

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. 99-48, page 600.

Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term exempt rate. For purposes of sections 1274, 1288, 382, and other sections of the Code, tables set forth the rates for December 1999.

EMPLOYEE PLANS

Rev. Proc. 99-45, page 603.

Minimum funding standards; change in funding method. This procedure provides approval to change the funding method used to determine the minimum funding standard for defined benefits plans for plan years beginning on or after January 1, 1999, to any one of the specific methods contained therein. Rev. Proc. 95-51, as clarified and modified by Rev. Proc. 98-10, modified.

Notice 99-55, page 638.

Retirement plans; 2000 section 415(d) limitations. Cost-of-living adjustments effective January 1, 2000, applicable to the dollar limits on benefits under qualified defined benefit pensions plans and to other provisions affecting (1) certain plans of deferred compensation and (2) "control employees," are set forth.

ESTATE TAX

REG-103841-99, page 639.

Proposed regulations under section 2601 of the Code relate to the retention of a trust's exempt status for generation-skipping transfer tax purposes in the case of modifications, etc., to a trust. A public hearing is scheduled for March 15, 2000.

GIFT TAX

REG-103841-99, page 639.

Proposed regulations under section 2601 of the Code relate

to the retention of a trust's exempt status for generation-skipping transfer tax purposes in the case of modifications, etc., to a trust. A public hearing is scheduled for March 15, 2000.

EMPLOYMENT TAX

Rev. Proc. 99-46, page 605.

Electronic filing; magnetic media. Specifications are set forth for filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, magnetically or electronically. The form may be filed with the Service using ½ inch magnetic tape; IBM 3480/3490 or AS400 compatible tape cartridges; or 5 ¼-, 3 ½-inch diskettes.

Rev. Proc. 99-47, page 624.

Specifications are set forth for filing Form W-4, Employee's Withholding Allowance Certificate, magnetically or electronically.

ADMINISTRATIVE

REG-104939-99, page 643.

Proposed regulations under section 6212 of the Code relate to a taxpayer's last known address.

Announcement 99-112, page 649.

This document corrects certain errors in Rev. Proc. 99-29, 1999-31 I.R.B. 138, which provides specifications for filing Forms 1098, 1099, 5498, and W-2G. Rev. Proc. 99-29 was reprinted as Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically. Corrections to the forms are also included. Rev. Proc. 99-29 corrected.

Finding Lists begin on page ii.

Index for July through November begins on page iv.



The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities

and by applying the tax law with integrity and fairness to all.

Introduction

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

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

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 semiannual basis, and are published in the first Bulletin of the succeeding 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.

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

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

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

The adjusted applicable federal long-term rate is set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

A revenue procedure describes certain changes to the funding method used to determine the minimum funding standard for defined benefit plans for plan years beginning on or after January 1, 1999. See Rev. Proc. 99-45, page 603.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48 on this page.

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

(Also sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term exempt rate. For purposes of sections 1274, 1288, 382, and other sections of the Code, tables set forth the rates for December 1999.

Rev. Rul. 99-48

This revenue ruling provides various prescribed rates for federal income tax purposes for December 1999 (the current month.) Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Finally, Table 6 contains the 2000 interest rate for purposes of sections 846 and 807.

REV. RUL. 99-48 TABLE 1

Applicable Federal Rates (AFR) for December 1999

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	5.74%	5.66%	5.62%	5.59%
110% AFR	6.33%	6.23%	6.18%	6.15%
120% AFR	6.91%	6.79%	6.73%	6.70%
130% AFR	7.50%	7.36%	7.29%	7.25%
<i>Mid-Term</i>				
AFR	6.20%	6.11%	6.06%	6.03%
110% AFR	6.83%	6.72%	6.66%	6.63%
120% AFR	7.46%	7.33%	7.26%	7.22%
130% AFR	8.10%	7.94%	7.86%	7.81%
150% AFR	9.38%	9.17%	9.07%	9.00%
175% AFR	10.98%	10.69%	10.55%	10.46%
<i>Long-Term</i>				
AFR	6.47%	6.37%	6.32%	6.29%
110% AFR	7.13%	7.01%	6.95%	6.91%
120% AFR	7.79%	7.64%	7.57%	7.52%
130% AFR	8.45%	8.28%	8.20%	8.14%

REV. RUL. 99-48 TABLE 2

Adjusted AFR for December 1999

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	4.02%	3.98%	3.96%	3.95%
Mid-term adjusted AFR	4.76%	4.70%	4.67%	4.65%
Long-term adjusted AFR	5.72%	5.64%	5.60%	5.57%

REV. RUL. 99-48 TABLE 3

Rates Under Section 382 for December 1999

Adjusted federal long-term rate for the current month	5.72%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	5.72%

REV. RUL. 99-48 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for December 1999

Appropriate percentage for the 70% present value low-income housing credit	8.49%
Appropriate percentage for the 30% present value low-income housing credit	3.64%

REV. RUL. 99-48 TABLE 5

Rate Under Section 7520 for December 1999

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

7.4%

REV. RUL. 99-48 TABLE 6

Rate under Sections 846 and 807

Applicable rate of interest for 2000 for purposes of sections 846 and 807

6.09%

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48, page 600.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48, page 600.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1999. See Rev. Rul. 99-48, page 600.

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Part III. Administrative, Procedural, and Miscellaneous

26 CFR 601.201: Rulings and determination letters.
(Also, Part I, section 412.)

Rev. Proc. 99-45

Section 1. Purpose and Scope

This revenue procedure modifies Rev. Proc. 95-51, 1995-2 C.B. 431, which provides approval to change the funding method (including the asset valuation method) used for a defined benefit pension plan. This revenue procedure modifies Rev. Proc. 95-51 to provide approval for a change in funding method in connection with certain mergers; to clarify that the prohibition of a change in method where there is a negative unfunded liability applies only in certain circumstances with respect to a change in funding method involving a spread gain method; to provide that the comparison of the results of new valuation software to the results of old valuation software may be made on the basis of the prior year; and to provide, in certain situations, that the requirement that the plan administrator approve of the change in funding method will be satisfied if the plan administrator is made aware of the change.

Section 2. Background

.01 Section 412(c)(5)(A) of the Internal Revenue Code ("the Code"), as amended, and section 302(c)(5)(A) of the Employee Retirement Income Security Act of 1974 (ERISA), Pub. L. 93-406, 1974-3 C.B. 1, 40, as amended, state that if the funding method of a plan is changed, the new funding method shall become effective only if the change is approved by the Secretary.

.02 Section 1.412(c)(2)-1 of the Income Tax Regulations generally provides that a change in the actuarial valuation method used to value the assets of a plan is a change in funding method that requires approval under § 412(c)(5) of the Code.

.03 Rev. Proc. 95-51 provides approval for certain changes in funding method. Section 3 of Rev. Proc. 95-51 provides approval for changes to certain specific methods including certain asset valuation methods. Section 4 of Rev. Proc. 95-51 provides various special ap-

provals for changes. Section 5 of Rev. Proc. 95-51 provides rules relating to the establishment and maintenance of amortization bases upon changing methods. Section 6 of Rev. Proc. 95-51 provides restrictions under the revenue procedure.

.04 Rev. Proc. 98-10, 1998-2 I.R.B. 35, modified Rev. Proc. 95-51 to provide approval for additional changes in asset valuation method and for certain changes in valuation software. Rev. Proc. 98-10 also clarified and modified other provisions of Rev. Proc. 95-51.

Section 3. Additional Approvals under Rev. Proc. 95-51

.01 Section 4 of Rev. Proc. 95-51 (Special Approvals) is modified to add a new section 4.06 as follows:

.06 Approval for *De Minimis* Mergers

(1) Approval is granted for a change in method in connection with a merger described in paragraph (2) where the procedures set forth in paragraphs (3) through (5) below are followed.

(2) The merger involves the merger of a smaller plan (within the meaning of § 1.414(l)-1(h)(1)) and a larger plan (within the meaning of § 1.414(l)-1(h)(1)). For purposes of this paragraph (2), the rules of §§ 1.414(l)-1(h)(2), 1.414(l)-1(h)(3), and 1.414(l)-1(h)(4) apply in determining whether a merger is *de minimis*.

(3) For the period from the beginning of the plan year of the smaller plan to the date of the merger, the charges and credits to the funding standard account for the smaller plan are determined without regard to the merger. If that period is less than a full 12-month plan year, the charges and credits to the funding standard account for the smaller plan for this period are ratably adjusted using the principles of Rev. Rul. 79-237, 1979-2 C.B. 190, in the same manner as if the date of the merger was the date of plan termination of the smaller plan. The deductible limit under § 404 for contributions to the smaller plan is determined by treating the period from the beginning of

the plan year to the date of merger as a short plan year and following the procedure set forth in section 5 of Rev. Proc. 87-27, 1987-1 C.B. 769. Schedule B of Form 5500 is filed for the smaller plan for the period from the beginning of the plan year of the smaller plan to the date of the merger. Any contributions made for the smaller plan after the date of the merger, but not later than 8½ months after the date of the merger, are credited to the funding standard account of the smaller plan for this period. For purposes of applying § 4971(b) (but not § 4971(a)) with respect to the smaller plan, any funding deficiency that existed for the smaller plan is considered corrected as of the date of merger.

