's significant line entries, and is formatted three columns per page with tax form headings, a summary, and jurat. This return is printed on plain white paper using a computer printer. |
| Graphics | Those parts of a printed tax form that are not tax amount entries nor called-for information. Generally, these are line numbers, captions, shadings, instructions, special indicators, borders, rules, and strokes created by typesetting, photographics, photocomposition, etc. |
| Acceptable Reproduced Form | A legible photocopy of an original form. |
| Supporting Statement (Supplemental Schedule) | A document providing detailed information to support an entry for a line(s) on an official or approved substitute form and filed with (attached to) a tax return. (A supporting statement is not a tax form and does not take the place of an official form, unless specifically permitted elsewhere in this procedure.) |
| Specific Forms Terms | The following terms are used throughout this revenue procedure in reference to all substitute forms, with the exception of the 1040PC "answer sheet format" tax return. |
| Format | The overall physical arrangement and general layout of a substitute form. |
| Sequence | The same numeric and logical placement order of data, as reflected on the official form version. Sequence is an integral part of the total format requirement. |
| Line Reference (Code) | The line numbers, letters or alphanumerics used to identify each captioned line on the official forms, and printed to the immediate left of each caption or data entry field. |
| Item Caption | The textual portion of each line on the form identifying the specific data elements required. |
| Data Entry Field | All areas designated on a form for the insertion of data, such as dollar amounts, quantities, responses, check-boxes, etc. |

Agreement

Important Stipulation of This Revenue Procedure

Any person or company who uses substitute forms and makes all or part of the changes specified in this revenue procedure agrees to the following stipulations:

- The Internal Revenue Service presumes the changes are made in accordance with these procedures and, as such, will be noninterruptive to the processing of the tax return.
 - Should any of the changes prove to be not exactly as described, and as a result become disruptive to the Internal Revenue Service during processing of the tax return, the person or company agrees to accept the determination of the IRS as to whether or not the form may continue to be used during the filing season.
 - Also agrees to work with the IRS in correcting noted deficiencies. Notification of deficiencies may be made by any combination of fax, letter, email, or phone contact and may include the return of unacceptable forms for resubmission of acceptable forms.
-

Chapter 2

General Guidelines for Submissions and Approvals

General Specifications for Approval

| | |
|--|--|
| Overview | If you produce any tax returns and forms using IRS guidelines on permitted changes, you can generate your own substitutes without further approval. If your changes are more extensive, you must get official approval before using substitute forms. These changes include the use of typefaces and sizes other than those found on the official form and the condensing of line item descriptions to save space. |
| Schedules | Schedules are considered to be an integral part of a complete tax return when assigned consecutive page numbers and printed contiguously with page 1 of the return. |
| Example of Schedules That Must Be Submitted With the Return | Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, is an example of this situation, where Schedules A through S have pages numbered as part of the basic return. For a Form 706 to be approved, the entire form including Schedules A through S must be submitted. |
| Examples of Schedules That Can Be Submitted Separately | However, Schedules 1, 2, and 3 of Form 1040A are examples of schedules that can be separately computer-generated. Although IRS printed as a continuation of Form 1040A, none of these schedules have page numbers that require them to be filed with Form 1040A, and may, therefore, be separated from Form 1040A and submitted as computer-generated substitute schedules. |
| Use and Distribution of Unapproved Forms | The Internal Revenue Service is continuing a program to identify and contact tax return preparers, forms developers, and software publishers who use or distribute unapproved forms that do not conform to this revenue procedure. The use of unapproved forms impedes processing of the returns. |

Highlights of Permitted Changes and Requirements

Methods of Reproducing Internal Revenue Service Forms

Official versions are supplied by the Internal Revenue Service, such as those in the taxpayer's tax package, those printed in revenue procedures, and over-the-counter forms available at IRS and other governmental public offices or buildings. Forms are also available on CD-ROM, and on-line via Fedworld and the Internet.

There are methods of reproducing Internal Revenue Service printed tax forms suitable for use as substitute tax forms without prior approval.

- You can photocopy most tax forms and use them instead of the official ones. The entire substitute form, including entries, must be legible.
 - You can reproduce any current tax form as cut sheets, snapsets, and marginally punched, pin-fed forms so long as you use an official IRS version as the master copy.
 - You can reproduce a "signature form" as a valid substitute form. Many tax forms (including returns) have a taxpayer signature requirement as part of the form layout. The jurat/perjury statement/signature line areas must be retained and worded exactly as on the official form. The requirement for a signature by itself does not prohibit a tax form from being properly computer-generated.
 - You can computer-generate Answer Sheet Format Tax Returns on plain bond paper using IRS-accepted software for the 1040PC format for return types 1040EZ, 1040, 1040A, and attachments, forms, and schedules.
-

Vouchers

Overview

All payment vouchers (Forms 940–V, 940–EZ(V), 941–V, 943–V, 945–V, 1040–V, and 2290–V) must be reproduced. Substitute vouchers must be the same size as the officially printed vouchers. Vouchers that are prepared for printing on a laser printer may include a scanline.

Scanline Fields

NNNNNNNNN AA AAAA NN N NNNN NNN
A B C D E F G

- A - Social Security Number/Employer Identification Number (SSN/EIN) has 9 numeric spaces.
B - Check Digit has 2 alpha spaces.
C - Name Control has 4 alphanumeric spaces.
D - Master File Tax (MFT) Code has 2 numeric spaces (see below).
E - Taxpayer Identification Number (TIN) Type has 1 numeric space (see below)
F - Tax period has four numeric spaces in year/month format (YYMM).
G - Transaction Code has 3 numeric spaces.
-

MFT Code

- Code Number for:
- Form 1040 family - 30;
 - Form 940/940-EZ - 10;
 - Form 941 - 01;
 - Form 943 - 11;
 - Form 945 - 16; and
 - Form 2290 - 60.
-

TIN Type

- Type Number for:
- Form 1040 family - 0; and
 - Forms 940, 940–EZ, 941, 943, 945, and 2290–2.
-

Voucher Size

The voucher size must be exactly 8.0" × 3.25". The document scanline must be vertically positioned 1.625 inches from the bottom of the scanline to the bottom of the voucher. The right most character of the scanline must be placed 3.5 inches from the right leading edge of the document. The maximum vertical displacement is .06 inches. The minimum required horizontal clear space between characters is .014 inches. The line to be scanned must have a clear band 0.25 inches in height from top to bottom of the scanline, and from border to border of the document. "Clear band" means no printing except for dropout ink.

Print and Paper Weight

Vouchers must be printed in black ink using OCR A or OCR B, size 1 font. The paper must be 20 to 24 pound OCR bond paper weight.

Restrictions on Changes

**Things You
CANNOT Do
to IRS Forms
Suitable for
Substitute Tax
Forms**

You cannot, without prior IRS approval, change any Internal Revenue Service tax form or use your own (non-approved) versions (preprinted labels), including graphics, unless specifically permitted by this revenue procedure.

You cannot adjust any of the graphics on Forms 1040, 1040A, and 1040EZ (except in those areas specified in Chapter 5 of this revenue procedure) without prior approval from the IRS Substitute Forms Program.

You cannot use your own preprinted label on tax returns filed with IRS, unless you fully comply with the exception criteria specified in the section on use of preaddressed IRS labels in this revenue procedure.

Guidelines for Obtaining IRS Approval

Basic Requirements

Preparers who desire to file substitute privately designed and printed tax forms and/or computer-generated and computer-prepared tax forms must develop such substitutes using the guidelines for substitute forms established in this chapter. These substitutes, unless excepted by revenue procedure, must be approved by the IRS before being filed.

1040PC Format Return

A software developer who wants to market, distribute, or use for its own clientele, a tax preparation package featuring the 1040PC tax return format, must first file an application to participate in the program. Only after successfully fulfilling test requirements will a developer's software package be accepted by the IRS to produce 1040PC tax returns.

Conditional Approval Based on Advanced Proofs

The Internal Revenue Service cannot grant final approval of your substitute form until the official form has been published. However, the IRS usually releases advance proof copies of selected major tax forms that are subject to further changes and OMB approval before their release in final format for printing and distribution to the public.

We encourage submission of proposed substitutes of these advance proof forms, and will grant conditional approval based solely on these early proofs. These advance proofs are subject to significant change before forms are finalized. If these advance proofs are used as the basis for your substitute forms, you will be responsible for subsequently updating your final forms to agree with the final official version before use. These revisions need not be submitted for further approval.

NOTE: Conditional approval will not be granted after the final version of an official form is published.

Any alteration of forms must be within the limits acceptable to the Service. It is possible that, from one filing period to another, a change in law or a change in internal need (processing, audit, compliance, etc.) may change the allowable limits for the alteration of the official form.

When specific approval of any substitute form (other than those specified in Chapter 2, IRS Contacts) is desired, a sample of the proposed substitute should be forwarded for consideration by letter to the Substitute Forms Program Coordinator at the address shown in Chapter 2.

To expedite multiple forms approval, we prefer that your proposed forms be submitted in separate sets by return. For example, Forms 1040 and their normally related schedules or attachments should be submitted separately from Forms 1120, 1065, 5500 Series, etc., if at all possible. Schedules and forms (e.g., Forms 3468, 4136, etc.) that can be used with more than one type of return (e.g., 1040, 1041, 1120, etc.) should be submitted only once for approval, regardless of the number of different tax returns with which they may be ultimately associated. In addition, all pages of a multipage form or return should be submitted in the same package.

Approving Offices

As no IRS office except the ones specified in this procedure are authorized to approve substitute forms, unnecessary delay may result if forms are sent elsewhere for approval. All forms submitted to any other office must be forwarded to the appropriate office for formal control and review. The Substitute Forms Program Coordinator may then coordinate the response with the program analyst responsible for the processing of that form. Such coordination may include allowing the analyst to officially approve the form. No IRS office is authorized to allow deviations from this revenue procedure.

Service's Review of Software Programs, etc.

The IRS does not review or approve the logic of specific software programs, nor confirm the calculations entered on forms output from these programs that are submitted for approval. The accuracy of the program itself remains the responsibility of the software package developer, distributor, or user. The Substitute Forms Program is primarily concerned with the prefiling quality review of the final forms output, produced by whatever means, that are expected to be processed by IRS field offices. For the above reasons, it is suggested that you submit forms without including any "taxpayer" information such as names, addresses, monetary amounts, etc.

When to Send Proposed Substitutes

Proposed substitutes, which are required to be submitted per this revenue procedure, should be sent as much in advance of the filing period as possible. This is to allow adequate time for analysis and response.

Guidelines for Obtaining IRS Approval, *Continued*

Accompanying Statement

When the sample substitute is submitted, there should be an accompanying statement that lists the form number of each substitute requested and detail those items that deviate from the official form in position, arrangement, appearance, line numbers, additions, deletions, etc. Included with each of the items should be a detailed reason or justification for the change and an approximation of the number of forms expected to be filed.

When requesting approval for multiple forms, the statement should be presented as a checksheet. Checksheets are not mandatory, but do facilitate the approval process. The checksheet may look like the example (Exhibit C) displayed in the back of this procedure or may be one of your own design. Please include your fax number on the checksheet.

Approval/Non-Approval Notice

The Substitute Forms Coordinator will fax the checksheet or an approval letter back to the originator if a fax number has been provided, unless:

- the requester has asked for a formal letter, or;
- significant corrections are required to the submitted forms.

Notice of approval may contain qualifications for use of the substitutes. Notices of non-approval letters may specify the changes required for approval, and may also require resubmission of the form(s) in question. Telephone contact is used when possible.

Duration of Approval

Most signature tax returns and many of their schedules and related forms have the tax (liability) year printed in the upper right corner. Approvals for these forms are usually good for one calendar year (January through December of the year of filing). Quarterly tax forms in the 94X series, and Form 720, require approval for any quarter in which the form has been revised.

- If the preprinted year is the only change made to a form, the form for the upcoming year is not subject to review.
 - Otherwise, each new filing season requires a new approval.
-

Limited Continued Use of Approved Change

Limited continued use of a change approved for one tax year may be allowed for the same form in the following tax year. Examples of such limitations and requirements are the use of abbreviated words, revised form spacing, compressed text lines, shortened captions, etc., which do not change the consistency of lines or text on the official forms.

If substantial changes are made to the form, new substitutes must be submitted for approval. If only minor editorial changes are made to the form, it is not subject to review.

If you received written approval of a previous tax year substitute form governed by this revenue procedure and continue to use the approved change on your current tax year substitute form, you may revise your form to include this change and, without additional written approval, use it as a current tax year substitute form, provided you comply with the requirements in this revenue procedure.

When Approval Is Not Required

If you received written approval for a specific change on a specific form last year, such as deleting the vertical lines used to separate dollars and cents on some forms and schedules, e.g., Schedules A & B of Form 1040, you may again make the same change on the same form this year if the item changed is present on this year's official form.

- The new substitute does not have to be sent to the IRS and written approval is not required.
- However, the new substitute must conform to the official current year IRS form in other respects: date, Office of Management and Budget (OMB) approval number, attachment sequence number, Paperwork Reduction Act Notice statement, arrangement, item caption, line number, line reference, data sequence, etc.
- It must also comply with this revenue procedure—which may have eliminated, added to, or otherwise changed the guideline(s) which affected the change approved last year.