(4) If the valuation date for the larger plan for the plan year in which the merger occurs precedes the date of the merger, the charges and credits to the funding standard account for the larger plan for that plan year are determined without regard to the merger. Consequently, Schedule B of Form 5500 for the plan year of the larger plan in which the merger occurs is filed without regard to the merger in such a case. Similarly, the deductible limit determined under § 404 with respect to the plan year of the larger plan in which the merger occurs is determined without regard to the merger.

(5) For the actuarial valuation of the larger plan as of the valuation date coincident with or next following the date of the merger, the funding method (including asset valuation method) used is that for the larger plan, and the funding method (including asset valuation method) used for the smaller plan is disregarded. The charges and credits to the funding standard account for the larger plan are determined by treating the net effect of the change in assets and liabilities due to the merger in the same manner as any other gain or loss experienced by the larger plan. Consequently, any amortization bases, credit balances, or funding de-

iciencies with respect to the smaller plan are disregarded for purposes of applying § 412 and § 4971 with respect to the larger plan.

.02 Section 4 of Rev. Proc. 95-51 (Special Approvals) is modified to add a new section 4.07 as follows:

.07 Approval for Mergers Other Than *De Minimis* Mergers

(1) Approval is granted for a change in method that results from a merger of one plan with another plan in a given plan year where all the conditions set forth in paragraphs (2) through (6) are satisfied, and the procedures set forth in paragraphs (7) through (13) are followed.

(2) The merger is not a *de minimis* merger within the meaning of § 1.414(l)-(h).

(3) The funding method (without regard to the asset valuation method) used for each of the plans is a method described in section 3.

(4) Both plans have the same plan year and a valuation date that is either the first or last day of the plan year.

(5) The date of the merger is either the first day of the plan year or the last day of the plan year of the two plans.

(6) In a case in which the date of the merger is the first day of the plan year, neither plan has a funding deficiency for the prior plan year. In a case in which the date of the merger is the last day of the plan year, neither plan has a funding deficiency for the plan year of the merger (after taking into account contributions made after the date of the merger as provided in paragraph (13) below).

(7) If the date of the merger is the first day of the plan year, the minimum funding standard of § 412 and the deductible limit of § 404 are determined for the merged plan for the entire plan year in which the merger occurs in the manner provided in paragraphs (8), (9), (10), (11), and (12) below. Consequently, for the plan year in which the merger occurs, only one Schedule B of Form 5500 is filed for the merged plan in such a case.

(8) If the same asset valuation method (in all respects) is used for

each of the two plans, the asset valuation method of the merged plan is that method. If the same asset valuation method (in all respects) is not used for each of the two plans (for example, the smoothing period is three years for one of the plans, and five years for the other plan), the asset valuation method used for the merged plan must be an asset valuation method described in section 3.

(9) If the funding method (without regard to the asset valuation method) used for each of the two plans is the same, that funding method is continued for the plan after the merger. If the funding method (without regard to the asset valuation method) used for each of the two plans is not the same, then the funding method used for the ongoing plan is continued after the merger. For this purpose, the ongoing plan is the plan as designated by the plan administrator (within the meaning of § 414(g)), whose name and plan number will continue to be reported on Schedule B of Form 5500 for years after the merger. The funding method used for the plan which is not the ongoing plan is disregarded.

(10) An experience gain or loss is determined separately for each of the two plans, for the period prior to the date of the merger, without regard to the merger and any associated change in funding method. The preceding sentence applies only to the extent that an experience gain or loss would have been determined under the methods used for the plans prior to the merger.

(11) All amortization bases that were maintained for the two plans continue to be maintained for the merged plan to the extent they would be maintained under the funding method used for the merged plan. The credit balances, if any, of each of the two plans from the prior year are carried forward to the current plan year, and combined.

(12) If an unfunded liability is determined under the funding method used for the ongoing plan, it must be determined after any change in actuarial assumptions and methods (including a change in asset valuation

method pursuant to paragraph (8)). In the case of such a funding method that is a spread gain method, the unfunded liability is redetermined in the same manner that the unfunded liability was originally determined for the ongoing plan. Therefore, the amortization base established pursuant to the rules of section 5.01(2) will reflect any change of actuarial assumptions and methods. For purposes of this paragraph, a spread gain method is any method that does not directly calculate an accrued liability. See Rev. Rul. 81-13, 1981-1 C.B. 229, for whether a funding method directly calculates an accrued liability.

(13) If the date of the merger is the last day of the plan year, the minimum funding standard under § 412 and the deductible limit under § 404 for each of the plans for the plan year in which the merger occurs are determined without regard to the merger. Consequently, separate Schedules B of Form 5500 are filed for the plans for the plan year in which the merger occurs without regard to the merger in such a case. Any contribution for the plan year that is made to the trust after the date of the merger may be credited on either of the Schedules B provided that the contribution is made for such plan within the period described in § 412(c)(10). For the plan year following the plan year in which the merger occurs, the minimum funding standard and the deductible limit are determined for the plan after the merger by following the procedures set forth in paragraphs (8), (9), (10), (11) and (12) above as if the merger occurred on the first day of such following plan year.

Section 4. Clarification and Modification of Rev. Proc. 95-51

.01 Section 4.05(5) of Rev. Proc. 95-51 (Approval for Change in Valuation Software) is modified to read as follows:

(5) The net charge to the funding standard account for the year (or for the prior year) determined using the new software does not differ from the net charge to the funding standard determined using the old soft-

ware (all other factors being held constant) by more than two percent (2%).

.02 Section 6.01(2) of Rev. Proc. 95-51 is modified to read as follows:

(2) This revenue procedure does not apply unless the plan administrator (within the meaning of § 414(g)) or an authorized representative of the plan sponsor indicates as part of the series Form 5500 for the plan year for which the change is effective that the plan administrator or plan sponsor agrees to the change in funding method. In the case of a special approval for a change in funding method described in § 4, other than the approval described in § 4.03 (Approval for Change in Funding Method for Fully Funded Terminated Plans), the requirement that the plan administrator or authorized representative of the plan sponsor agree to the change will be satisfied if the plan administrator or an authorized representative of the plan sponsor is made aware of the change before the Schedule B is filed.

.03 Section 6.02(6) of Rev. Proc. 95-51 (Non-Applicability if Negative Normal Cost or Negative Unfunded Liability Results From the Change) is modified to read as follows:

Approval to change to a method described in section 3 does not apply if, after the change in method, a negative normal cost exists. Also, approval to change to a method described in section 3 does not apply if, after the change in method, a negative unfunded liability exists, and the method (a) is a spread gain method, and (b) uses an unfunded liability in determining the normal cost. For purposes of the preceding sentence, a spread gain method is any method that does not directly calculate an accrued liability. See Rev. Rul. 81-13 for whether a funding method directly calculates an accrued liability.

.04 Section 6.02(7) of Rev. Proc. 95-51 (Non-Applicability if Change in Method is Being Made Pursuant to a Spin-off or Merger) is modified to read as follows:

Approval to change to a method described in section 3 does not apply if

the funding method for a plan year is being changed in connection with a plan spin-off or merger, unless the change is made as provided in § 4.06 or § 4.07.

Section 5. Effective Date

This revenue procedure is effective for plan years commencing on or after January 1, 1999.

Section 6. Effect on Other Revenue Procedures

Rev. Proc. 95-51, as clarified and modified by Rev. Proc. 98-10, is modified.

Section 7. Drafting Information

The principal author of this revenue procedure is James E. Holland, Jr. of the Employee Plans Division. For further information regarding this revenue procedure, call (202) 622-6076 between 2:30 and 3:30 Eastern time (not a toll free number) Monday through Thursday. Mr. Holland's number is (202) 622-6730 (also not a toll free number).

Publication 1239 (Rev. 8-99)

Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips Magnetically/Electronically

Rev. Proc. 99-46

Reprinted from IR Bulletin 1999-49
dated December 6, 1999

(Contains copies of Forms 4419, 4804, 4802, 8508 and 8809 for taxpayers' use.)

NOTE: Use this revenue procedure to prepare Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, for submission to Internal Revenue Service (IRS) using any of the following:

- Magnetic Tape
- 3 ½-inch Diskette
- Tape Cartridges
- 8mm, 4mm and Quarter Inch Cartridges (QIC)
- Electronic Filing

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

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26 CFR 601.602: Tax forms and instructions.

PART A. GENERAL

SEC. 1. PURPOSE

.01 Form 8027 is used by large food or beverage establishments when the employer is required to make annual reports to the IRS on receipts from food or beverage operations and tips reported by employees.

Note: All employees receiving \$20.00 or more a month in tips must report 100% of their tips to their employer

.02 The Internal Revenue Service Martinsburg Computing Center (IRS/MCC) has the responsibility of processing Forms 8027 submitted magnetically/electronically. The purpose of this revenue procedure is to provide the specifications for filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, magnetically or electronically. This revenue procedure is updated when legislative changes occur or reporting procedures are modified. Major changes have been emphasized by italics.

.03 This revenue procedure supersedes the following: Rev. Proc. 98-52 published as Publication 1239 (9-98), Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Magnetically or Electronically.

SEC. 2. NATURE OF CHANGES

.01 Numerous editorial changes have been made to the revenue procedure. Please read the publication carefully and in its entirety before attempting to prepare your magnetic/electronic file for submission. Major changes have been emphasized by using italics. The changes are as follows:

- (a) Updated information on IRS/MCC's mailing addresses, telephone numbers and the Call Site is provided in Part A, Sec. 3.
- (b) Part A, Sec. 7 Test Files has been deleted.
- (c) The due date for Forms 8027 filed *electronically* has been changed to March 31.
- (d) Copies of approved extension letters should be sent with paper filings to Andover Service Center. See Part A, Sec. 9 for complete instructions.

- (e) The Information Reporting Program-Bulletin Board System (IRP-BBS) is no longer in use. The information in Part B, Sec. 6 Asynchronous (IRP-BBS) electronic filing specifications has been completely revised to provide instructions on the new electronic filing system known as the Filing Information Returns Electronically (FIRE) system.
- (f) The new number for the electronic filing system is 304-262-2400
- (g) The following types of media are no longer acceptable by IRS/MCC:
- (1) 5 ¼ inch diskettes
 - (2) 3 ½ inch diskettes created on a non-MS-DOS systems
 - (3) 3 ½ inch diskettes created on a System 36 or AS400.
- (h) The following QIC (quarter inch cartridge) sizes has been deleted from Part B, Section 5:

Size	Tracks	Density	Capacity
QIC-11	4/5	4 (8000 BPI)	22Mb or 30Mb
QIC-320	26	17 (16000 BPI)	320Mb
QIC-1350	30	18 (51667 BPI)	1.3Gb

SEC. 3. WHERE TO FILE AND HOW TO CONTACT THE IRS MARTINSBURG COMPUTING CENTER

.01 All Forms 8027 filed magnetically or electronically are processed at IRS/MCC and are to be sent to the following address:

IRS-Martinsburg Computing Center
Information Reporting Program
230 Murall Dr
Kearneysville WV 25430

.02 Requests for paper forms and publications should be requested by calling the "Forms Only Number" listed in your local telephone directory or by calling the IRS toll-free number **1-800-TAX-FORM (1-800-829-3676)**.

.03 Questions pertaining to magnetic media filing of Forms W-2 **must** be directed to the Social Security Administration (SSA). Filers can call *1-800-SSA-6270* to obtain the phone number of the SSA Employer Services Liaison Officers for their area.

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

.05 The Information Reporting Program (IRP) Call Site, located at the Martinsburg Computing Center, provides service to the payer/employer community (financial institutions, employers, and other transmitters of information returns). The IRP Call Site answers questions concerning tax law and magnetic/electronic filing of Forms 8027 and other information returns (Forms 1096, 1098, 1099, 5498, W-2G, W-3, 1042-S), questionable Forms W-4, inquiries dealing with backup withholding due to missing and incorrect taxpayer identification numbers and questions concerning paper filing of Forms W-2. Recipients of information returns (payees) should continue to contact 1-800-829-1040 or other numbers specified in the tax return instructions with any questions on how to report tax returns.

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

.06 The telephone numbers for magnetic media inquiries or electronic submissions are:

304-263-8700 - Call Site
304-262-2400 - Electronic Filing
304-267-3367 - TDD (Telecommunication Device for the Deaf)
304-264-5602 - Fax Machine

(These are not toll-free telephone numbers.)

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

TO OBTAIN FORMS & PUBLICATIONS VIA THE INTERNET:
www.irs.gov

SEC. 4. FILING REQUIREMENTS

- .01 Section 6011(e)(2)(A) of the Internal Revenue Code requires that any person, including corporations, partnerships, individuals, estates, and trusts, required to file 250 or more information returns must file such returns on magnetic media.
- .02 The filing requirements apply separately to both original and corrected returns.
- .03 Filing electronically through the FIRE system with IRS/MCC fulfills the magnetic media filing requirement.
- .04 The above requirements do not apply if you establish undue hardship (see Part A, Sec. 5).

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

- .01 If an employer is required to file on magnetic media but fails to do so (or fails to file electronically, in lieu of magnetic media filing) and does not have an approved waiver on record, the employer will be subject to a penalty of \$50 per return in excess of 250.
- .02 If employers are required to file original or corrected returns on magnetic media, but such filing would create a hardship, they may request a waiver from these filing requirements by submitting Form 8508, Request for Waiver From Filing Information Returns on Magnetic Media, to IRS/MCC.
- .03 Even though an employer may submit as many as 250 corrections on paper, IRS encourages magnetically or electronically submitted corrections. Once the 250 threshold has been met, filers are required to submit any additional returns magnetically or electronically. However, if a waiver for an original filing is approved, any corrections for the same type of returns will be covered under this waiver.
- .04 Generally, only the employer may sign the Form 8508. A transmitter may sign if given power of attorney; however, a letter signed by the employer stating this fact must be attached to the Form 8508.
- .05 A transmitter must submit a separate Form 8508 for each employer. Do not submit a list of employers.
- .06 All information requested on the Form 8508 must be provided to IRS for the request to be processed.
- .07 The waiver, if approved, will provide exemption from magnetic media filing for the current tax year only. Employers may not apply for a waiver for more than one tax year at a time; application must be made each year a waiver is necessary.
- .08 Form 8508 may be photocopied or computer-generated as long as it contains all the information requested on the original form.
- .09 Filers are encouraged to submit Form 8508 to IRS/MCC at least 45 days before the due date of the returns.
- .10 **File Form 8508 for Forms W-2 with IRS/MCC, not SSA.**
- .11 Waivers are evaluated on a casebycase basis and are approved or denied based on criteria set forth under section 6011(e) of the Internal Revenue Code. The transmitter must allow a minimum of 30 days for IRS/MCC to respond to a waiver request.
- .12 If a waiver request is approved, the transmitter should keep the approval letter on file.
- .13 An approved waiver from filing Forms 8027 on magnetic media does not provide exemption from all filing. The employer must timely file Form 8027 on acceptable paper forms with the Andover Service Center. *The transmitter should also send a copy of the approved waiver to the Andover Service Center where the paper returns are filed.*

SEC. 6. APPLICATION FOR MAGNETIC/ELECTRONIC REPORTING

- .01 For the purposes of this revenue procedure, the EMPLOYER is the organization supplying the information and the TRANSMITTER is the organization preparing the magnetic/electronic file and/or sending the file to IRS/MCC. The employer and the transmitter may be the same entity. Employers or their transmitters are required to complete Form 4419, Application for Filing Information Returns Magnetically/Electronically.
- .02 Form 4419 can be submitted at any time during the year; however, it should be submitted to IRS/MCC at least 30 days before the due date of the return(s). IRS will act on an application and notify the applicant, in writing, of authorization to file. A five-character alpha/numeric Transmitter Control Code (TCC) will be assigned and included in an acknowledgment letter within 15 to 45 days of receipt of the application. Magnetic/electronic returns may not be filed with IRS until the application has been approved and a TCC assigned. Include your TCC in any correspondence with IRS/MCC.
- .03 If you file information returns other than Form 8027 on magnetic media, you must obtain a separate TCC for those types of returns. The TCC assigned for Forms 8027 is to be used for the processing of these forms only.
- .04 Upon approval, a magnetic media reporting package containing the current revenue procedure, forms, and instructions will be sent to the attention of the contact person indicated on Form 4419. Annually, thereafter, IRS/MCC will send the transmitter a package containing the current revenue procedure and forms. This package will continue to be sent to the contact person indicated on the Form 4419 unless IRS/MCC has been notified in writing of any changes or updates. After you have received approval to file magnetically/electronically, you do not need to reapply each year; however, notify IRS in writing if:
 - (a) You change your name or the name of your organization, so that your files may be updated to reflect the proper name;
 - (b) You discontinue filing on magnetic media for two years (your TCC may have been reassigned).
- .05 For filers who plan to submit for multiple employers, IRS encourages transmitters to submit one application and to use one TCC for all employers.

.06 Only employers or transmitters using equipment compatible with IRS equipment will have their application approved.