Exception: Those written approvals which state that the approved change or form would not be allowed in any other tax year, or for a temporary, limited, or interim approval pending resolution of a failure to meet one or more IRS-prescribed requirements.

- This authorization for continued use of an approved change is limited to the continuation of design logic from an immediately prior tax year substitute form to a current tax year substitute form.
-

Guidelines for Obtaining IRS Approval, *Continued*

Continuous Use Forms

Forms without preprinted tax years are called “continuous use” forms. Many of these forms had expiration dates, but these are being phased out. Continuous use forms are revised when a legislative change affects the form or a change will facilitate processing.

Internet Program Chart

A chart of print dates (for annual and quarterly forms) and most current revision dates (for continuous use forms) will be maintained on the Internet. For further details, see the section on Internet access in Chapter 4 of this revenue procedure.

Required Copies

Generally, you must send us one copy of each form being submitted for approval. However, if you are producing forms for different computer systems (e.g., IBM (or compatible) vs. MacIntosh) or different types of printers (laser vs. dot matrix), and these forms differ significantly in appearance, submit one copy for each type of system or printer.

Requestor’s Responsibility After Receipt of Approval

Following the receipt of initial approval for a substitute forms package, or of a software output program to print substitute forms, it is the responsibility of the originator (designer or distributor) to provide each subsequent client firm or individual with the pertinent Service forms requirements that must be met for continuing acceptability.

Examples of this responsibility include:

- The use of prescribed print paper, font size, legibility, state tax data deletion,
 - The legal requirements of the Paperwork Reduction Act Notice for informing all users of substitute forms of the official use and collection requirements stated in the instructions for the official IRS forms, completion of documents, etc.
-

Source Code

The Substitute Forms Program Coordinator Office, T:FP:S, will assign a unique source code to each firm that submits substitute paper forms for approval. This will be a permanent control number that should be used on every form created by a particular firm.

- This source code should be printed at the bottom left margin area on the first page of every approved substitute paper form.
 - The source code for paper returns consists of three alpha characters.
 - This source code should not be used on optically scanned (OCR) forms, except for certain specified Forms 1040-ES.
-

Office of Management and Budget (OMB) Requirements for All Substitute Forms

OMB Requirements for All Substitute Forms

Legal Requirements of the Paperwork Reduction Act of 1995 (“Act”). Public Law 104-13 requires that:

- OMB approve all IRS tax forms that are subject to the Act,
- Each IRS form contains (in the upper right corner) the OMB number, if any, and
- Each IRS form (or its instructions) states why IRS needs the information, how it will be used, and whether or not the information is required to be furnished.

This information must be provided to every user of official or substitute tax forms.

Application of Act to Substitute Forms

On forms to which OMB numbers have been assigned:

- All substitute forms must contain in the upper right corner the OMB number that is on the official form.
 - Format Required - OMB No. XXXX-XXXX (Preferred) or OMB # XXXX-XXXX.
-

Required Explanation to Users

You must also inform the users of your substitute forms of the IRS use and collection requirements stated in the instructions for the official Internal Revenue Service form.

- If you provide your users or customers with the official IRS instructions, page 1 of each form must retain either the Paperwork Reduction Act Notice, or a reference to it as the IRS does on the official forms (usually in the lower left corner of the forms).
 - If the IRS instructions are not provided to users of your forms, the exact text of the Paperwork Reduction Act Notice must be furnished on the form or separately.
 - This notice reads, in part, “We ask for this information to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to insure that you are complying with these laws and to allow us to figure and collect the right amount of tax...”
 - You must also include a copy of the alternative statement provided to users of your forms with the forms you submit for approval.
-

Obtaining OMB Number and Notice

The OMB number and Paperwork Reduction Act Notice may be obtained from the official form (or its instructions), any format produced by the IRS (e.g., Compact Disc (CD), Internet download, or Bulletin Board System (BBS) download).

Chapter 3

Physical Aspects and Requirements

General Guidelines for Substitute Forms

General Information The Official Form is the Standard. Because a substitute form is a variation from the official form, you should know the requirements of the official form for the year of use before you modify it to meet your needs. The Internal Revenue Service provides several means of obtaining the most frequently used tax forms. These include the Internet, fax-on-demand, CD-ROM and an electronic forms bulletin board (see chapter 4).

Design Each form must follow the design of the official form as to format arrangement, item caption, line numbers, line references, and sequence.

State Tax Information Prohibited State tax information must not appear (be visible) on the federal tax return or associated form or schedule which is filed with the Internal Revenue Service, except where amounts are claimed on or required by the federal return, e.g., state and local income taxes, Schedule A (Form 1040).

Vertical Alignment of Amount Fields

| If | Then |
|------------------------------------|--|
| a form is to be manually prepared | <ul style="list-style-type: none"> • the federal column must have a vertical line or some type of indicator in the amount field to separate dollars from cents if the official form has a vertical line. • the cents column must be at least 2/10" wide. |
| a form is to be computer-generated | <ul style="list-style-type: none"> • vertically align the amount entry fields where possible. • use one of the following amount formats: • 0,000,000. • 0,000,000.00 |
| a form is to be computer-prepared | <ul style="list-style-type: none"> • you may remove the vertical line in the amount field that separates dollars from cents. • use one of the following amount formats: • 0,000,000. • 0,000,000.00 |

Attachment Sequence Number Most individual income tax forms have a required "attachment sequence number" located just below the year designation in the upper right corner of the form. The Internal Revenue Service uses this number to indicate the order in which forms are to be attached to the tax return so they may be processed in that order. Some of the attachment sequence numbers may change each year.

On Computer-prepared forms:

- It must be printed in no less than 12-point boldface type and centered below the form's year designation.
- The sequence number must be placed following the year designation for the tax form and separate with an asterisk.
- It is not necessary to duplicate the "Attachment Sequence Number" wording, except for the actual number.

Paid Preparer's Information and Signature Area On Forms 1040EZ, 1040A, 1040, and 1120, etc., the "Paid Preparer's Use Only" area may not be re-arranged or relocated. You may, however, add three extra lines to the paid preparer's address area without prior approval. This applies to other tax forms as well. Please note that the preparer's area on Form 1040EZ is on the bottom of page 2. Substitute Forms 1040EZ with the preparer area in any location other than the bottom of page 2 will not be accepted.

Assembly of Forms If developing software or forms for use by others, please inform your customers/clients that the order in which the forms are arranged may affect the processing of the package. A return must be arranged in this order:

General Guidelines for Substitute Forms *Continued*

Assembly of Forms *Continued*

| If the Form Is | Then Sequence Is |
|--|--|
| 1040 Any other (Form 1120, 1120S, 1065, 1041, etc.) | <ul style="list-style-type: none">• Form 1040, schedules• Schedules and forms in sequence number order• the tax return• lettered schedules (Schedule D, etc.) in alphabetical order• numbered forms in numerical order |

- Supporting statements must be in the same sequence as the forms they support, and
- Additional information required or voluntarily submitted.

In this way, they are received in the order in which they must be processed. If you do not send them to us in this order, the Internal Revenue Service has to delay the return package to disassemble them and place them in order before processing is continued.

Paper

Paper Content

The paper must be:

- Chemical wood writing paper that is equal to or better than the quality used for the official form
 - At least 18 pound (17" × 22", 500 sheets), or
 - At least 50 pound offset book (25" × 38", 500 sheets).
-

Paper with Chemical Transfer Properties

There are several kinds of paper prohibited for substitute forms. These are:

- Carbon-bonded paper
 - Chemical transfer paper except when the following specifications are met:
 - Each ply within the chemical transfer set of forms must be labeled.
 - Only the top ply (ply one and white in color), the one that contains chemical on the back only (coated back), may be filed with the Service.
-

Example

A set containing three plies would be constructed as follows: one ply (coated back), "Federal Return, File with IRS"; ply two (coated front and back), "Taxpayer's copy", and ply three (coated front), "Preparer's copy."

- The file designation, "Federal Return, File with IRS," for ply one must be printed in the bottom right margin (just below the last line of the form) in 12-point, bold-face type.
 - It is not mandatory, but recommended, that the file designation "Federal Return, File with IRS," be printed in a contrasting ink for visual emphasis.
-

Carbon Paper

Do not attach any carbon paper to any return you file with the Internal Revenue Service.

Paper and Ink Color

We prefer that the color and opacity of paper substantially duplicates that of the original form. This means that your substitute must be printed in black ink and may be on white or on the colored paper the IRS form is printed on. Forms 1040A and 1040 substitute reproductions may be in black ink without the colored shading. The only exception to this rule is Form 1041-ES, which should always be printed with a very light gray shading in the color screened area. This is necessary to assist us in expeditiously separating this form from the very similar Form 1040-ES.

Page Size

Substitute or reproduced forms and computer prepared/generated substitutes may be the same size as the official form (8" × 11" in most cases) or they may be the standard commercial size (8½" × 11") exclusive of pin-feed holes. The thickness of the stock cannot be less than .003 inch.

Printing

| | |
|--|---|
| Printing Medium | The private printing of all substitute tax forms must be by conventional printing processes, photocopying, computer-graphics, or similar reproduction processes. |
| Legibility | All forms must have a high standard of legibility, both as to printing and reproduction and as to fill-in matter. Entries of taxpayer data may be no smaller than eight points. The Internal Revenue Service reserves the right to reject those with poor legibility. The ink and printing method used must ensure that no part of a form (including text, graphics, data entries, etc.) develops “smears” or similar quality deterioration. This includes any subsequent copies or reproductions made from an approved master substitute form, either during preparation or during IRS processing. |
| Type Font | Many federal tax forms are printed using “Helvetica” as the basic type font. We request that you use this type font when composing substitute forms. |
| Print Spacing | Substitute forms should be printed using a 6 lines/inch vertical print option. They should also be printed horizontally in 10 pitch pica (i.e., 10 print characters per inch) or 12 pitch elite (i.e., 12 print positions per inch). |
| Image Size | The image size of printed substitute form should be as close as possible to that of the official form. You may omit any text on both computer-prepared and computer-generated forms that is solely instructional. |
| Title Area Changes | To allow a large top margin for marginal printing and more lines per page, the title line(s) for all substitute forms (not including the form’s year designation and sequence number, when present), may be photographically reduced by 40 percent or reset as one line of type. When reset as one line, the type size may be no smaller than 14-point. You may omit “Department of the Treasury, Internal Revenue Service” and all reference to instructions in the form’s title area. |
| Remove Government Printing Office Symbol and IRS Catalog Number | When privately printing substitute tax forms, the Government Printing Office symbol and/or jacket number must be removed. In the same place, using the same type size, print the Employer Identification Number (EIN), the Social Security Number (SSN) of the printer or designer, or the IRS assigned source code. (We prefer this last number be printed in the lower left area of the first page of each form.) Also remove the IRS Catalog Number, if one is present in the bottom center margin, and the Recycle Symbol, if the substitute is not produced on recycled paper. |
| Printing On One Side of Paper | While it is preferred that both sides of the paper be used for substitute and reproduced forms, resulting in the same page arrangement as that of the official form or schedule, the IRS will not reject your forms if only one side of the paper is used. |
| Photocopy Equipment | The Internal Revenue Service does not undertake to approve or disapprove the specific equipment or process used in reproducing official forms. Photocopies of forms must be entirely legible and satisfy the conditions stated in this and other revenue procedures. |
| Reproductions | Reproductions of official forms and substitute forms that do not meet the requirements of this revenue procedure may not be filed instead of the official forms. Illegible photocopies are subject to being returned to the filer for resubmission of legible copies. |
| Removal of Instructions | You may remove all references to instructions. No prior approval is needed. One exception is that the statement, “For Paperwork Reduction Act Notice, See Instructions”, must be retained or a similar statement provided on each form. |

Margins

Margin Size

The format of a reproduced tax return when printed on the page must have margins on all sides at least as large as the margins on the official form. This allows room for IRS employees to make the necessary entries on the form during processing.

- A 1/2" to 1/4" inch margin must be maintained across the top, bottom, and both sides (exclusive of any pin-fed holes) of all computer-generated substitutes.
 - The marginal, perforated strips containing the pin-fed holes must be removed from all forms prior to filing with the Internal Revenue Service.
-

Marginal Printing

Non-tax material allowed in limited areas.

- Printing is never allowed in the top right margin of the tax return form (i.e., Forms 1040, 1040A, 1040EZ, 1120, 940, 941, 5500 Series, etc.). The Service uses this area to imprint a Document Locator Number for each return.
- With the exception of the actual tax return forms (i.e., Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.), you may print in the left vertical margin and in the left half of the bottom margin.

Prior approval is not required for the marginal printing allowed when printed on an official form or on a photocopy of an official form.

The marginal printing allowance is also the guide for the preparation of acceptable substitute forms. There is no exception to the requirement that no printing is allowed in the top right margin of the tax return form.