.07 If your magnetic media files have been prepared for you in the past by a transmitter, and you now have computer equipment compatible with that of IRS and wish to prepare your own files, you must request your own five-character alpha/numeric TCC by filing an application, Form 4419, as described in Sec. 6.02.

SEC. 7. FILING OF FORM 8027 MAGNETICALLY/ELECTRONICALLY

.01 Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically, must accompany **all** magnetic media shipments. If you file for multiple employers and have the authority to sign the affidavit on Form 4804, you should also submit Form 4802, Transmittal of Information Returns Reported Magnetically/Electronically (Continuation). For electronic transmissions, the Form 4804 and Form 4802, if applicable, must be mailed or faxed the same day as the electronic transmission.

.02 The employer **MUST** sign Form 4804; however, an agent (transmitter, service bureau, paying agent, or disbursing agent) may sign Form 4804 for the employer. To do this, the agent must have the authority to sign for the employer under an agency agreement (either oral, written, or implied) that is valid under the state law and must add to his or her signature the caption "For: (name of employer)".

NOTE: Failure to sign the Form 4804 may delay processing or will result in your file being returned to you unprocessed.

.03 Although a duly authorized agent may sign the Form 4804, the employer is responsible for the accuracy of the Form 4804 and the returns filed. The employer will be liable for penalties for failure to comply with filing requirements.

.04 Be sure to include Form 4804, 4802 or computer-generated substitutes with your magnetic media shipment. **DO NOT MAIL YOUR MAGNETIC MEDIA AND THE TRANSMITTAL DOCUMENTS SEPARATELY.**

.05 Indicate on Form 4804, in the block captioned "Combined Total Payee Records," the total number of establishments being reported in this shipment. This figure should match the total number of records in your magnetic/electronic file.

.06 **DO NOT SUBMIT THE SAME INFORMATION ON PAPER FORMS THAT YOU SUBMIT MAGNETICALLY/ELECTRONICALLY.** This does not mean that corrected documents are not to be filed. If a return has been prepared and submitted improperly, you must file a corrected return as soon as possible. Refer to Part A, Sec. 12 for requirements and instructions for filing corrected returns.

.07 If an allocation of tips is based on a good faith agreement, a copy of this agreement must accompany the submission.

.08 If, under Rev. Proc. 86-21, 1986-1 C.B. 560, the District Director granted the establishment a percentage of gross receipts of less than 8%, a copy of the determination letter must be sent with the submission. Employers with more than one establishment can receive approval from one district in each Internal Revenue Service region where the establishments are located (See sec. 31.6053-3(h)(4) of the Employment Tax Regulations).

.09 Before submitting your magnetic/electronic file, include the following:

- (a) A **signed** Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically, along with a Form 4802, Transmittal of Information Returns Reported Magnetically/Electronically(Continuation), if you submit data for multiple employers. These forms must be mailed or faxed the same day electronic files are submitted.
- (b) Your media (tape, diskette, or cartridge) with an external identifying label. Notice 210 describes the information which should be included on this self-prepared label.
- (c) On the outside of the shipping container, affix the label, IRB Special Projects. This label is included in this publication.

Note: See Part B, Sec. 6 for electronic submission requirements.

.10 IRS/MCC will not pay or accept "Collect on Delivery" or "Charged to IRS" shipments of reportable tax information that an individual or organization is legally required to submit.

SEC. 8. FILING DATES

.01 Magnetic/electronic reporting to IRS for Form 8027 must be on a calendar year basis. The due date of either paper or magnetically reported Forms 8027 is the last day of February. *However, Forms 8027 filed electronically are due March 31.*

.02 If the due date falls on a Saturday, Sunday, or legal holiday, filing Form 8027 on the next day that is not a Saturday, Sunday, or legal holiday will be considered timely.

SEC. 9. EXTENSIONS OF TIME TO FILE

.01 An extension of time to file may be requested for Forms 8027, 1099, 1098, 5498, W-2G, W-2, and 1042-S.

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

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

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

.05 **As soon as it is apparent** that an extension of time to file is needed, Form 8809 may be submitted. When granted, the extension will be for 30 days. It will take a minimum of 30 days for IRS/MCC to respond to an extension request. Under certain circumstances, a request for an extension of time could be denied. When a denial letter is received, any additional or necessary information may be resubmitted within 20 days. When requesting an extension of time, **do not** hold your files waiting for a response.

.06 While very difficult to obtain, if an additional extension of time is needed, a second Form 8809 must be submitted before the end of the initial extension period. Line 7 on the form should be checked to indicate that an additional extension is being requested. A second 30-day extension will be approved only in cases of extreme hardship or catastrophic events.

.07 **Form 8809 must be** postmarked no later than the due date of the return for which an extension is requested. If requesting an extension of time to file several types of forms, use one Form 8809, but the Form 8809 must be postmarked no later than the earliest due date. For example, if requesting an extension of time to file both Forms 8027 and 5498, submit Form 8809 postmarked on or before the last day of February.

.08 If an extension request is approved, the approval letter should be kept on file. The approval letter or copy of the approval letter for extension of time should **not** be sent to IRS/MCC with the magnetic/electronic file. *When submitting Form 8027 on **paper only** to the Andover Service Center, attach a copy of the approval letter. If an approval letter has not been received, send a copy of the timely filed Form 8809.*

.09 Request an extension for only one tax year.

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

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

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

Note: AN EXTENSION OF TIME TO FILE IS NOT AN EXTENSION TO ISSUE FORM W-2 COPY "A" TO THE EMPLOYEE.

.13 Request an extension of time to furnish the statements to recipients of Forms W-2 by submitting a letter to IRS/MCC containing the following information:

- (a) Employer name
- (b) TIN
- (c) Address
- (d) Type of return (W-2)
- (e) Specify that the extension request is to provide W-2 statements to recipients.
- (f) Reason for delay
- (g) Signature of employer or person duly authorized.

Requests for an extension of time to furnish the statements for Forms W-2 to recipients are not automatically approved; however, if approved, generally an extension will allow a maximum of 30 additional days from the due date to furnish the statements to the recipients. The request must be postmarked no later than the date on which the statements are due to the recipients.

SEC. 10. PROCESSING OF MAGNETIC/ELECTRONIC RETURNS

.01 All data received at IRS/MCC for processing will be given the same protection as individual returns (Form 1040). IRS/MCC will process your magnetic/electronic files to ensure the records were formatted and coded according to this revenue procedure.

.02 If the data is formatted incorrectly, the file will be returned for replacement accompanied by a letter of explanation along with a Media Tracking Slip (Form 9267). When media is returned, it is because IRS/MCC encountered errors (not limited to format) and was unable to process the media; therefore, requiring a replacement. Open all packages immediately.

.03 Files must be corrected and returned with the Media Tracking Slip (Form 9267) to IRS/MCC within 45 days from the date of the letter IRS/MCC included with the returned media. A penalty for failure to file correct information returns by the due date will be assessed if the file is not corrected and returned within the 45 days **or if the incorrect file is returned by IRS/MCC for replacement more than two times**. A penalty for intentional disregard of filing requirements will be assessed if a replacement file is not received.

.04 Files will not be returned to you after successful processing. Therefore, if you want proof that IRS/MCC received your shipment, you may use a carrier that provides proof of delivery.

.05 To distinguish between a correction and a replacement, the following definitions are provided:

- (a) A **correction** is a record submitted by the employer/transmitter to correct a record that was successfully processed by IRS, but contained erroneous information.

- (b) A **replacement** is a file that IRS has returned because of format errors or data discrepancies encountered during processing. After necessary changes have been made, the file must be returned to IRS/MCC for processing.

SEC. 11. PENALTIES

.01 The Revenue Reconciliation Act of 1989 changed the penalty provisions for any documents, including corrections, which are filed after the original filing date for the return. The penalty for failure to file correct information returns is “time sensitive,” in that prompt correction of failures to file, or prompt correction of errors on returns that were filed, can lead to reduced penalties.

- The penalty generally is \$50 for each information return that is not filed, or is not filed correctly, by the prescribed filing date, with a maximum penalty of \$250,000 per year (\$100,000 for certain small businesses with average annual gross receipts, over the most recent 3-year period, not in excess of \$5,000,000). The penalty generally is reduced to:
- \$30 for each failure to comply if the failure is corrected more than 30 days after the return was due, but on or before August 1 of the calendar year in which the return was due, with a maximum penalty of \$150,000 per year (\$50,000 for certain small businesses with average annual gross receipts, over the most recent 3-year period, not in excess of \$5,000,000).
- \$15 for each failure to comply if the failure is corrected within 30 days after the date the return was due, with a maximum penalty of \$75,000 per year (\$25,000 for certain small businesses with average annual gross receipts, over the most recent 3-year period, not in excess of \$5,000,000).

.02 Penalties can be waived if failures were due to reasonable cause and not to willful neglect. In addition, section 6721(c) of the Code provides a de minimis rule that if:

- (a) information returns have been filed but were filed with incomplete or incorrect information, and
- (b) the failures are corrected on or before August 1 of the calendar year in which the returns were due, then the penalty for filing incorrect returns (but not the penalty for filing late) will not apply to the greater of 10 returns or one-half of 1 percent of the total number of information returns you are required to file for the calendar year.

.03 **Intentional Disregard of Filing Requirements** — If any failure to file a correct information return is due to intentional disregard of the filing and correct information requirements, the penalty is at least \$100 per information return with no maximum penalty.

SEC. 12. CORRECTED RETURNS, SUBSTITUTE FORMS, AND COMPUTERGENERATED FORMS

.01 If returns must be corrected, approved magnetic/electronic filers must provide such corrections magnetically/electronically if you have 250 or more. If your information is filed magnetically/electronically, corrected returns are identified by using the “Corrected 8027 Indicator” in field position 370 of the employer record. Form 4804 must accompany the shipment, and the box for correction should be marked in Block 1 of the form. (See Part A, Sec. 10.05 for the definition of corrections.)

.02 If corrections are not submitted on magnetic media, employers must submit them on official Forms 8027. Substitute forms that have been previously approved by IRS, or computergenerated forms that are exact facsimiles of the official form (except for minor page size or print style deviations), may be submitted without obtaining IRS approval before using the form.

.03 Employers/establishments may send corrected paper Forms 8027 to IRS at the address shown in Part A, Sec. 13.01. Corrected paper returns are identified by marking the “AMENDED” check box on Form 8027.

SEC. 13. EFFECT ON PAPER RETURNS

.01 If you are filing more than one paper Form 8027, you must attach a completed Form 8027T, Transmittal of Employer’s Annual Information Return of Tip Income and Allocated Tips, to the Forms 8027 and send to:

Internal Revenue Service Center
Andover, MA 05501

IRS/MCC processes Forms 8027 submitted magnetically/electronically only. Do not send paper Forms 8027 to IRS/MCC.

.02 If part of a submission is filed magnetically/electronically and the rest of the submission is filed on paper Forms 8027, send the paper forms to the Andover Service Center. For example, you filed your Forms 8027 magnetically/electronically with IRS/MCC, and later you found that some of the forms you filed need correcting. Because of the low volume of corrections, you submit the corrections on paper Forms 8027. You must send these corrected Forms 8027 along with Form 8027-T to the Andover Service Center.

SEC. 14. DEFINITIONS

ELEMENT	DESCRIPTION
EIN	A nine-digit Employer Identification Number which has been assigned by IRS to the reporting entity.
Employer	The organization supplying their information.
Establishment	A large food or beverage establishment that provides food or beverage for consumption on the premises; where tipping is a customary practice; and where there are normally more than 10 employees who work more than 80 hours on a typical business day during the preceding calendar year.
More than 10 employees	An employer is considered to have more than 10 employees on a typical business day during the calendar year if half the sum of: the average number of employee hours worked per business day in the calendar month in which the aggregate gross receipts from food and beverage operations were greatest, plus the average number of employee hours worked per business day in the calendar month in which the total aggregate gross receipts from food and beverage operations were the least, equals more than 80 hours.
Employees hours worked	The average number of employee hours worked per business day during a month is figured by dividing the total hours worked during the month by all your employees who are employed in a food or beverage operation by the average number of days in the month that each food or beverage operation at which these employees worked was open for business.
File	For the purpose of this revenue procedure, a file consists of all magnetic/electronic records submitted by an Employer or Transmitter.
Transmitter	Person or organization preparing magnetic/electronic file(s). May be Employer or agent of Employer.
Transmitter Control Code (TCC)	A five-character alpha/numeric code assigned by IRS to the transmitter prior to actual filing magnetically/electronically. This number is inserted in the record and must be present. An application (Form 4419) must be filed with IRS to receive this number.
Replacement	A replacement is an information return that IRS/MCC has returned to the transmitter due to errors encountered during processing.
Correction	A correction is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS/MCC, but contained erroneous information.

PART B. MAGNETIC/ELECTRONIC SPECIFICATIONS

SEC. 1. GENERAL

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

.02 A self-prepared media label must be affixed to each piece of media submitted for processing. Notice 210 provides instructions on how to complete a self-prepared media label.

.03 The record format in Part B, Sec. 7, applies to both magnetic and electronic files.

SEC. 2. TAPE SPECIFICATIONS

.01 In most instances, IRS/MCC can process any compatible tape files. Compatible tape files must meet any one set of the following:

- (a) 9-track EBCDIC (Extended Binary Coded Decimal Interchange Code) with;
 - (1) Odd Parity and
 - (2) A density of 1600 or 6250 BPI.
 - (3) If you use Unisys Series 1100, you must submit an interchange tape.
- (b) 9-track ASCII (American Standard Coded Information Interchange) with;
 - (1) Odd Parity and
 - (2) A density of 1600 or 6250 BPI.

Please be consistent in the use of recording codes and density on your files. If files are generated in more than one recording code and/or density, multiple shipments would be appreciated.

.02 All compatible tape files must have the following characteristics:

(a) ½ inch mylar base, oxide coated; computer grade magnetic tape on reels up to 2400 feet (731.52 m) within the following specifications:

(1) Tape thickness: 1.0 or 1.5 mils

(2) Reel diameter: 10.5 inch (26.67 cm), 8.5 inch (21.59 cm), or 7 inch (17.78 cm).

.03 All records have a fixed record length of 372 positions.

.04 The tape record defined in this revenue procedure may be blocked or unblocked, subject to the following:

(a) All records except the header and trailer labels may be blocked.

(b) If records are blocked, the block can not exceed 32,736 tape positions. The block length must be evenly divisible by 372

(c) If the use of blocked records would result in a short block, all remaining positions of the block **MUST** be filled with 9's.

DO NOT PAD A BLOCK WITH BLANKS. Padding a block with blanks will result in a short record, which will cause math computation errors. Your tape will then be returned for replacement.

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

Header label:

(a) Transmitters may use standard headers provided they begin with 1HDR, HDR1, VOL1, or VOL2.

(b) Consists of a maximum of 80 positions.

(c) Header and trailer labels are optional unless more than one reel is being submitted. If more than one reel is being submitted, header and trailer labels are required. **IRS/MCC PREFERS STANDARD OR ANSI LABELED TAPES. IF YOU SUBMIT AN UNLABELED TAPE, THIS MUST BE INDICATED ON THE EXTERNAL LABEL AND ON THE FORM 4804 OR COMPUTERGENERATED SUBSTITUTE.**

Trailer label:

(a) Standard trailer labels may be used provided that they begin with 1EOR, 1EOF, EO1, or EO2.

(b) Consists of a maximum of 80 positions.

(c) Header and trailer labels are optional unless more than one reel is being submitted. If more than one reel is being submitted, header and trailer labels are required.

Tape Mark:

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

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

SEC. 3. DISKETTE SPECIFICATIONS

IRS/MCC has discontinued processing 5 ¼ inch diskettes. Filers who use 5 ¼ inch diskettes must now use another method of submitting information returns magnetically/electronically.

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

(a) 3 ½ inches in diameter.

(b) Data must be recorded in standard ASCII code.

(c) Records must be fixed length of 372 bytes.

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

(e) Positions 371 and 372 of each record have been reserved for carriage return/line feed (cr/lf) characters.

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

(g) A file may contain more than one diskette as long as the filename conventions are adhered to.

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

Capacity	Tracks	Sides/Density	Sector Size
1.44 mb	96tpi	hd	512
1.44 mb	135tpi	hd	512
1.2 mb	96tpi	hd	512

.02 IRS requires that 3 ½ inch diskettes be created using MS/DOS. *Diskettes created using other operating systems are not acceptable.*

.03 *Deviations from the prescribed format are not acceptable.*

SEC. 4. TAPE CARTRIDGE SPECIFICATIONS

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

- (a) Must be IBM 3480, 3490, 3490E, or AS400 compatible.
- (b) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
 - (1) Tape cartridges must be ½-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.
 - (2) Magnetic tape must be chromium dioxide particle based ½-inch tape.
 - (3) Cartridges must be 18-track or 36-track parallel (See **Note**).
 - (4) Cartridges must contain 37,871 CPI or 75,742 CPI (characters per inch).
 - (5) Mode must be full function.
 - (6) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
 - (7) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used.

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

- (a) A block **must not** exceed 32,736 tape positions.
- (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9s; however, the last block of the file may be filled with 9s or truncated. **Do not pad a block with blanks.**
- (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item b above). The block length must be evenly divisible by 372.
- (d) Records may not span blocks.

.03 Tape cartridges may be labeled or unlabeled.

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

Tape Mark:

- (a) Used to signify the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111 (8421).
- (c) May follow the header label and precede and/or follow the trailer label.

Note: Filers should indicate on the external media label and transmittal Form 4804 whether the cartridge is 36-track or 8-track.