Examples of Approved Formats

**Examples of
Approved Formats
From the Exhibits**

Two sets of exhibits (Exhibits A-1, A-2, B-1, and B-2) are at the end of this revenue procedure. These are examples of how the guidelines in this revenue procedure may be used in some specific cases. Vertical spacing is six (6) lines to the inch. These examples are from a prior year and are not to be used as substitute forms.

**Examples of
Acceptable
computer-generated
formats**

Examples of acceptable computer-generated formats are also shown in the Exhibits section of this revenue procedure. Exhibits CG-A and CG-B show computer-generated Schedules A and B. Vertical spacing is six (6) lines to the inch. You may also refer to them as examples of how the guidelines in this revenue procedure may be used in specific cases. A combination of upper and lower case print fonts is acceptable in producing the computer-generated forms included in this procedure. This same logic for computer-generated forms can be applied to any IRS form that is normally reproducible as a substitute form, with the exception of tax return forms as discussed elsewhere.

Miscellaneous Information for Substitute Forms

Filing Substitute Forms

To be acceptable for filing, a substitute return or form must print out in a format that will allow the party submitting the return to follow the same instructions as for filing official forms. These instructions are in the taxpayer's tax package or in the related form instructions. The form must be on the appropriate size paper, be legible, and include a jurat where one appears on the published form.

Caution to Software Publishers

The IRS has received returns produced by software packages with approved output where either the form heading was altered or the lines were spaced irregularly. This produces an illegible or unrecognizable return or a return with the wrong number of pages. We realize that many of these problems are caused by individual printer differences but they may delay input of return data and, in some cases, generate correspondence to the taxpayer. Therefore, in the instructions to the purchasers of your product, both individual and professional, please stress that their returns will be processed more efficiently if they are properly formatted. This includes:

- Having the correct form numbers and titles at the top of the return, and
 - Submitting the same number of pages as if the form were an official IRS form, with the line items on the proper pages.
-

Use Preaddressed IRS Label

If you are a practitioner filling out a return for a client or a software publisher who prints instruction manuals, stress the use of the preaddressed label provided in the tax package the IRS sent to the taxpayer, when available. The use of this label (or its precisely duplicated label information) is extremely important for the efficient, accurate, and economical processing of a taxpayer's return. Labeled returns indicate that a taxpayer is an established filer and permits us to automatically accelerate processing of those returns. This results in quicker refunds, more accurate names/addresses and postal deliveries, and less manual review by IRS functions.

Caution to Producers of Software Packages

If you are producing a software package that generates name and address data onto the tax return, do not under any circumstances program either the Service preprinted check digits or a practitioner-derived Name Control to appear on any return prepared and filed with the Internal Revenue Service.

Programming to Print Forms

Whenever applicable:

- Use only the following label information format for single filers:
000-00-0000
JOHN Q. PUBLIC
310 OAK DRIVE
HOMETOWN, STATE 94000
 - Use only the following information for joint filers:
000-00-0000 000-00-0000
JOHN Q. PUBLIC
MARY I. PUBLIC
310 OAK DRIVE
HOMETOWN, STATE 94000
-

Chapter 4

Additional Resources

Guidance from Other Revenue Procedures

General

Guidance for the substitute tax forms not covered in this revenue procedure and the revenue procedures that govern their use are as follows:

- Revenue Procedure 94–79, IRS Publication 1355, Requirements and Conditions for the Reproduction, Private Design, and Printing of Substitute Forms 1040–ES.
- Revenue Procedures 96–24 and 96–24a, IRS Publication 1141, General Rules and Specifications for Private Printing of Substitute Forms W–2 and W–3.
- Revenue Procedure 97–32* and 97–32A, IRS Publication 1179, Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099 Series, 5498, and W–2G.

*Due to a numbering error, some copies of Revenue Procedure 97–32 may display 97–43 instead. Please refer to the publication number and title to be sure that you have the correct publication.

- Revenue Procedure 96–11, IRS Publication 1187, Specifications for Filing Form 1042–S, Foreign Person’s U.S. Source Income Subject to Withholding, on Magnetic Tape.
 - Revenue Procedure 96–36, IRS Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W–2G Magnetically or Electronically.
 - Revenue Procedure 95–18, IRS Publication 1223, Specifications for Private Printing of Substitute Forms W–2c and W–3c.
-

Ordering Publications

Sources of Publications

The publications listed below may be ordered by calling 1-800-TAX-FORM (1-800-829-3676). Identify the requested document by IRS publication number:

- Pub. 1141, the revenue procedure on specifications for private printing for Forms W-2 and W-3.
- Pub. 1167, the revenue procedure on substitute printed, computer- prepared, and computer-generated tax forms and schedules. This publication is available from the IRS Internet website.
- Pub. 1179, the revenue procedure on paper substitute information returns (Forms 1096, 1098, 1099 series, 5498, and W-2G).
- Pub. 1192, Catalog of Reproducible Forms and Instructions.
- Pub. 1220, the revenue procedure on electronic or magnetic tape and magnetic diskette reporting for information returns (Forms 1098, 1099 series, 5498, and W-2G).
- Pub. 1223, the revenue procedure on substitute Forms W-2c and W-3c.
- Pub. 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, on Magnetic Tape.
- Pub. 1245, Magnetic Tape Reporting for Forms W-4.
- Pub. 1345, Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 1997). (This is an annual publication; tax year is subject to change). This publication is available from the IRS Internet website.
- Pub. 1345-A, Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 1997) (Supplement). This publication, printed in the late fall, supplements Publication 1345.
- Pub. 1355, the revenue procedure on the requirements for substitute Form 1040-ES.

Where To Order

If you are mailing your order, the address to use is determined by your location.

If you are located in:

- Alaska, Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, Nevada, New Mexico, Oklahoma, Oregon, Utah, Washington, Wyoming, Guam, Northern Marianas, or American Samoa
 - mail your request to:
Western Area Distribution Center
Rancho Cordova, CA 95743-0001
- Alabama, Arkansas, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Texas, or Wisconsin
 - mail your request to:
Central Area Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903
- Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia, as well as all foreign countries and Puerto Rico
 - mail your request to:
Eastern Area Distribution Center
P.O. Box 85074
Richmond, VA 23261-5074
- Taxpayers in the Virgin Islands should mail their requests to:
V.I. Bureau of Internal Revenue
9601 Estate Thomas
Charlotte Amalie, St. Thomas, VI 00802

Electronic Tax Products

The Internet

Copies of tax forms with instructions, publications, and other tax related materials may be obtained via the Internet. Forms can be downloaded in several file formats (PDF-Portable Document Format, PS - PostScript, and PCL - Printer Control Language). Those choosing to use PDF files for viewing on personal computer can also download a free copy of the Adobe Acrobat Reader.

- World Wide Web - <http://www.irs.ustreas.gov>
- FTP—[ftp.irs.ustreas.gov](ftp://ftp.irs.ustreas.gov)
- Telnet—[iris.irs.ustreas.gov](telnet://iris.irs.ustreas.gov)

This service is free but time on the Internet is subject to the fees charged by your Internet provider.

Fedworld (BBS)

The Internal Revenue Information Systems (IRIS) Bulletin Board can be reached via FedWorld, an aggregation of federal BBS maintained by the Department of Commerce. IRIS can be reached directly by modem at (703) 321-8020; FedWorld's main number is (703) 321-3339. These are toll calls.

Tax Fax

The most frequently requested tax forms, instructions, and other information are available through IRS Tax Fax. **Prior to 12/1/97 dial (703) 487-4160. The new number starting 12/1/97 will be (703) 368-9694.** Call from your fax machine and follow the voice prompts. Your request will be transmitted directly back to you. Each call is limited to requesting three items; users pay the telephone line charges.

Report of Print Dates

The Service makes available a text file that shows print dates for returns processing forms. It is in three parts:

- Schedule of anticipated print dates of annual returns,
- Schedule of anticipated print dates of quarterly returns, and
- Schedule of last revision dates for continuous use only forms.

The file name is 0prtdat.txt and is located in the File Transfer Protocol (FTP) library of the Internet at <ftp://ftp.fedworld.gov/pub/irs-utl> and in the IRS/UTL library on the IRIS Bulletin Board. The file will be updated weekly during peak printing periods and as necessary at other times. NOTE: All dates in the FTP area are reloaded daily and do not reflect the most recent posting of the report. IRIS Bulletin Board shows the most recent posting by date.

Federal Tax Forms on CD-ROM

Information About Federal Tax Forms CD-ROM

The IRS also offers access to current and prior year tax forms and instructions through its Federal Tax Forms CD-ROM, Publication 1796. The CD will contain over 600 current year tax forms, instructions, and Taxpayer Information Publications (TIPs). Also included are prior year forms and instructions from 1991 and some prior year. All necessary software to view the files must be installed from the CD-ROM. Software for Microsoft Windows 3.x and Macintosh System 7.5 and later is included on the disk. The software will also run under Windows 95. All products are presented in Adobe's Portable Document Format (PDF). A copy of the Adobe Acrobat Reader is on the CD. In addition, the TIPs will be provided in the Standard Generalized Markup Language (SGML). The cost of the CD is \$20 and it will be released in February 1998. Please reference stock number 648-097-00003-4. Those who order before December 2, 1997 will also receive the January early release CD containing tax products issued to that point.

System Requirements and How To Order the Federal Tax Forms CD-ROM

For system requirements and to order the 1996 Federal Tax Forms CD-ROM, Publication 1796 (stock number 648-097-00003-4), contact the Government Printing Office's (GPO) Superintendent of Documents:

- by telephone—(202) 512-1800; select option 1;
 - by fax—(202) 512-2250;
 - through GPO's Federal Bulletin Board—(202) 512-1387; after sign on type “/go irs”;
 - through GPO's World Wide Web site at http://www.gpo.gov/su_docs;
 - by mail using the order form contained in IRS Publication 1045 (Information for Tax Practitioners); or
 - by mail to:
Superintendent of Documents
P.O. Box 371954
Pittsburgh, PA 15250-7954.
-

Chapter 5

Requirements for Specific Tax Returns

Tax Returns (Form 1040, 1040A, 1120, Etc.)

Acceptable Forms There are acceptable computer-generated versions of a tax return form (e.g., Form 1040, 1040A, 1120, etc., which requires a signature and that establishes tax liability) that are permitted under the following conditions:

- These substitute returns must be printed on plain white paper.
- Substitute returns and forms must conform to the physical layout of the corresponding Service form although the typeface may differ. The text should match the text on the officially published form as closely as possible; condensed text and abbreviations will be considered on a case-by-case basis.

Exception: All jurats (perjury statements) must be reproduced verbatim. No text can be added, deleted, or changed in meaning. It must be readily identifiable as a valid tax return.

- Various computer-graphic print media such as laser printing, dot matrix addressable printing, etc., may be used to produce the substitute forms.
- The substitute return must be the same exact number of pages, and contain the same line text as the official return.
- All computer-generated tax returns **MUST** be submitted for approval prior to their original use. Should you receive an approval letter for a return and the following year's return has no changes except the preprinted year, the latter return is not subject to approval. **Exception:** If the approval letter specifies a one-time exception for your return, the next year's return must be approved.

Computer-Generated Condensed Format Versions The accepted condensed print format version for individual returns is the 1040PC "answer sheet format" tax return. The approval process for Form 1040PC differs from that of traditional forms. See Chapter 7 for additional information.

Prohibited Forms The following are prohibited:

- Tax returns (e.g., Forms 1040, etc.) computer-generated on lined or color-barred paper.
- Tax returns that differ from the official IRS forms in a manner that makes them not standard or processable.

Changes Permitted to Forms 1040 and 1040A Certain changes (listed below) are permitted to the graphics of the form without prior approval, but these changes apply only to acceptable preprinted forms. Changes not requiring prior approval are good only for the annual filing period, which is the current Tax Year. Such changes are valid in subsequent years only if the official form does not change.

Other Changes Not Listed All changes not listed here require prior approval from the Service **BEFORE** the form may be filed.

Changes Permitted to Graphics (Forms 1040A and 1040)

| | |
|---|--|
| Adjustments | You may make minor vertical and horizontal spacing adjustments to allow for computer or word-processing printing. This includes widening the amount columns or tax entry areas so long as the adjustments do not exceed other provisions stated in revenue procedures. No prior approval is needed for these changes. |
| Name and Address Area | The horizontal rules and instructions within the name and address area may be removed and the entire area left blank; no line or instruction can remain in the area. However, the statement regarding use of the IRS mail label should be retained. The heavy ruled border (when present) that outlines the name and address area must not be removed, relocated, expanded, or contracted. |
| Required Format | When the name and address area is left blank, the following format must be used when printing the taxpayer's name and address. Otherwise, unless the taxpayer's preprinted label is affixed over the information entered in this area, the lines must be filled in as shown: <ul style="list-style-type: none">• 1st name line (35 characters maximum)• 2nd name line (35 characters maximum)• In-care-of name line (35 characters maximum)• City, State (24 char. max.), one blank char., & ZIP (five char.) |
| Conventional Name and Address Data | When there is no in-care-of name line, the name and address will consist of only three lines (single filer) or four lines (joint filer). Name and address (joint filer) with no in-care-of name line: JOHN Z. JONES MARY I. JONES 1234 ANYWHERE ST., APT 111 ANYTOWN, STATE 12321 |
| Example of In-Care-Of Name Line | Name and address (single filer) with in-care-of name line: JOHN Z. JONES C/O THOMAS A. JONES 4311 SOMEWHERE AVE. SAMETOWN, STATE 54345 |
| Social Security Number (SSN) and Employer Identification Number (EIN) Area | The vertical lines separating the format arrangement of the SSN/EIN may be removed. When the vertical lines are removed, the SSN and EIN formats must be 000-00-0000 or 00-0000000, respectively. |
| Cents Column | <ul style="list-style-type: none">• You may remove the vertical rule that separates the dollars from the cents.• All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present.• You may omit printing the cents, but all amounts entered on the form must follow a consistent format. You are strongly urged to round off the figures to whole dollar amounts, following the official return instructions.• Where several amounts are summed together, the total should be rounded off subsequent to the addition (i.e, individual amounts should not be rounded off for computation purposes).• When printing money amounts, you must use one of the following ten-character formats: (a) 0,000,000. (b) 000,000.00• When there is no entry for a line, leave the line blank. |
| “Paid Preparer’s Use Only” Area | On all forms, the paid preparer’s information area may not be rearranged or relocated. You may add three lines and remove the horizontal rules in the preparer’s address area. |

Changes Permitted to Form 1040A Graphics

| | |
|---------------------------------|--|
| General | No prior approval is needed for the following changes (for use with computer-prepared forms only). |
| Line 4 of Form 1040A | This line may be compressed horizontally (to allow for same line entry for the name of the qualifying child) by using the following caption: "Head of household; child's name" (name field). |
| Other Lines | Any line whose caption takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references. |
| Page 2 of Form 1040A | All lines must be present and numbered in the order shown on the official form. These lines may also be compressed. |
| Color Screening | It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040A may be printed in black and white only, with no color screening. |
| Other Changes Prohibited | No other changes to the Form 1040A graphics are allowed without prior approval, except for the removal of instructions and references to instructions. |

Changes Permitted to Form 1040 Graphics

| | |
|-----------------------------------|--|
| General | No prior approval is needed for the following changes (for use with computer-prepared forms only). |
| Line 4 of Form 1040 | This line may be compressed horizontally (to allow for a larger entry area for the name of the qualifying child) by using the following caption: "Head of household; child's name" (name field). |
| Line 6c of Form 1040 | The vertical lines separating columns (1) through (4) may be removed. The captions may be shortened to allow a one-line caption for each column. |
| Other Lines | Any other line whose caption takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references. |
| Line 21 - Other Income | The fill-in portion of this line may be expanded vertically to three lines. The amount entry box must remain a single entry. |
| Line 39 of Form 1040 - Tax | You may change the line caption to read "Tax" and computer print the words "Total includes tax from" and either "Form(s) 8814", or "Form 4972". |
| Line 44 of Form 1040 | You may change the caption to read: "Other credits from Form" and computer-print only the form(s) that apply. |
| Color Screening | It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040 may be printed in black and white only, with no color screening. |
| Other Changes Prohibited | No other changes to the Form 1040 graphics are permitted without prior approval except for the removal of instructions and references to instructions. |

Chapter 6

Format and Content of Substitute Returns

Acceptable Formats for Computer-Generated Forms and Schedules

Exhibits and Use of Acceptable Computer-Generated Formats

Exhibits of acceptable computer-generated formats for the schedules usually attached to the Form 1040 are shown in the Exhibits section of this revenue procedure.

- If your computer-generated forms appear exactly like the exhibits, no prior authorization is needed.
 - Those who want to computer-generate forms not shown here may do so, but they must design such forms themselves by following the manner and style of those in the Exhibits section of this revenue procedure, and by taking care to observe other requirements and conditions stated here. The Service encourages the submission of all proposed forms covered by this revenue procedure.
-

Instructions

The format of each substitute schedule or form must follow the format of the official schedule or form as to item captions, line references, line numbers, sequence, form arrangement and format, etc. Basically, try to make the form look like the official one, with readability and consistency being primary factors. You may use periods and/or other similar special characters to separate the various parts and sections of the form. DO NOT use alpha or numeric characters for these purposes. With the exceptions in the paragraph below, all line numbers and items must be printed even though an amount is not entered on the line.

Line Numbers

When a line on an official form is designated by a number or a letter, that designation (reference code) must be used on a substitute form. The reference code must be printed to the left of the corresponding captioned line and also immediately preceding the data entry field even if there is no reference code immediately preceding the data entry field on the official form. If an entry field contains multiple lines but shows the line references only one time on the left and right side of the form, do not use more than the same number of line references on the substitute return.

In addition, the reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There also must be at least two blank spaces between the period or the right parenthesis and the first digit of the data field. (See example below.)

Decimal Points

A decimal point (i.e., a period) should be used for each money amount regardless of whether the amount is reported in dollars and cents or in whole dollars, or whether or not the vertical line that separates the dollars from the cents is present. The decimal points must be vertically aligned when possible.

Example:

```
5 STATE & LOCAL INC.  
  TAX.....5 495.00  
6 REAL ESTATE  
  TAXES.....6  
7 PERSONAL PROPERTY  
  TAXES.....7 198.00  
  or  
5 STATE & LOCAL INC.  
  TAX.....(5) 495.00  
6 REAL ESTATE  
  TAXES.....(6)  
7 PERSONAL PROPERTY  
  TAXES.....(7) 198.00
```

Multiple Page Forms

When submitting multiple page forms, send all pages of the form in the same package. If you are not producing certain pages, please note that in your cover letter.

Additional Instructions for All Forms

Use of Your Own Internal Control Numbers and Identifying Symbols

Internal control numbers and identifying symbols of the computer preparer may be shown on the substitute, if the use of such numbers or symbols is acceptable to the taxpayer and the taxpayer's representative. If shown, such information must not be printed in the top ½-inch clear area of any form or schedule requiring a signature. With the exception of the actual tax return form (i.e., Forms 1040, 1120, 940, 941, 5500 Series, etc.), you may print in the left vertical and bottom left margins. The bottom left margin you may use extends 3½ inches from the left edge of the form.

Descriptions for Captions, Lines, etc.

Descriptions for captions, lines, etc., appearing on the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient key words must be retained to permit ready identification of the caption, line, or item.

Derivation of Final Totals

Explanatory detail and/or intermediate calculations for derivation of final line totals may be included on the substitute. We prefer that such calculations be submitted in the form of a supporting statement. If intermediate calculations are included on the substitute, the line on which they appear may not be numbered or lettered. Intermediate calculations may not be printed in the right column. This column is reserved for official numbered and lettered lines that correspond to the ones on the official form. If a supporting statement is submitted, intermediate calculations or subtotals may be formatted at the preparer's option.

Instructional Text Prescribed for the Official Form

Text prescribed for the official form, which is solely instructional in nature, e.g., "Attach this schedule to Form 1040," "See instructions," etc., may be omitted from the substitute form.

Mixing of Forms on the Same Page Prohibited

Information for more than one schedule or form may not be shown on the same printout page. Both sides of the paper may be printed for multiple page official forms; but it is unacceptable to intermix single page schedules of forms, except for Schedules A and B (Form 1040), which are printed back to back by the Service.

Schedule E can be printed on both sides of the paper, because the official form is multiple page, with page 2 continued on the back. However, do not print Schedule E on the front page and Schedule SE on the back, or Schedule A on the front and Form 8615 on the back, etc. Both pages of a substitute form must match the official form version it represents, except that the back page may be blank if the Service form only contains the instructions thereon.

Identifying Computer-Prepared Substitutes

Identify all computer-prepared substitutes clearly; print the form designation ½" from the top margin and 1½" from the left margin; print the title centered on the first line of print; and print the taxable year and, where applicable, the sequence number on the same line ½ to 1" from right margin. Include the taxpayer's name and SSN on all forms and attachments. Also, print the OMB number as reflected on the official form.

Negative Amounts

Negative (or loss) monetary amount entries should be enclosed in brackets, or signed minus, to assist in the accurate computation and input of form data. On many official forms the Service preprints brackets in selected negative data fields, and these designations should be retained or inserted on affected substitute forms.

Chapter 7

OCR Forms

Special Form 1040EZ Optical Character Recognition/Image Character Recognition (OCR/ICR) Requirements

**Form 1040EZ
Designed in
OCR/ICR Format**

The Form 1040EZ is designed in OCR/ICR format. The IRS has the capability to machine read this form by optical character recognition/image character recognition (OCR/ICR) equipment. Form 1040EZ data may also be filed electronically or on a 1040PC format return.

An acceptable substitute OCR/ICR Form 1040EZ must generally be an exact replica of the official OCR/ICR reproduction proof with respect to layout, content, and required OCR/ICR characteristics.

**Paper
Requirements
for OCR/ICR Form
1040EZ**

The special paper requirements which must be met for the development of a substitute (privately printed) OCR/ICR Form 1040EZ include the following:

| Property | Requirements |
|----------------------------|---|
| Color and quality of paper | Paper must be white, OCR/ICR grade bond, with no fluorescent additives or water marks, and with zero rag content. |
| Reflectivity of paper | Must be 80% or greater. |
| Opacity | The paper opacity ratio must be 80% or more. |
| Paper Weight | Specified paper weight is 20 lb. OCR/ICR bond (.0035"). |
| Dirt | Must not exceed 10 parts per million. |
| Finish (smoothness) | Must be between 90 and 160 units (Sheffield). |
| Porosity | Paper should have a Gurley reading between 15 and 95. |
| Gloss | Paper with shiny or lustrous appearance (glossy) should be avoided. |
| Size | Form trim size must be 8" × 11". |

**Specific Ink
Requirements**

The specific ink requirements which must be met for this form include the following:

| Property | Requirements |
|-------------------|---|
| Print Color | The face of the form prints in black and green, the back prints in black only (70 % screen). |
| Ink | Green ink used must be highly reflective OCR/ICR type, such as Flint J-27975, or an exact match. Black ink used must be non-reflective. |
| Face Registration | Black to green must be .02" (plus or minus) both horizontally and vertically. |

Special Form 1040EZ Optical Character Recognition/Image Character Recognition (OCR/ICR) Requirements, *Continued*

Specific Ink Requirements
Continued

| Property | Requirements |
|--------------|---|
| Face Screen | Forms contain a green-screened background equal to a 15% tone of 110-line screen. Follow registration marks on repro-proof for screen positioning. Handprinted boxes are included on Page 1 of the reproduction proof and should be printed as a 50% value of the recommended OCR/ICR green ink. Inks used for handprinted boxes must reflect at least 90% of the background on which it is printed as measured in the visible range. |
| Face Margins | Approximately 2/6" head from top trimmed edge to screen (1/2" to black image). 1/6" outside from trimmed edges to screen. |
| Back Margins | 1/2" head, 5/16" foot, and 5/16" sides. |
| Back Screen | Back copy should be screened for 70% tone value. |

Typography

Type must be substantially identical in both size and shape with corresponding type on the official form reproduction proof.

Proper Alignment and Position of Handprinted Characters

To assure proper alignment and position of handprinted characters representing return lines 1 through 10 tax data, they must be handprinted (entered) into the preprinted amount field boxes on the form. A #2 lead wooden pencil, or blue, and/or black ink pen (ball point, fountain, or felt-tipped) is recommended as the writing tool that will consistently provide the required stroke width and print contrast on entered characters.

Reading of Handprinted Character Techniques

Reading of handprinted characters requires adherence to the following techniques:

- Enter numeric amount digits carefully and clearly. Fill at least 2/3 of the individual character box height, keeping the character within the box with no overlapping or touching characters. Specific required digit constraints are shown below.
- When entering "fours", keep the top open.
- When entering "ones", do not use serifs.
- When entering "twos", do not add extra loops.
- All character lines must be connected with no gaps.

Note:

All the general and detailed provisions of this revenue procedure apply (in addition to this specific OCR/ICR Section) to the development of substitute OCR/ICR Forms 1040EZ.

Computer Generated Alternative Returns, 1040PC Format Return

Introduction

The Internal Revenue Service offers an electronic approach for filing individual income tax returns. The 1040PC Format Return is an alternative to the conventional preprinted tax return. The 1040PC is an answer sheet return, generated on a personal computer in a three-column format, that prints only tax data that is input into the software. Tax returns are filed by tax preparers and taxpayers using commercially available tax preparation software packages that include the 1040PC Format Return print option.

1040PC Format Returns

1040PC Format Returns are computer-prepared, printed on plain white paper, signed and mailed to the designated processing center, and processed like any other conventionally filed return.

Computer Generated Alternative Returns, 1040PC Format Return, *Continued*

Software Packages Must Be Purchased Preparers, or taxpayers, must purchase IRS-accepted tax preparation software packages that include the 1040PC print option. All that is necessary to participate in 1040PC is a personal computer, accepted software, a printer, and plain white paper. The 1040PC is attractive to tax preparers and taxpayers who might not be interested or capable of electronic filing.

Options Available to Taxpayers The Direct Deposit option is available to taxpayers filing 1040PC returns. Balance due returns may also be filed using 1040PC. The payment may be forwarded to the Service Center with a separate payment voucher (Form 1040-V).