SEC. 5. 8MM, 4MM, AND QUARTER INCH CARTRIDGE SPECIFICATIONS

.01 In most instances, IRS/MCC can process 8mm tape cartridges that meet the following specifications:

- (a) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics.
- (b) Created from an AS400 operating system only.
- (c) 8mm (.315-inch) tape cartridges must be 2 ½-inch by 3 ¾-inch.
- (d) The 8mm tape cartridges must meet the following specifications:

Tracks	Density	Capacity
1	20 (43245 BPI)	2.5 Gb
1	21 (45434 BPI)	5 Gb

- (e) Mode must be full function.
- (f) Compressed data is not acceptable.
- (g) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used. However, IRS/MCC encourages the use of EBCDIC. This information must appear on the external media label affixed to the cartridge.
- (h) A file may consist of more than one cartridge, however, no more than 250,000 documents may be transmitted per file or per cartridge. The filename, for example; ATMTAX, will contain a three digit extension. The extension will indicate the sequence of the cartridge within the file 1 of 3, 2 of 3, and 3 of 3 and would appear in the header label ATMTAX.001, ATMTAX.002, and ATMTAX.003 on each cartridge of the file.

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

- (a) A block **must not** exceed 32,736 tape positions.
- (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9's; however, the last block of the file may be filled with 9's or truncated. **Do not pad a block with blanks.**

(c) All records, except the header and trailer labels, may be blocked or unblocked. A record must not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 372.

(d) Records must not span blocks.

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

.03 Various COPY commands have been successful; however, the SAVE OBJECT COMMAND is not acceptable.

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

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

Tape Mark:

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

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

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

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

.07 4mm (.157-inch) cassettes are now acceptable with the following specifications:

(a) 4mm cassettes must be 2 ¼-inch by 3-inch.

(b) The tracks are 1 (one).

(c) The density is 19 (61000 BPI).

(d) The typical capacity is DDS (DAT data storage) at 1.3 Gb or 2 Gb, or DDS-2 at 4 Gb.

(e) The general specifications for 8mm cartridges will also apply to the 4mm cassettes.

.08 Various Quarter Inch Cartridges (QIC) (¼-inch) are also acceptable.

(a) QIC cartridges must be 4" by 6".

(b) QIC cartridges must meet the following specifications:

Size	Tracks	Density	Capacity
QIC-24	8/9	5 (8000 BPI)	45Mb or 60Mb
QIC-120	15	15 (10000 BPI)	120Mb or 200Mb
QIC-150	18	16 (10000 BPI)	150Mb or 250Mb
QIC-525	26	17 (16000 BPI)	525Mb
QIC-1000	30	21 (36000 BPI)	1Gb
QIC-2Gb	42	34 (40640 BPI)	2Gb

(c) The general specifications that apply to 8mm cartridges will also apply to QIC cartridges.

SEC. 6. ELECTRONIC FILING SPECIFICATIONS

01. IRS/MCC is in the process of updating all of its hardware and software for electronic filing. As a result, effective October 31, 1999, the Information Reporting Program Bulletin Board System (IRP-BBS) and 3780 bisynchronous electronic filing systems will be discontinued. Starting November 1, 1999, users will be able to access the new electronic system via analog and ISDN BRI connections. Bisynchronous electronic filing will no longer be supported. The new system is designed to support the electronic filing of information returns only. The new telephone number for electronic filing is **1-304-262-2400**. Publications and forms will no longer be electronically available from MCC. Users needing the publications and forms that were formerly available on the IRP-BBS will need to download them from the IRS website at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

.02 Electronic filing of Forms 8027, originals' replacements and corrections, is offered as an alternative to magnetic media (tape, tape cartridge, or diskette) or paper filing, but is not a requirement. Transmitters filing electronically will fulfill the magnetic media requirements for those payers who are required to file magnetically. It may also be used by payers who are under the filing threshold requirement, but would prefer to file their information returns this way. If the original file was sent magnetically, but was returned for replacement, the replacement may be transmitted electronically.

.03 The electronic filing of Forms 8027 is not affiliated with the Form 1040 electronic filing program. These two programs are totally independent, and filers must obtain separate approval to participate in each of them. All inquiries concerning the electronic filing of information returns should be directed to IRS/MCC. IRS/MCC personnel cannot answer questions or assist taxpayers in the filing of Form 1040 tax returns. Filers with questions of this nature will be directed to the Customer Service toll-free number **(1-800-829-1040)** for assistance.

.04 Filers participating in the electronic filing program for Forms 8027 will submit their returns to IRS/MCC electronically and not through magnetic media or paper filing. Files submitted in this manner must be in standard ASCII code.

.05 The format of the record is the same for electronically filed records as they are for 3 ½-inch diskettes, tapes, and tape cartridges and must be in standard ASCII code.

.06 Filers must obtain, or already have, a Transmitter Control Code (TCC) assigned to them prior to submitting their files electronically. (Filers who currently have a TCC for magnetic media filing do not have to request a second TCC for electronic filing.) Refer to Part A, Sec. 6, for information on how to obtain a TCC.

.07 Once a TCC is obtained, electronic filers assign their own passwords and do not need prior or special approval.

.08 With all passwords, it is the user's responsibility to remember the password and not allow the password to be compromised. *Passwords are user assigned at first logon and are up to 8 alpha/numerics, which are case sensitive.* However, if filers do forget their password, call **304-263-8700** for assistance.

Note: Passwords are case sensitive.

.09 Electronically filed Forms 8027 may be submitted to IRS/MCC 24 hours a day, 7 days a week. Technical assistance will be available Monday through Friday between 8:30 a.m. and 4:30 p.m. Eastern Time by calling 304-263-8700.

.10 Do not transmit data electronically from January 1 through January 5. This will allow time for IRS/MCC to update its system to reflect current year changes.

.11 Data compression is encouraged when submitting Forms 8027 electronically. MCC has the ability to decompress files created using several popular software compression programs such as ARC, COMPRESS, LHARC, and PKZIP. The time required to transmit Forms 8027 electronically will vary depending on the modem speed and the type of data compression used, if any. **The time required to transmit a file can be reduced by as much as 85 percent by using software compression and hardware compression.** The following are actual transmission rates for Forms 1099 achieved in test uploads at MCC using compressed files. The actual transmission rates will vary depending on the modem speeds.

Transmission Speed in bps	1000 Records	10,000 Records	100,000 Records
19.2K	34 Sec.	6 Min.	60 Min.
56K	20 Sec.	3 ½ Min.	33 Min.
128K (ISDN)	8 Sec.	1 Min.	10 Min.

.12 *Files submitted electronically will be assigned a unique filename by the FIRE system (users may name the file anything they choose from their end). The IRS assigned filename will consist of submission type [ORIG (original), CORR (correction), and REPL (replacement)], the filer's TCC, and a four digit number sequence. The sequence number will be incremented for every file sent. For example, if it is your first original file for the calendar year and your TCC is 44444, the IRS assigned filename would be ORIG.44444.0001. Record the filename. This information will be needed by MCC in order to identify the file if assistance is required and to complete Form 4804.*

.13 **Filers are advised not to resubmit an entire file if records were omitted from the original transmission. This will result in duplicate filing. A new file should be sent consisting of the records that had not previously been submitted.**

.14 The results of the electronic transmission will be available in the (F)ile Status area of the electronic system within 2 weeks; however, no further processing will occur until the signed Form 4804 is received. The transmitter must mail or fax the signed Form 4804 the same day the electronic transmission is made. No return is considered filed until a Form 4804 is received by IRS/MCC.

.15 Form 4804 can be ordered by calling the IRS toll-free forms and publication order number **1-800-TAX-FORM, (1-800-829-3676)**, or it may be computer-generated. *It may also be obtained from the Internet at www.irs.gov.* If a filer chooses to computer-generate Form 4804, all of the information contained on the original form, including the affidavit, must also be contained on the computer-generated form. This form is also contained in the back of this publication.

.16 Forms 4804 may be mailed to the following address:

If by Postal Service, air or truck freight:
IRS-Martinsburg Computing Center
Information Reporting Program
Attn: Electronic Filing Coordinator
230 Murall Drive
Kearneysville, WV 25430

**Please indicate on the envelope the following message:
CONTAINS FORM 4804 INFORMATION – NO MAGNETIC MEDIA**

.17 Contact the Electronic Filing System by dialing **304-262-2400**. This number supports analog connections from 1200bps to 56Kbps or ISDN BRI 128Kbps connections. The system can be accessed via Dial-up network/web browser or a communications software package such as Hyperterminal, Procomm, PCAnywhere, etc. The Dial-up network/web browser will provide an Internet-like look without going through the Internet (point to point). If you do not have this capability, a text interface will be provided that can be accessed via typical communications software and will perform similar to the former IRP-BBS.