Use of the 1040PC Program All software used to generate the 1040PC Format Return must be tested and accepted by the Internal Revenue Service. Testing will validate 1040PC returns generated by the software and that the software program is in compliance with validity and consistency checks in the IRS 1040PC project specifications. Software developers who wish to participate in the 1040PC program must submit Form 9356, Application for Software Developers to Participate in the 1040PC Answer Sheet for Individual Income Tax Returns, to the 1040PC Filing Section.

Acceptance Code Upon successful completion of software acceptance testing, the software developer will be issued a software acceptance code that will be embedded into the software and print on every 1040PC return generated. This is not the same as the Source Code issued by the Substitute Forms Program or the approval number which is generated for OCR Scannable Application Forms for Employee Plans.

References/ Information on the 1040PC Format Return The Internal Revenue Service believes that 1040PC will prove beneficial to taxpayers, tax preparers, and the Service. For specific information about the alternative computer-generated 1040PC Format Return, refer to Publication 1678, Project 1040PC, Handbook for 1040PC Format Preparers and Publication 1630, Project 1040PC, Specifications for Software Developers. You may also call (202) 283-0823 or write:

Internal Revenue Service
1040PC Filing Office, T:S:P:S
5000 Ellin Rd
Lanham, MD 20706

Form 941 Requirements—OCR

Form 941 Not Machine Read The Service is not currently machine reading (scanning) Form 941 or Schedule B (Form 941). Previous instructions labeled “Special Form 941 Requirements” have been removed from this revenue procedure.

OCR Scannable Application Forms for Employee Plans

OCR Scannable Documents

Forms 4461, 4461-A, 4461-B, 5300, 5303, 5307, 5310-A, and 6406 are OCR scannable documents submitted to key district offices for employee plans matters. They may be submitted as computer-generated substitute forms if the requirements of this section are satisfied.

OCR Data Sheet Requirements

An OCR data sheet must be generated according to the following requirements:

- Set at least 1" margin at top, bottom, and both sides.
 - A data element consists of a less than sign (delimiter), information or at least 5 blank spaces, and a greater than sign (delimiter). All data elements from page one of the application forms listed above must be printed on the OCR data sheet, even if no information is entered between the delimiters.
 - Each data element must start at the left margin.
 - One line for each data field, except for employer and plan name fields which may be two lines. However, only one set of delimiters may bracket the field, even if the field is on two lines.
 - Each data element must appear on the OCR data sheet in the same sequence as printed on the preprinted form, reading top to bottom and from left to right.
 - Each data field must be sequentially numbered at left commencing with 1. See Notice 90-38 for examples of the acceptable format.
 - The data sheet must be printed on 8½" × 11" white nonrecycled paper suitable for use with printing equipment and duplicating machines. A photocopy is not acceptable. Heavyweight bond paper and onion skin paper are not acceptable.
 - Use 10 pitch type in a standard business font (e.g., courier, elite, pica).
 - Add at least two spaces before and after each less than and greater than sign (delimiters).
 - Do not fold or staple the OCR data sheet. It may remain loose, or be paper or spring clipped to the application.
 - At the top of the OCR data sheet add the heading "OCR Data Sheet, File With Application Form (Enter Form Number), Approval Number" (leave nine spaces for approval number).
-

Where To Send OCR Data Sheet for Approval

The OCR data sheet must be submitted for approval to EP OCR Forms Coordinator, E:EP:FC, Room 2232, 1111 Constitution Ave., NW, Washington, DC 20024.

Submission Requirements

The OCR data sheet must be submitted with a complete word-for-word identical copy of the application form except as described below. This copy may be a photocopy or a computer-generated substitute form. Computer-generated substitute forms may be submitted for approval to the address above. However, except for the OCR data sheet, such approval is not required if the requirements of this revenue procedure are satisfied. If approval is requested, leave nine spaces for the approval number above the OMB approval number.

Procedures for Filing the OCR Data Sheet

The OCR data sheet replaces the first copy of page 1 of the application which must otherwise be submitted in duplicate. To avoid confusion when generating the OCR data sheet, the following wording should be deleted from page 1 of the application: "File page 1 of the form in duplicate" and "Both copies of this page must be signed". If the Procedural Requirements Checklist is being generated, the following line item statements should be modified as indicated. The question "Has page one been submitted in duplicate" should be modified to read, "Have you submitted the OCR data sheet?", and the question "Have you signed both copies of page 1 of the application?" should be modified to read "Have you signed the application?"

Nonscannable EP Application Forms

Nonscannable EP application forms, e.g., Form(s) 5305 and 5306, may be computer generated. They need not be submitted for approval if the requirements of this revenue procedure are satisfied. If approval is desired, these forms may be submitted to the Substitute Forms Coordinator.

Chapter 8

Miscellaneous Forms and Programs

Paper Substitutes for Form 1042-S

Paper Substitutes Paper substitutes for Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, that totally conform to the specifications contained in this procedure may be privately printed without prior approval from the Internal Revenue Service. Proposed substitutes not conforming to these specifications must be submitted for consideration.

Timeframe for Submission of Form 1042-S The request should be submitted by November 15 of the year prior to the year the form is to be used. This is to allow the Service adequate time to respond and the submitter adequate time to make any corrections. These requests should contain a copy of the proposed form, the need for the specific deviation(s), and the number of information returns to be printed.

Revisions Form 1042-S is subject to annual review and possible change. Withholding agents and form suppliers are cautioned against overstocking supplies of the privately printed substitutes.

Obtaining Copies Copies of the official form for the reporting year may be obtained from most Service offices. The Service provides only cut sheets (no carbon interleaves) of these forms. Continuous fan-fold/pin-fed forms are not provided.

Instructions For Withholding Agents Instructions for withholding agents:

- Only original copies may be filed with the Service. Carbon copies and reproductions are not acceptable.
- The term "Recipient's U.S. taxpayer identification number" for an individual means the social security number (SSN) or individual taxpayer identification number (ITIN), consisting of nine digits separated by hyphens as follows: 000-00-0000. For all other recipients, the term means employer identification number (EIN). The EIN consists of nine digits separated by hyphen as follows: 00-0000000. The taxpayer identification number (TIN) must be in one of these formats.
- Withholding agents are requested to type or machine print whenever possible, provide quality data entries on the forms (that is, use black ribbon and insert data in the middle of blocks well separated from other printing and guidelines), and take other measures to guarantee a clear, sharp image. Withholding agents are not required, however, to acquire special equipment solely for the purpose of preparing these forms.
- On corrected returns, the words CORRECTED RETURN must be typed in all capital letters in the top 1/4", right of center margin. All required information must be completed on a corrected return since it replaces and supersedes the information return previously filed.
- Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single form before they are filed with the Service. The dimensions are found below. Computer cards are acceptable provided they meet all requirements regarding layout, content, and size.

Substitute Forms Format Requirements

| Property | Substitute Forms Format Requirements |
|--------------|--|
| Printing | Privately printed substitute Forms 1042-S must be exact replicas of the official forms with respect to layout and contents. Only the dimensions of the substitute form may differ and the printing of the Government Printing Office symbol must be deleted. The exact dimensions are found below. |
| Line Entries | Line 1 must be present, line 2 may be omitted if it is not needed. If line 2 is omitted, also omit line 3. |
| Boxes | None of the boxes can be omitted. Each box (a through h) must be present and in the exact order. The box for each payment amount must contain the appropriate caption. |

Paper Substitutes for Form 1042-S, *Continued*

**Substitute Forms
Format
Requirements**
Continued

| Property | Substitute Forms Format Requirements |
|--------------------------|---|
| Color Quality of Paper | <ul style="list-style-type: none"> • Paper For Copy A must be white chemical wood bond, or equivalent, 20 pound (basis 17 × 22-500), plus or minus 5 percent; or off-set book paper, 50 pound (basis 25 × 38-500). No optical brighteners may be added to the pulp or paper during manufacture. The paper must consist of principally bleach chemical woodpulp or recycled printed paper. It also must be suitable sized to accept ink without feathering. • Copies B, C, D (for Recipient), and E (For Withholding Agent) are provided in the official assembly solely for the convenience of the withholding agent. Withholding agents may choose the format, design, color and quality of the paper used for these copies. |
| 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. |
| Typography | Type must be substantially identical in size and shape to corresponding type on the official form. All rules on the document are either 1 point (0.015”) or 3 point (0.045”). Vertical rules must be parallel to the left edge of the document; horizontal rules, parallel to the top edge. |
| Dimensions | <ul style="list-style-type: none"> • The official form is 8” wide × 5-1/2” deep, exclusive of a ½ snap stub on the left side of the form. The snap feature is not required on substitutes. • The width of a substitute Copy A must be a minimum of 7” and a maximum of 8”, although adherence to the size of the official form is preferred. If the width of substitute Copy A is reduced from that of the official form, the width of each field on the substitute form must be reduced proportionately. The left margin must be 1/2” and free of all printing other than that shown on the official form. • The depth of a substitute Copy A must be a minimum of 5 1/6” and a maximum of 5 1/2”. |
| Carbons | Carbonized forms or “spot carbons” are not permissible. Interleaved carbons, if used, must be of good quality to preclude smudging and should be black. |
| Other Copies | Copies B, C, and D are required to be furnished for the convenience of payees who are required to send a copy of the form with other federal and state returns they file. Copy E may be desired as a withholding agent’s record/copy. |
| Assembly | If all five parts are present, the parts of the assembly shall be arranged from top to bottom as follows: Copy A (Original) “For Internal Revenue Service,” Copies B, C, and D “For Recipient,” and Copy E “For Withholding Agent.” |

Specifications for Filing Substitute Schedules K-1

Schedule K-1 Requirements

Prior approval is NOT required for a substitute Schedule K-1 that accompanies Form 1065 (for partnership), a Form 1120S (for small business corporation), or a Form 1041 (for fiduciary) when the substitute Schedule K-1 meets all of the following requirements.

- The Schedule K-1 must contain the payer and recipient's name, address and SSN/EIN.
 - The Schedule K-1 must contain all the items required for use by the taxpayer.
 - The line items must be in the same order and arrangement as those on the official form.
 - Each taxpayer's information must be on a separate sheet of paper. Therefore, all continuously printed substitutes must be separated, by taxpayer, before filing with the Service.
 - Schedule K-1 for recipients must have instructions for required line items attached.
 - You may be subject to penalties if you file Schedules K-1 with the Service and furnish Schedules K-1 to partners, shareholders, or beneficiaries that do not conform to the specifications of this revenue procedure.
 - The amount of each partner's shareholder's or beneficiary's share of each line item must be shown. The furnishing of a total amount of each line item and a percentage (or decimal equivalent) to be applied to such total amount by the partner, shareholder, or beneficiary does not satisfy the law and the specifications of this revenue procedure.
 - If you file Schedules K-1 not conforming to the above specifications, IRS may consider these as not processable and return them to you to be filed correctly. You may also be subjected to the penalty as mentioned
-

Procedures for Printing Internal Revenue Service Envelopes

Procedures for Printing IRS Envelopes

Organizations are permitted to produce substitute tax return envelopes. Use of substitute return envelopes that comply with the requirements set forth in this section will assist in delivery of mail by the U.S. Postal Service and facilitate internal sorting once the envelopes are received at the Internal Revenue Service Centers.

The permanent five-digit ZIP codes must be utilized when mailing returns to the prescribed service center:

| Service Center | Zip Code |
|-----------------------|-----------------|
| Atlanta, GA | 39901 |
| Kansas City, MO | 64999 |
| Austin, TX | 73301 |
| Philadelphia, PA | 19255 |
| Memphis, TN | 37501 |
| Andover, MA | 05501 |
| Cincinnati, OH | 45999 |
| Holtsville, NY | 00501 |
| Ogden, UT | 84201 |
| Fresno, CA | 93888 |

Procedures for Printing Internal Revenue Service Envelopes, *Continued*

Sorting of Returns by Form Type

The sorting of returns by form type is accomplished by the preprinted bar codes on return envelopes that are included in each specific type of form or package mailed to the taxpayer. The 32 bit bar code located to the left of the address on each envelope identifies the type of form that person is filing and assists the Service in consolidating like returns for processing. Failure to use the envelopes furnished by the Service results in additional processing time and effort, and possibly delays the timely deposit of funds, processing of returns, and issuance of refund checks.

Sorting of Returns by ZIP + 4 or 9 Digit ZIP Codes

The Internal Revenue Service will not furnish or sell bulk quantities of preprinted tax return envelopes to taxpayers or tax practitioners. A suitable alternative has been developed that will accommodate the sorting needs of both the IRS and the U.S. Postal Service. The new alternative is based on the use of ZIP + 4 or 9 digit ZIP codes for mailing various types of tax returns to the different area service centers. Essentially, the Postal Service will utilize the last four digits to identify and sort the various form types into separate groups for processing. The list of add-on four digits or + 4 portion of the 9 digit ZIP codes with the related form designations is provided below and is to become a permanent part of the five digit service center ZIP codes shown above.

Add-on Four Digits or + 4 Portion of the 9 Digit ZIP Codes

| Form ZIP + FOUR | Package |
|-----------------|----------|
| XXXXXX-0001 | Reserved |
| XXXXXX-0002 | 1040 |
| XXXXXX-0005 | 941 |
| XXXXXX-0006 | 940 |
| XXXXXX-0008 | 943 |
| XXXXXX-0011 | 1065 |
| XXXXXX-0012 | 1120 |
| XXXXXX-0013 | 1120S |
| XXXXXX-0014 | 1040EZ |
| XXXXXX-0015 | 1040A |
| XXXXXX-0020 | 5500-CR |
| XXXXXX-0024 | 5500EZ |
| XXXXXX-0027 | 990 |
| XXXXXX-0031 | 2290 |
| XXXXXX-0044 | 5500 |

Reproducible Program Is Abolished

The Reproducible Program that in past years supplied the envelope Reproduction Proofs was abolished September 30, 1996. The IRS will no longer provide camera copy to practitioners for the production of envelopes. Practitioners must develop their own camera copy.

Procedures for Printing Internal Revenue Service Envelopes, *Continued*

Guidelines for Having Envelopes Preprinted

Use of preparer company names, addresses, and logos is permissible as long as prescribed clear areas are not invaded. The government recommends that the envelope stock have an average opacity not less than 89 percent and contain a minimum of 50 percent waste paper. Use of carbon-based ink is essential for effective address and bar code reading. Envelope construction can be of side seam or diagonal seam design. The government recommends that the size of the envelope should be 5-3/4" by 9". Continuous pin-fed construction is not desirable but is permissible if the glued edge is at the top. This requirement is firm because mail opening equipment is designed to slice or otherwise open the bottom edge of each envelope.

Envelopes/Zip Codes

The above procedures or guidelines are written for the user having envelopes preprinted. Many practitioners may not wish to have volumes of the different envelopes with differing ZIP codes/form designations preprinted for reasons of low volume, warehousing, waste, etc. In this case, the practitioner can type or machine print the addresses with the appropriate ZIP codes to accommodate sorting. If the requirements/guidelines outlined in this section cannot be met, then use of only the appropriate five digit service center ZIP code is needed.

Procedures for Substitute Form 5471 and Form 5472

Form 5471 and Form 5472

This section covers instructions for producing substitutes for:

- Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations and accompanying Schedules J, M, N, and O.
 - Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business (Under Sections 6038A and 6038C of the Internal Revenue Code).
-

Paper and Computer-Generated Substitutes

Paper and computer-generated substitutes for Form 5471 and the accompanying Schedules J, M, N, and O, and Form 5472 that totally conform to the specifications contained in this procedure may be privately printed, but must have prior approval and are subject to annual review from the Internal Revenue Service.

Official Forms Can Be Obtained From Most Service Offices

Copies of the official forms for the reporting year may be obtained from most Service offices. The Service provides only cut sheets of these forms. Continuous fan-folded/pin-fed forms are not provided.

Quality Substitute Forms

The Service will accept quality substitute tax forms that are consistent with the official forms they represent AND that do not have an adverse impact on our processing. Therefore, only those substitute forms that conform to, and do not deviate from, the corresponding official forms are acceptable.

Computer-Prepared Tax Forms

If the substitute returns and schedules meet the guidelines prescribed herein, the Service will (for filing purposes) accept computer-prepared Forms 5471 and 5472 filled in by a computer, word processing equipment or similar automated equipment or a combination of computer-prepared/generated and filled in information. They may be filed separately or attached to individual or business income tax returns.

Format Arrangement

The specifications for Form 5471 and 5472 are as follows:

- The Substitute must follow the design of the official form as to format, arrangement, item caption, line numbers, line references, and sequence. It must be an exact textual and graphic MIRROR image of the official form for it to be acceptable.
- The filer must use one of the official ten character amount formats. All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present. It must follow a consistent format.

Procedures for Substitute Form 5471 and Form 5472, *Continued*

Format Arrangement *Continued*

- The reference code must be printed to the left of the corresponding captioned line and also immediately preceding the data entry field EVEN if there is no reference code preceding the data entry field on the official form. The reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There also must be at least two blank spaces between the period or the right parenthesis and the first digit of the data field.
- The size of the page must be the same as the official form (8½" × 11").
- The acceptable type is "Helvetica".
- The spacing of the type must be 6 lines/inch vertical, 10 or 12 print characters per inch horizontally.
- A ½ to 1/4" margin must be maintained across the top, bottom, and both sides (exclusive of any pin-fed holes).
- The substitute form must be of the same number of pages as the official one.
- The preprinted brackets in the money fields should be retained.
- The filer must COMPLETELY fill in all the specified numbers or referenced lines as they appear on the official form (not just totals) BEFORE attaching any supporting statement.
- Supporting statements are NEVER to be used until the required official form they support are first totally filled in (completed). A blank or incomplete form that refers to a supporting statement, in lieu of completing a tax return, is unacceptable.
- Descriptions for captions, lines, etc., appearing in the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient key words must be retained to permit ready identification of the caption, line, or item.
- Text prescribed for the official form, which is solely instructional in nature, e.g., "Attach this schedule to Form 1040", "See instruction", etc., may be omitted from the form.

Filing Instructions

Instructions for filing substitute forms are the same as for filing official forms.

Chapter 9

Alternative Methods of Filing

Forms for Electronically Filed Returns

Electronic Filing Program

Since the 1986 filing season, the Service has been accepting current processing year electronically filed refund returns. Since tax year 1991, we accept balance due returns that are filed electronically. Electronic filing is a method by which qualified filers transmit tax return information directly to an IRS Service Center over telephone lines in the format of the official Internal Revenue Service forms.

Applying for the Electronic Filing Program

Anyone wishing to participate in the Electronic Filing Program for individual income tax returns must submit a Form 8633, Application To Participate in the Electronic Filing Program. (**Note:** For business returns, prospective participants must submit a Form 9041, Application For Electronic/Magnetic Media Filing of Business and Employee Benefit Plan Returns.)

Mailing Instructions

| If an application is filed for... | Mail it to: |
|--|---|
| Form 8633 for Individual Income Taxes (regular mail) | Internal Revenue Service Andover Service Center Attn: EFU Acceptance - Stop 983 P.O. Box 4099 Woburn, MA 01888-4099 |
| Form 8633 for Individual Income Taxes (overnight mail) | Internal Revenue Service Andover Service Center Attn: EFU Acceptance -Stop 983 310 Lowell Street Andover, MA 05501 |
| Form 9041 for Forms 1065 | Internal Revenue Service Andover Service Center Attn: EFU Acceptance - Stop 983 P.O. Box 4050 Woburn, MA 01888-4050 |
| Form 9041 for Forms 1041 | Internal Revenue Service Philadelphia Service Center Attn: DP 115 11601 Roosevelt Blvd. Philadelphia, PA 19154 |
| Form 9041 for Forms 5500, 5500-C/R, and 5500-EZ | Internal Revenue Service Attn: EFU (EPMF), Stop 261 P.O. Box 30309, A.M.F. Memphis, TN 38310 |

Obtaining the Taxpayer Signature

The taxpayer signature does not appear on the electronically transmitted tax return and is obtained by the qualified electronic filer on Form 8453, U. S. Individual Income Tax Declaration for Electronic Filing, for Forms 1040, 1040A, and 1040EZ. Form 8453, which serves as a transmittal for the associated non electronic (paper) documents, such as Forms W-2, W-2G, and 1099-R, is a one-page form and can only be approved through the Substitute Forms Program in that format. For specific information about electronic filing, refer to Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns. (**Note:** For business returns, the electronic/magnetic media participants must use the official Form 8453-E, F or P, or an approved substitute that duplicates the official form in language, format, content, color, and size.)

Forms for Electronically Filed Returns, *Continued*

Guidelines for Preparing Substitute Forms in the Electronic Filing Program

A participant in the electronic filing program who wants to develop a substitute form should follow the guidelines for preparing substitute forms throughout this publication, and send a sample of the form for approval to the Substitute Forms Coordinator at the address in Chapter 2. Forms 8453 prepared using a font where all IRS-approved wording will not fit on a single page will not be accepted as a substitute form. This applies primarily to dot-matrix printers, although forms prepared similarly on laser and inkjet printers will also be rejected. **PLEASE NOTE:** Use of unapproved forms could result in suspension of the participant from the electronic filing program.

FTD Magnetic Tape Payments

Instructions for Reporting Agents

Publication 1315 provides the requirements and instructions for reporting agents who submit Federal Tax Deposits (FTD) payment information on magnetic tape. Magnetic tape submissions for FTD can be made for Forms 940, 941, 942, 943, 720, CT-1, 990-PF, 990-T, 990-C, 1042, 1120, and Schedule A (Form 941) Backup Withholding.

Instructions for Banks and Fiduciaries

Revenue Procedure 89-49 (Pub. 1374) provides the requirements and instructions for certain banks and fiduciaries to submit quarterly Form 1041-ES payments on magnetic tape through the Federal Tax Deposit (FTD) system.

Effect on Other Documents

Effect on Other Documents

This revenue procedure supersedes Revenue Procedure 96-48, I.R.B. 1996-48.

Exhibit A-1 (Preferred Format)

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

(Schedule B is on back)

OMB No. 1545-0074

1997

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).**

Name(s) shown on Form 1040

Exhibit 1

Your social security number

| | | | | | | |
|---|-----------|--|-----------|--|--|-----------|
| Medical and Dental Expenses | 1 | Caution: Do not include expenses reimbursed or paid by others. | | | | |
| | 2 | Medical and dental expenses (see page A-1) | 1 | | | |
| | 3 | Enter amount from Form 1040, line 33 | 2 | | | |
| | 4 | Multiply line 2 above by 7.5% (.075) | 3 | | | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | | | | 4 |
| Taxes You Paid | 5 | State and local income taxes | 5 | | | |
| (See page A-1.) | 6 | Real estate taxes (see page A-2) | 6 | | | |
| | 7 | Personal property taxes | 7 | | | |
| | 8 | Other taxes. List type and amount ▶ | 8 | | | |
| | 9 | Add lines 5 through 8 | | | | 9 |
| Interest You Paid | 10 | Home mortgage interest and points reported to you on Form 1098 | 10 | | | |
| (See page A-2.) | 11 | Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶ | 11 | | | |
| | 12 | Points not reported to you on Form 1098. See page A-3 for special rules | 12 | | | |
| Note: Personal interest is not deductible. | 13 | Investment interest. Attach Form 4952, if required. (See page A-3.) | 13 | | | |
| | 14 | Add lines 10 through 13 | | | | 14 |
| Gifts to Charity | 15 | Gifts by cash or check. If you made any gift of \$250 or more, see page A-3 | 15 | | | |
| If you made a gift and got a benefit for it, see page A-3. | 16 | Other than by cash or check. If any gift of \$250 or more, see page A-3. You MUST attach Form 8283 if over \$500 | 16 | | | |
| | 17 | Carryover from prior year | 17 | | | |
| | 18 | Add lines 15 through 17 | | | | 18 |
| Casualty and Theft Losses | 19 | Casualty or theft loss(es). Attach Form 4684. (See page A-4.) | | | | 19 |
| Job Expenses and Most Other Miscellaneous Deductions | 20 | Unreimbursed employee expenses—job travel, union dues, job education, etc. You MUST attach Form 2106 or 2106-EZ if required. (See page A-4.) ▶ | 20 | | | |
| (See page A-5 for expenses to deduct here.) | 21 | Tax preparation fees | 21 | | | |
| | 22 | Other expenses—investment, safe deposit box, etc. List type and amount ▶ | 22 | | | |
| | 23 | Add lines 20 through 22 | 23 | | | |
| | 24 | Enter amount from Form 1040, line 33 | 24 | | | |
| | 25 | Multiply line 24 above by 2% (.02) | 25 | | | |
| | 26 | Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- | | | | 26 |
| Other Miscellaneous Deductions | 27 | Other—from list on page A-5. List type and amount ▶ | | | | 27 |
| Total Itemized Deductions | 28 | Is Form 1040, line 33, over \$121,200 (over \$60,600 if married filing separately)? NO. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter on Form 1040, line 35, the larger of this amount or your standard deduction. YES. Your deduction may be limited. See page A-5 for the amount to enter. } ▶ | | | | 28 |

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 1997

Exhibit A-2 (Acceptable Format)

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

(Schedule B is on back)