.18 Due to the large number of communication products available, it is impossible to provide specific information on a particular software package or hardware configuration. Filers should contact their software or hardware supplier for assistance. Your browser will need to be capable of file uploads (i.e., Internet Explorer 4.0, Netscape Navigator 2.0 or higher). The following are some general instructions (many of these settings may already be set by default in your software):

(a) Dial-up network settings:

- (1) Set dial-up server type to PPP
- (2) Set network protocol to TCP/IP
- (3) Enable software compression
- (4) Enable PPP LCP extensions

(b) Browser settings:

- (1) Set to receive "cookies"
- (2) Enable JavaScript or Jscript
- (3) Browser must be capable of file uploads (i.e. Internet Explorer 4.0, Netscape 2.0 or higher)
- (4) Enter the URL Address of <http://10.225.224.2>

(c) Communications software settings should be:

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

(d) Hardware features

- (1) Enable hardware flow control
- (2) Enable modem error control
- (3) Enable modem compression

.19 The first time you log on to the electronic system, you will need to create a new account. After completing the registration information, you will be prompted for a user name and password. Passwords are assigned by the user at first logon and are up to 8 alpha/numerics which are case sensitive. Remember your **exact** logon name and password for future reference. If you forget your logon name and/or password, call IRS/MCC at 304-263-8700 for assistance.

.20 Once you are an established user, select the logon option and then you will be prompted for your logon name and password. Once you have entered this information, you will be at the Main Menu. Select one of the following options:

(a) Electronic Filing - this option will allow you to send your files and provide us with current mailing address information in case we need to send any correspondence.

(b) File Status - this option will display the results of your file transfer and will be posted in this area.

Common Problems Associated with Electronic Filing

1. No Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically.

Even though you have sent your Forms 8027 electronically, you still need to fax or mail the Form 4804. See Part B, Sec. 6.16 for the mailing address. The fax number is 304-264-5602.

2. Transmitter does not dial back to the electronic system to determine file acceptability.

Within 2 weeks the results of your file transmission will be posted under the option called File Status. It is very important that you check this option because if your file is bad we must receive a replacement within 45 days.

3. Transmitter compresses several files into one.

Only compress one file at a time. For example, if you have 10 uncompressed files to send, compress each file separately and send 10 separate compressed files.

4. Transmitter sends a file and File Status indicates that the file is good, but the transmitter wants to send a replacement or correction file to replace the original/correction/replacement file.

Once a file has been transmitted, you cannot send a replacement file unless File Status indicates the file is bad. If you do not want us to process the file, you must first contact us at 304-263-8700 to see if this is a possibility.

5. Transmitter sends an original file that is good, then sends a correction file for the entire file even though there are only a few changes.

The correction file, containing the proper coding, should only contain the records needing correction, not the entire file.

6. File format is formatted as EBCDIC.

File must be standard ASCII code. All files submitted electronically must be in standard ASCII Code.

SEC. 7. RECORD FORMAT AND LAYOUT

FORM 8027 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
1	Establishment Type	1	REQUIRED. This digit identifies the kind of establishment. Enter the number which describes the type of establishment, as shown below: 1 for an establishment that serves evening meals only (with or without alcoholic beverages). 2 for an establishment that serves evening meals and other meals (with or without alcoholic beverages). 3 for an establishment that serves only meals other than evening meals (with or without alcoholic beverages). 4 for an establishment that serves food, if at all, only as an incidental part of the business of serving alcoholic beverages.
2-6	Establishment Serial Numbers	5	REQUIRED. These five digit Serial Numbers are for identifying individual establishments of an employer reporting under the same EIN. The employer shall assign each establishment a unique number. NUMERICS ONLY.
7-46	Establishment Name	40	REQUIRED. Enter the name of the establishment. Left justify and fill unused positions with blanks. ALLOWABLE CHARACTERS ARE ALPHAS, NUMERICS, BLANKS, HYPHENS, AMPERSANDS, AND SLASHES.
47-86	Establishment Street Address	40	REQUIRED. Enter the mailing address of the establishment. Street address should include number, street, apartment or suite number (or P O Box if mail is not delivered to street address). Left justify and blank fill.
87-111	Establishment City	25	REQUIRED. Enter the city, town, or post office. Left justify and blank fill.

Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the address 210 N. Queen St., Suite #300 must be entered as 210 N Queen St Suite 300.

Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the city St. Louis must be entered as St Louis.

FORM 8027 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
112-113	Establishment State	2	REQUIRED. Enter state code of the establishment; must be one of the following:
	<u>STATE</u>		<u>CODE</u>
	Alabama		AL
	Alaska		AK
	Arizona		AZ
	Arkansas		AR
	California		CA
	Colorado		CO
	Connecticut		CT
	Delaware		DE
	District of Columbia		DC
	Florida		FL
	Georgia		GA
	Hawaii		HI
	Idaho		ID
	Illinois		IL
	Indiana		IN
	Iowa		IA
	Kansas		KS
	Kentucky		KY
	Louisiana		LA
	Maine		ME
	Maryland		MD
	Massachusetts		MA
	Michigan		MI
	Minnesota		MN
	Mississippi		MS
	Missouri		MO
			<u>STATE</u>
			Montana
			Nebraska
			Nevada
			New Hampshire
			New Jersey
			New Mexico
			New York
			North Carolina
			North Dakota
			Ohio
			Oklahoma
			Oregon
			Pennsylvania
			Rhode Island
			South Carolina
			South Dakota
			Tennessee
			Texas
			Utah
			Vermont
			Virginia
			Washington
			West Virginia
			Wisconsin
			Wyoming
			<u>CODE</u>
			MT
			NE
			NV
			NH
			NJ
			NM
			NY
			NC
			ND
			OH
			OK
			OR
			PA
			RI
			SC
			SD
			TN
			TX
			UT
			VT
			VA
			WA
			WV
			WI
			WY
114-122	Establishment ZIP Code	9	REQUIRED. Enter the complete nine-digit ZIP Code of the establishment. If using a five-digit ZIP Code, left justify the five-digit ZIP Code and fill the remaining four positions with blanks. Note: MUST BE NINE NUMERICS OR FIVE NUMERICS AND FOUR BLANKS. DO NOT ENTER THE DASH.
123-131	Employer Identification Number	9	REQUIRED. Enter the nine-digit number assigned to the employer by IRS. DO NOT ENTER HYPHENS, ALPHAS, ALL 9's, OR ALL ZEROS.
132-171	Employer Name	40	REQUIRED. Enter the name of the employer as it appears on your tax forms (e.g., Form 941). Any extraneous information must be deleted. Left justify and blank fill. ALLOWABLE CHARACTERS ARE ALPHAS, BLANKS, NUMERICS, AMPERSANDS, HYPHENS, AND SLASHES.
172-211	Employer Street Address	40	REQUIRED. Enter mailing address of employer. Street address should include number, street, apartment or suite number (or P O Box if mail is not delivered to street address). Left justify and blank fill. Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the address 210 N. Queen St., Suite #300 must be entered as 210 N Queen St Suite 300.

FORM 8027 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
212-236	Employer City	25	REQUIRED. Enter the city, town, or post office. Left justify and blank fill. Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the city St. Louis must be entered as St Louis.
237-238	Employer State	2	REQUIRED. Enter state code of employer. Must be one of the abbreviations shown in the state abbreviation table for Establishment State (field positions 112-113).
239-247	Employer ZIP Code	9	REQUIRED. Enter the complete nine-digit ZIP Code of the employer. If using a five-digit ZIP Code, left justify the five-digit ZIP Code and fill the remaining four positions with blanks. Note: MUST BE NINE NUMERIC OR FIVE NUMERIC AND FOUR BLANKS. DO NOT ENTER THE DASH.
248-259	Charged Tips	12	REQUIRED. Enter the total amount of tips that are shown on charge receipts for the calendar year. Amount must be entered in U.S. dollars and cents. The right most two positions represent cents. Right justify and zero fill. If no entry, zero fill. NUMERIC ONLY. DO NOT ENTER DECIMAL POINTS, DOLLAR SIGNS, OR COMMAS.
260-271	Charged Receipts	12	REQUIRED. Enter the total sales for the calendar year other than carry-out sales or sales with an added service charge of 10 percent or more, that are on charge receipts with a charged tip shown. This includes credit card charges, other credit arrangements, and charges to a hotel room unless the employer's normal accounting practice consistently excludes charges to a hotel room. Do not include any state or local taxes in the amount reported. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. If no entry, zero fill. NUMERIC ONLY. DO NOT INCLUDE DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.
272-283	Service Charge Less Than 10 Percent	12	REQUIRED. Enter the total amount of service charges less than 10 percent added to customer's bills and were distributed to your employees for the calendar year. In general, service charges added to the bill are year. In general, service charges added to the bill are not tips since the customer does not have a choice. These service charges are treated as wages and are included on Form W-2. For a more detailed explanation, see Rev. Rul. 1928, 19691 C.B. 270. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. If no entry, zero fill. NUMERIC ONLY. DO NOT ENTER DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.
284-295	Indirect Tips Reported	12	REQUIRED. Enter the total amount of tips reported by indirectly tipped employees (e.g., busboys, service bartenders, cooks) for the calendar year. Do not include tips received by employees in December of the prior tax year but not reported until January. Include tips received by employees in December of the tax year being reported, but not reported until January of the subsequent year. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. If no entry, zero fill. NUMERIC ONLY. DO NOT ENTER DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.