OMB No. 1545-0074

1997

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A and B (Form 1040).**

Name(s) shown on Form 1040

Your social security number

| | | | | | |
|---|-----------|--|-----------|--|-----------|
| Medical and Dental Expenses | 1 | Caution: Do not include expenses reimbursed or paid by others. | | | |
| | 2 | Medical and dental expenses (see page A-1) | 1 | | |
| | 3 | Enter amount from Form 1040, line 33, 2 | | | |
| | 4 | Multiply line 2 above by 7.5% (.075) | 3 | | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | | | 4 |
| Taxes You Paid | 5 | State and local income taxes | 5 | | |
| (See page A-1.) | 6 | Real estate taxes (see page A-2) | 6 | | |
| | 7 | Personal property taxes | 7 | | |
| | 8 | Other taxes. List type and amount ▶ | 8 | | |
| | 9 | Add lines 5 through 8 | | | 9 |
| Interest You Paid | 10 | Home mortgage interest and points reported to you on Form 1098 | 10 | | |
| (See page A-2.) | 11 | Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶ | | | |
| | 11 | | 11 | | |
| Note: | 12 | Points not reported to you on Form 1098. See page A-3 for special rules | 12 | | |
| Personal interest is not deductible. | 13 | Investment interest. Attach Form 4952, if required. (See page A-3.) | 13 | | |
| | 14 | Add lines 10 through 13 | | | 14 |
| Gifts to Charity | 15 | Gifts by cash or check. If you made any gift of \$250 or more, see page A-3 | 15 | | |
| If you made a gift and got a benefit for it, see page A-3. | 16 | Other than by cash or check. If any gift of \$250 or more, see page A-3. You MUST attach Form 8283 if over \$500 | 16 | | |
| | 17 | Carryover from prior year | 17 | | |
| | 18 | Add lines 15 through 17 | | | 18 |
| Casualty and Theft Losses | 19 | Casualty or theft loss(es). Attach Form 4684. (See page A-4.) | | | 19 |
| Job Expenses and Most Other Miscellaneous Deductions | 20 | Unreimbursed employee expenses—job travel, union dues, job education, etc. You MUST attach Form 2106 or 2106-EZ if required. (See page A-4.) ▶ | | | |
| (See page A-5 for expenses to deduct here.) | 21 | Tax preparation fees | 20 | | |
| | 22 | Other expenses—investment, safe deposit box, etc. List type and amount ▶ | 21 | | |
| | 22 | | 22 | | |
| | 23 | Add lines 20 through 22 | 23 | | |
| | 24 | Enter amount from Form 1040, line 33, 24 | 24 | | |
| | 25 | Multiply line 24 above by 2% (.02) | 25 | | |
| | 26 | Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- | | | 26 |
| Other Miscellaneous Deductions | 27 | Other—from list on page A-5. List type and amount ▶ | | | 27 |
| Total Itemized Deductions | 28 | Is Form 1040, line 33, over \$121,200 (over \$60,600 if married filing separately)? NO. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter on Form 1040, line 35, the larger of this amount or your standard deduction. YES. Your deduction may be limited. See page A-5 for the amount to enter. | | | 28 |

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Exhibit B-1 (Preferred Format)

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Schedule B—Interest and Dividend Income

Attachment Sequence No. **08**

Part I

Note: If you had over \$400 in taxable interest income, you must also complete Part III.

Interest Income

(See pages 13 and B-1.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
- 2** Add the amounts on line 1
- 3** Excludable interest on series EE U.S. savings bonds issued after 1989 from Form 8815, line 14. You MUST attach Form 8815 to Form 1040
- 4** Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶

| Amount | |
|--------|--|
| 1 | |
| 2 | |
| 3 | |
| 4 | |

Part II

Note: If you had over \$400 in gross dividends and/or other distributions on stock, you must also complete Part III.

Dividend Income

(See pages 13 and B-1.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total dividends shown on that form.

- 5** List name of payer. Include gross dividends and/or other distributions on stock here. Any capital gain distributions and nontaxable distributions will be deducted on lines 7 and 8 ▶
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
- 6** Add the amounts on line 5
- 7** Capital gain distributions. Enter here and on Schedule D, line 14* **7**
- 8** Nontaxable distributions. (See the inst. for Form 1040, line 9.) **8**
- 9** Add lines 7 and 8
- 10** Subtract line 9 from line 6. Enter the result here and on Form 1040, line 9 ▶

| Amount | |
|--------|--|
| 5 | |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |

**If you don't need Schedule D to report any other gains or losses, see the instructions for Form 1040, line 13, on page 14.*

Part III Foreign Accounts and Trusts

(See page B-2.)

- You must complete this part if you (a) had over \$400 of interest or dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.
- 11a** At any time during 1997, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1
 - b** If "Yes," enter the name of the foreign country ▶
 - 12** During 1997, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520 or 926. See page B-2

| Yes | No |
|-----|----|
| | |
| | |
| | |



Exhibit B-2 (Acceptable Format)

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Schedule B—Interest and Dividend Income

Attachment Sequence No. 08

**Part I
Interest
Income**

(See pages 13 and B-1.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

Note: If you had over \$400 in taxable interest income, you must also complete Part III.

- 1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶
- 2 Add the amounts on line 1.
- 3 Excludable interest on series EE U.S. savings bonds issued after 1989 from Form 8815, line 14. You MUST attach Form 8815 to Form 1040.
- 4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶

| Amount | |
|--------|--|
| 1 | |
| 2 | |
| 3 | |
| 4 | |

**Part II
Dividend
Income**

(See pages 13 and B-1.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total dividends shown on that form.

Note: If you had over \$400 in gross dividends and/or other distributions on stock, you must also complete Part III.

- 5 List name of payer. Include gross dividends and/or other distributions on stock here. Any capital gain distributions and nontaxable distributions will be deducted on lines 7 and 8 ▶
- 6 Add the amounts on line 5
- 7 Capital gain distributions. Enter here and on Schedule D, line 14*
- 8 Nontaxable distributions. (See the inst. for Form 1040, line 9.)
- 9 Add lines 7 and 8
- 10 Subtract line 9 from line 6. Enter the result here and on Form 1040, line 9 ▶

| Amount | |
|--------|--|
| 5 | |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |

**Part III
Foreign
Accounts
and
Trusts**

(See page B-2.)

You must complete this part if you (a) had over \$400 of interest or dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

- 11a At any time during 1997, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1
- b If "Yes," enter the name of the foreign country ▶
- 12 During 1997, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520 or 926. See page B-2

| Yes | No |
|-----|----|
| | |
| | |
| | |



23 Add lines 20 thru 22.....(23) _____
 24 Amount from Form 1040, line 32.....(24) _____
 25 Multiply line 24 by 2% (.02).....(25) _____
 26 Subtract line 25 from line 23, not less than zero.....(26) _____

*****OTHER MISCELLANEOUS DEDUCTIONS*****.....
 SSN (27) _____

*****MEDICAL AND DENTAL EXPENSES*****.....
1TOTAL ITEMIZED DEDUCTIONS****.....
 1 Medical and dental expenses.....(1) _____
 28 Amount from Form 1040, line 12 more than \$1,700 (\$57,350 MFJ),
 3 or see page A-5.2 Else, add right column of lines 1-27....(28) _____
 4 Subtract line 3 from line 1, not less than zero.....(4) _____
TAXES YOU PAID.....

5 State and local income taxes.....(5) _____
 6 Real estate taxes.....(6) _____
 7 Personal property taxes.....(7) _____
 8 Other taxes. List type and amount. _____
 _____(8) _____
 9 Add lines 5 thru 8.....(9) _____

*****INTEREST YOU PAID*****.....

10 Home mortgage interest and points reported
 to you on Form 1098.....(10) _____
 11 Home mtg int not reported on Form 1098. If to
 seller, person's name, id no., and address:

 _____(11) _____
 12 Points not reported to you on Form 1098....(12) _____
 13 Investment interest. Att Form 4952 if req..(13) _____
 14 Add lines 10 thru 13.....(14) _____

*****GIFTS TO CHARITY*****.....

15 Gifts by cash or check.....(15) _____
 16 Other than cash or check. If over \$500,
 you MUST attach Form 8283.....(16) _____
 17 Carryover from prior year.....(17) _____
 18 Add lines 15 thru 17.....(18) _____

*****CASUALTY AND THEFT LOSSES*****.....

19 Casualty or theft loss(es) from Form 4684.....(19) _____

*****JOB EXPENSES & MOST OTHER MISCELLANEOUS DEDUCTIONS*****.....

20 Unreim employee exp (Form 2106) _____
 _____ ..(20) _____
 21 Tax preparation fees.....(21) _____
 22 Other expenses:
 _____ ..(22) _____

Part III - Foreign Accounts and Foreign Trusts

Exhibit CG-8 (Schedule B) Interest and Dividend Income
Schedule B had over \$400 interest or dividends, or had a foreign account (Form 1040), grantor of, or a transferor to, a foreign trust, must complete:

11a At any time during 1995, did you have an interest in or a signature authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?

Part II - Dividend Income
12 Were you the grantor of, or transferor to, a foreign trust that existed during 1995, whether or not you have any beneficial interest in it? If Yes, you may have to file Form 3520, 3520-A, or 926..

D260 For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Form with horizontal lines for data entry.

Less tax-exempt interest.....To Form 1040, line 8b....
2 Add the amounts on line 1.....(2)
3 Excludable savings bond interest from Form 8815.....(3)
4 Subtract line 3 from line 2.....To Form 1040, line 8a (4)

Part II - Dividend Income

5 Dividend income (include capital gain dist, nontaxable dist, etc.)
Form with horizontal lines for data entry.

6 Add the amounts on line 5.....(6)
7 Capital gain distributions.....(7)
8 Nontaxable distributions.....(8)
9 Add lines 7 and 8.....(9)
10 Subtract line 9 from line 6. To Form 1040, line 9...(10)

EXHIBIT C

Checklist of IRS Substitute Forms Submitted on, 1997:

Authorized Name: _____

Company: _____

Contact: _____

Preparer's Name: _____

Fax: _____

Telephone: _____

Source Code: _____

Date: _____

| Approved | Approved with Corrections | Must be Resubmitted | Form Number | Comments |
|----------|---------------------------|---------------------|-------------|----------|
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|-----------------------------|--|
| 1099-B | Proceeds from Broker and Barter Exchange |
| EXHIBIT L-1 - LIST OF FORMS | REFERRED TO IN REVENUE PROCEDURE |
| 1099-C | Cancellation of Debt |
| FORM -DIV | Dividends and Distributions |
| 1099-G | Certain Government Payments |
| 1099 -INT | United States Estate (and Generation-Skipping |
| 1099-MISC | Miscellaneous Income |
| 1099 -OID | Original Issue Discount Tax Return |
| 1099 -PATR | Employer's Annual Federal Unemployment (FUTA) Tax |
| 1099-R | Distributions from Pensions, Annuities, Retirement |
| 940-EZ | Employer's Annual Federal Unemployment (FUTA) Tax |
| | Contracts, Etc. |
| 1099 -S | Proceeds from Real Estate Transactions |
| 942 Sch. B | Employer's Annual Federal Tax Liability |
| 943 | Employer's Annual Tax Return for Agricultural |
| | Employees |
| 945 | Annual Return of Withheld Federal Income Tax |
| 945-A | Annual Record of Federal Tax Liability |
| 990-C | Farmers' Cooperative Association Income Tax Return |
| 990-PF | Return of Private Foundation or Section 4947(a)(1) |
| | Trust Treated as a Private Foundation |
| 990-T | Exempt Organization Business Income Tax Return |
| 1040 | U.S. Individual Income Tax Return |
| 1040-ES | Estimated Tax for Individuals |
| 1040A | U.S. Individual Income Tax Return |
| 1040EZ | Income Tax Return for Single and Joint Filers with |
| | No Dependents |
| 1040PC | 1040PC Format U.S. Individual Income Tax Return |
| 1041 | U.S. Income Tax Return for Estates and Trusts |
| 1041-ES | Estimated Tax for Estates and Trusts |
| 1042 | Annual Withholding Tax Return for U.S. Source |
| | Income of Foreign Persons |
| 1042-S | Foreign Person's U.S. Source Income Subject to |
| | Withholding |
| 1065 | U.S. Partnership Return of Income |
| 1096 | Annual Summary and Transmittal of U.S. Information |
| | Returns |
| 1098 | Mortgage Interest Statement |
| 1099 | Acquisition or Abandonment of Secured Property |

| | |
|--|--|
| EXHIBIT L-1 - LIST OF FORMS DEPOSITED ON | FEDERAL REVENUE PROCEDURE |
| (continued) | U.S. Individual Income Tax Declaration for |
| | Electronic Filing |
| 2450 - E | Employer Self-Insured Plan Return and Signature |
| 3468 | Form for Electronic/Magnetic Media Filing |
| 3475 - F | Tax Practitioner Declaration and Signature Application |
| | Update for Electronic and Magnetic Media Filing |
| 4458 - P | Credit from Federal Debtors and Signature for |
| 4461 | Application for Magnetic Media Master or Prototype |
| 8633 | and Regional Prototype Plan Determination |
| 4461-A | Application for Approval of Master or Prototype |
| 9041 | and Regional Prototype or Magnetic Media Filing |
| 4461-B | App Business for Approval of Master Plan Prototype |
| | Plan, or Regional Prototype Plan Mass Submitter |
| | Return Adopting Sponsor |
| 5300 | Application for Determination for Employee Benefit |
| | Plan |
| 5303 | Application for Determination for Collectively |
| | Bargained Plan |
| 5305 | Individual Retirement Trust Account |
| 5306 | Application for Approval of Prototype or Employer |
| | Sponsored Individual Retirement Account |
| 5307 | Application for Determination for Adopters of |
| | Master or Prototype, Regional Prototype or Volume |
| | Submitter Plans |
| 5310 | Application for Determination for Terminating Plan |
| 5310-A | Notice of Plan Merger or Consolidation, Spinoff, |
| | or Transfer of Plan Assets or Liabilities; Notice |
| | of Qualified Separate Lines of Business |
| 5498 | Individual Retirement Arrangement Information |
| 5500 | Annual Return/Report of Employee Benefit Plan |
| | (With 100 or more participants) |
| 5500 C/R | Annual Return/Report of Employee Benefit Plan |
| | (With fewer than 100 participants) |
| 5500-EZ | Annual Return of One-Participant (Owners and Their |
| | Spouses) Retirement Plan |
| 6406 | Short Form Application for Determination For Minor |
| | Amendment of Employee Benefit Plan |
| 8100 | Federal Tax Deposit Coupon |

Part IV. Items of General Interest

Foundations Status of Certain Organizations

Announcement 97-119

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:

Alpha Community Programs, Inc., Toledo, OH
Amber and Babe Animal Foundation, Vermilion, OH
Boys & Girls Club of Camilla-Mitchell County, Inc., Camilla, GA
Boys and Girls Club of Denton County, Inc., Lewisville, TX
Boys and Girls Club of Drew County Arkansas, Inc., Monticello, AR
Boys & Girls Club of Edcouch-Elsa, Inc., Edcouch, TX
Boys and Girls Club of Kenosha, Inc., Kenosha, WI
Boys and Girls Clubs of the Mississippi Valley, Inc., Moline, IL
Boys & Girls Club of Santa Cruz County, Inc., Nogales, AZ
Boys & Girls Club of Toccoa, Toccoa, GA
Boys Ranch of Nacogdoches, Inc., Nacogdoches, TX
Bradford County Families Against Drugs, Inc., Starke, FL
Brain Injury Resource Network Inc., Richmond, VA
Brandcarr Publications Inc., Baltimore, MD
Brazos Retreat and Conference Center, Sugar Land, TX
Breast Implant Information Foundation Support Group, Oklahoma City, OK

Brecksville-Broadview Heights Schools Foundation Program, Brecksville, OH
Brentwood Educational Assistance Foundation, Inc., Springfield, OH
Brentwood Park Resident Management Corporation, Inc., Jacksonville, FL
Brian Betzler Memorial Scholarship, Inc., Mt. Pleasant, MD
Brian Shimer Bobsled Club Inc., Naples, FL
Bridgefilm Company Inc., Aspen, CO
Bridgerland Amateur Radio Club Inc., Hyde Park, UT
Bridges Ministries Incorporated, Chicago, IL
Bright Center Inc., Lawrenceburg, IN
Bright Star International Inc., Tulsa, OK
Brighton Township Beaver Soccer Association, Beaver, PA
Bristlecone Development Corporation, Olmsted TWP, OH
Britvil Community Food Pantry Inc., Oklahoma City, OK
Broken Promises Inc., Marietta, GA
Brookside Park Memorial to Veterans, Jackson, MO
Brotherhood Community Fund Inc., Burlington, IA
Brotherhood Society of St. Anagiri of the United States, LTD., Montclair, NJ
Brothers Joined Striders, Austin, TX
Broward Autism Foundation Inc., Coral Springs, FL
Broward Coalition for the Homeless Inc., Ft. Lauderdale, FL
Brownsburg Junior Soccer League Inc., Brownsburg, IN
Bruce Crampton Foundation Inc., Vienna, VA
Brunswick Neighborhood Association, Gary, IN
Buchanan County Olympics Inc., St. Joseph, MO
Bucks Co. Center for the Performing Arts, Doylestown, PA
Build for Michigan, Bloomfield Hills, MI
Bulgarian Orthodox Religious Education Society, Fort Wayne, IN
Burlington County Friends of the Environment, Inc., Mt. Holly, NJ
Burns United Support Groups Inc., Grosse Pointe Farms, MI
Burt Lake Band of Ottawa and Chippewa Indians, Inc., Brutus, MI
Business Leadership for Tomorrow, Miami, FL

Buster L. Brown Memorial Scholarship Fund, Tyler, TX
Butler County Health Network, Hamilton, OH
Buy American Inc., Flushing, MI
Delta Epsilon Kappa, Inc. Accounting Honor Society, Montgomery, AL
Families Unlimited, Bay Minette, AL
Heavenly Vision Economic Development Corporation, Los Angeles, CA
Krzyszowa Kreisau Foundation, Rumson, NJ
Lifecare Ministries of Oklahoma, Inc., Purcell, OK
Majestic Opera Association Inc., New York, NY
Merced Heights Childrens Center, San Francisco, CA
Minnesota International Corporation, Excelsior, MN
National Domestic Violence Hotline, South Orange, NJ
National Policy Center on Blindness, Sacramento, CA
People to People Foundation for International Development, Portage, MI
Randolph County Mayors Committee for Disabled Persons, Asheboro, NC
396 Straight Street Corp., Patterson, NJ
Traffic Safety Association, Kirkland, WA
Women and Family Counseling Services Inc., E. Lansing, MI

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

IRS Reassures Nursery Growers About Farming Exception Announcement 97-120

This announcement confirms that recently issued proposed regulations specifically permit nursery growers to qualify

for the “farming exception” to the uniform capitalization rules under § 263A of the Internal Revenue Code. In recent weeks, the Internal Revenue Service has received numerous form letters from nursery growers expressing concern that they would no longer be eligible for the farming exception as a result of the proposed regulations. However, as Service and Treasury officials stated at a November 19, 1997, public hearing, these proposed regulations did not change who is eligible for the farming exception.

Under § 263A(d), enacted by the Tax Reform Act of 1986, the farming exception to the uniform capitalization rules is available for certain plants “produced” (e.g., grown) in a farming business. Thus, the regulations permit nursery growers using the farming exception to deduct the costs of seeds and young plants purchased for further development and cultivation prior to sale, as well as the costs of growing the plants. Under the regulations, nursery growers using the farming exception are permitted to deduct these costs even if the plants are partly grown by another person or are grown by the nursery in temporary containers. Because the statutory exception only applies to the costs of plants “produced” in a farming business, the exception cannot be used for costs incurred by a taxpayer in activities in which the taxpayer does not grow

plants, but merely buys and resells plants grown entirely by others. An example will be added to the final regulations to illustrate these points.

Employee Plans Compliance Programs

Announcement 97-121

The Office of the Assistant Commissioner, Employee Plans and Exempt Organizations of the Internal Revenue Service (Service) has established and is committed to the enhancement of a number of programs to enable sponsors of qualified retirement plans and tax-sheltered arrangements to maintain the tax-favored status of these plans without risking the tax consequences of plan disqualification. In addition to the Closing Agreement Program (CAP), for plans under examination, there is the Administrative Policy Regarding Self-Correction (APRSC), the Standardized (SVP) and regular Voluntary Compliance Resolution (VCR) Programs, the Tax Sheltered Annuity Voluntary Compliance (TVC) Program, and the Voluntary Closing Agreement Program (Walk-in CAP).

APRSC is the self-correction program that encourages employers to monitor their plans and correct any operational defect or violation they find as soon as pos-

sible. Under APRSC, if defects are discovered and corrected within a short time following the year of the qualification error, there is no need to contact the Service, no compliance fee and no tax sanction with respect to the error. APRSC, as published in January 1997, allows plan sponsors one year to correct defects without penalty. Based on our experience to date with this well-received and increasingly used program, the Service is extending the self-correction period from one to two years following the year in which the operational violation occurs. As we continue to gain experience, we anticipate that this program will continue to evolve in order to best facilitate compliance.

The Service is about to issue a field directive that will provide additional insight on the self-correction program and clarify certain issues including, for example, timing for correction. In addition, in early 1998, the Service will publish a consolidated guide to the compliance programs for plan sponsors and their advisors. Since all of these programs operate out of each of the EP/EO Key District Offices as well as Employee Plans Division in Washington, communication to achieve consistency and coordination in the programs is essential. The following information about how to contact the appropriate office for information and assistance will be included in the consolidated guide.

HEADQUARTERS EP Division

Projects Branch 2
CP:E:EP:P:2
1111 Constitution, Ave., NW
Washington, DC 20224
Office (202) 622-6214
FAX (202) 622-6199

NORTHEAST REGION EP/EO Division

Review Staff
10 Metro Tech Center
625 Fulton St.
Brooklyn, NY 11201
Phone (718) 488-2400
FAX (718) 488-2405

SOUTHEAST REGION EP/EO Division

Technical Branch
P.O. Box 13163
Baltimore, MD 21203
Phone (410) 962-3709
FAX (410) 962-0867

MIDSTATES REGION
EP/EO Division

Branch Office (CHI)(1)
230 S. Dearborn
Chicago, IL 60604
Phone (312) 886-4700
FAX (312) 886-3275

WESTERN REGION
EP/EO Division

Technical Branch
McCaslin Industrial Park
2 Cupania Circle
Monterey Park, CA 91755
Phone (213) 725-7164
FAX (213) 725-1442

Drafting Information

The principal author of this announcement is Carlton Watkins of the Employee Plans Division. For further information regarding this announcement, call (202) 622-6074/622-6075 between 1:30 and 3:30 p.m. Eastern time (not a toll-free number). Mr. Watkins' number is (202) 622-6214 (also not a toll-free number).

Interim Guidance on Roth IRAs

Announcement 97-122

The Service is issuing two model Roth IRA Forms, 5305-R and 5305-RA, for use by trustees and custodians, respectively, beginning in 1998. In addition, the following interim guidance is provided for prototype sponsors and individual contributors to Roth IRAs established under § 408A of the Internal Revenue Code in response to questions from the public.

Background

Individuals are permitted to make deductible and nondeductible contributions to individual retirement accounts and annuities described in § 408(a) or (b), respectively (Traditional IRAs).

The Taxpayer Relief Act of 1997, Pub. L. 105-34, added § 408A creating Roth IRAs beginning in 1998. The rules that apply to Roth IRAs and Traditional IRAs are generally the same, except as modified by § 408A. A Roth IRA must be designated at the time of establishment as a Roth IRA. Contributions to a Roth IRA are not deductible and qualified distributions are not includible in gross income.

Interim Guidance

○ Model forms.—New Form 5305-R, Roth Individual Retirement Trust Account, and Form 5305-RA, Roth Individual Retirement Custodial Account, will serve as Service-approved model forms for use by financial institutions to offer Roth IRAs to their customers. These forms can be downloaded from the IRS homepage at www.irs.ustreas.gov.

○ Separate trusts.—Contributions to a Roth IRA must be maintained as a separate trust, custodial account or annuity from contributions to a Traditional IRA. Separate accounting within a single trust, custodial account or annuity is not permitted.

○ Opinion letters.—The Service is not presently accepting submissions for opinion letters on prototype Roth IRAs, but will issue procedures in the future for requesting such opinion letters.

○ Combined documents.—The Service will permit a prototype sponsor to combine a Roth IRA and a Traditional IRA in the same document provided that (1) the separate trust requirement, above, is satisfied and (2) the document, as completed by the owner, clearly indicates whether it is to be used as a Traditional IRA or as a Roth IRA. This must be done in a way that makes clear that designation as one type of IRA precludes its designation as the other type of IRA.

Transitional Relief

The Service will provide transitional relief for sponsors of Roth IRAs and their customers that is similar to the transition relief provided for users of documents establishing SIMPLE IRAs that had not been pre-approved by the Service. See

section 7.01 of Rev. Proc. 97-29, 1997-24, I.R.B. 9. The Simple IRA transition relief was conditioned on the prototype sponsors who furnished the documents having them subsequently approved by the Service and meeting certain other conditions. Transition relief will also be conditioned on the document, or associated written material, clearly designating the trust, custodial account or annuity as a Roth IRA at the time of establishment.

Technical Corrections

The House of Representatives has passed technical corrections legislation (H.R. 2645) affecting, among other things, the taxability of distributions from Roth IRAs. The legislation, if enacted, would be effective January 1, 1998. In light of this pending legislation, prototype sponsors may wish to consider maintaining, or encouraging individuals to maintain, qualified rollover contributions (described in § 408A(e)) in separate Roth IRAs from Roth IRAs containing regular Roth IRA contributions (described in § 408A(c)(2)).

Paperwork Reduction Act

The collection of information contained in this announcement has been reviewed and approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1568.

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

The collection of information in this announcement is in the section headed "Interim Guidance." This information is required to comply with § 302 of the Taxpayer Relief Act of 1997 in order to meet the statutory requirements for establishing a Roth IRA. The collection of information is required to obtain a benefit. The likely respondents are businesses or other

for-profit institutions, and not-for-profit institutions.

The estimated total annual reporting burden is 8,000 hours.

The estimated annual burden per respondent varies from 0.5 hours to 4 hours, depending on individual circumstances, with an estimated average of 2 hours. The estimated number of respondents is 4,000.

The estimated annual frequency of responses is one per respondent.

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

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 ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

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

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

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

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

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

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

Abbreviations

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

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

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

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

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 1997–1 through 1997–26 will be found in Internal Revenue Bulletin 1997–27, dated July 7, 1997.

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