FORM 8027 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
296-307	Direct Tips Reported	12	REQUIRED. Enter the total amount of tips reported by directly tipped employees (e.g., waiters, waitresses, bartenders) for the calendar year. Do not include tips received by employees in December of the prior tax year but not reported until January. Include tips received by employees in December of the tax year being reported, but not reported until January of the subsequent year. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. If no entry, zero fill. NUMERICS ONLY. DO NOT ENTER DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.
308-319	Total Tips Reported	12	REQUIRED. Enter the total amount of tips reported by all employees (both indirectly tipped and directly tipped) for the calendar year. Do not include tips received in December of the prior tax year but not reported until January. Include tips received in December of the tax year being reported, but not reported until January of the subsequent year. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. If no entry, zero fill. NUMERICS ONLY. DO NOT ENTER DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.
320-331	Gross Receipts	12	REQUIRED. Enter the total gross receipts from the provision of food and/or beverages for this establishment for the calendar year. Do not include receipts for carry-out sales or sales with an added service charge of 10 percent or more. Do not include in gross receipts charged tips (field positions 248-259) shown on charge receipts unless you have reduced the cash sales amount because you have paid cash to tipped employees for tips they earned that were charged. Do not include state or local taxes in gross receipts. If you do not charge separately for food or beverages along with other services (such as a package deal for food and lodging), make a good faith estimate of the gross receipts attributable to the food or beverages. This estimate must reflect the cost of providing the food or beverages plus a reasonable profit factor. Include the retail value of complimentary food or beverages served to customers if tipping for them is customary and they are provided in connection with an activity engaged in for profit whose receipts would not be included as gross receipts from the provision of food or beverages (e.g., complimentary drinks served to customers at a gambling casino). Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. If no entry, zero fill. NUMERICS ONLY. DO NOT ENTER DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.
332-343	Tip Percentage Rate Times	12	REQUIRED. Enter the amount determined by multiplying Gross Receipts for the year (field positions 320-331) by the Tip Percentage Rate (field positions 344-347). For example, if the value of Gross Receipts is "000045678900" and Tip Percentage Rate is "0800", multiply \$456,789.00 by .0800 to get \$36,543.12 and enter "000003654312". If tips are allocated using other than the calendar year, enter zeros; this may occur if you allocated tips based on the time period for which wages were paid or allocated on a quarterly basis. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. NUMERICS ONLY. DO NOT ENTER DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.
344-347	Tip Percentage Rate	4	REQUIRED. Enter 8 percent (0800) unless a lower rate has been granted by the District Director. The determination letter must accompany the magnetic/electronic submission. NUMERICS ONLY. DO NOT ENTER DECIMAL POINT.

FORM 8027 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
348-359	Allocated Tips	12	REQUIRED. If Tip Percentage Rate times Gross Receipts (field positions 332-343) is greater than Total Tips Reported (field positions 308-319), then the difference becomes Allocated Tips. Otherwise, enter all zeros. If tips are allocated using other than the calendar year, enter the amount of allocated tips from your records. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Right justify and zero fill. NUMERICS ONLY. DO NOT ENTER DOLLAR SIGNS, DECIMAL POINTS, OR COMMAS.
360	Allocation Method	1	REQUIRED. Enter the allocation method used if Allocated Tips (field positions 348-359) are greater than zero as follows: 1) for allocation based on hours worked. 2) for allocation based on gross receipts. 3) for allocation based on a good faith agreement. The good faith agreement must accompany the magnetic/electronic submission. If Allocated Tips are equal to zero, enter 0 (zero).
Note: Under Section 1571 of the Tax Reform Act of 1986, the method of allocation of tips based on the number of hours worked as described in Section 31.6053-3(f)(1)(iv) may be utilized only by an employer that employs less than the equivalent of 25 fulltime employees at the establishment during the payroll period. Section 31.6053-3(j)(19) provides that an employer is considered to employ less than the equivalent of 25 fulltime employees at an establishment during a payroll period if the average number of employee hours worked per business day during the payroll period is less than 200 hours.			
361-364	Number of Directly Tipped Employees	4	REQUIRED. Enter the total number (must be greater than zero) of directly tipped employees employed by the establishment for the calendar year. Right justify and zero fill. NUMERICS ONLY.
365-369	Transmitter Control Code (TCC)	5	REQUIRED. Enter the 5-digit Transmitter Control Code assigned by the IRS.
370	Corrected 8027 Indicator	1	REQUIRED. Enter blank for original return. Enter "G" for corrected return. A corrected return must be a complete new return replacing the original return.
371-372	Blank or cr/lf	2	Magnetic/electronic filers are required to enter blanks. Diskette filers may enter blanks or the carriage line feed characters (cr/lf).

FORM 8027 RECORD LAYOUT

Establishment Type	Establishment Serial Number	Establishment Name	Establishment Street Address
1	2-6	7-46	47-86
Establishment City	Establishment State	Establishment ZIP Code	Employer Identification Number
87-111	112-113	114-122	123-131

FORM 8027 RECORD LAYOUT

Employer Name	Employer Street Address	Employer City	Employer State
132-171	172-211	212-236	237-238
Employer Zip Code	Charged Tips	Charged Receipts	Service Charge Less Than 10 Percent
239-247	248-259	260-271	272-283
Indirect Tips Reported	Direct Tips Reported	Total Tips Reported	Gross Receipts
284-295	296-307	308-319	320-331
Tip Percentage Rate Times Gross Receipts	Tip Percentage Rate	Allocated Tips	Allocation Method
332-343	344-347	348-359	360
Number of Directly Tipped Employees	Transmitter Control Code (TCC)	Corrected 8027 Indicator	Blank or cr/lf
361-364	365-369	370	371-372

SEC. 8. EFFECT ON OTHER DOCUMENTS

.01 Rev. Proc. 98-52 is superseded.

SEC. 9. EFFECTIVE DATE

.01 This revenue procedure is effective for Forms 8027 due the last day of February 2000 and any returns filed thereafter.

Publication 1245 (Rev. 10-99)

Specifications for Filing Form W-4, Employee's Withholding Allowance Certificate, Magnetically or Electronically

Rev. Proc. 99-47

Reprinted from IR Bulletin 1999-49
dated December 6, 1999

(Contains copies of Forms 4419, 6466, 6467, and notice 1027 for taxpayers' use.)

Rev. Proc. 99-47

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PART A. GENERAL

SEC. 1. PURPOSE

.01 The purpose of this revenue procedure is to update Rev. Proc. 98-26, March 30, 1998, (IRS Pub. 1245), which outlines the requirements and conditions for submitting certain Forms W4, Employee's Withholding Allowance Certificate, magnetically or electronically to the Internal Revenue Service (IRS), Martinsburg Computing Center (MCC).

.02 Revenue procedures are generally revised to reflect legislative and form changes. Comments concerning this revenue procedure or suggestions for making it more helpful can be addressed to Internal Revenue Service, Martinsburg Computing Center, ATTN: IRB Information Support Section, 230 Murall Dr, Kearneysville, WV 25430.

.03 The following revenue procedures and publications provide more detailed filing procedures for certain information returns and can be obtained by contacting your local IRS office or by calling 1-800-829-3676:

- (a) "Instructions for Forms 1099, 1098, 5498, and W-2G" provides specific instructions on completing and submitting information returns to IRS.
- (b) Rev. Proc. 84-33, 1984-1 C.B. 502, regarding the optional method for agents to report and deposit backup withholding.
- (c) Publication 1179, Rules and Specifications for Private Printing of Substitute Forms 1096, 1098, 1099 Series, 5498, and W-2G.

- (d) Publication 1220, Specifications for Filing Form 1098, 1099, 5498, and W-2G Magnetically or Electronically.
 - (e) Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Magnetically or Electronically.
 - (f) Publication 1187, Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Magnetically or Electronically
- .04 Refer to Part A, Sec. 10, for definitions of terms used in this publication.

SEC. 2. NATURE OF CHANGES

In this publication, major changes have been emphasized by using italics. This has been done to assist filers in identifying new information. Filers are still advised to read the publication in its entirety.

The changes are as follows:

.01 EDITORIAL CHANGES

- (a) Under Part A, Sec. 3, "WHERE TO FILE AND HOW TO CONTACT THE IRS, MARTINSBURG COMPUTING CENTER", the address is now 230 Murall Dr, Kearneysville, WV 24530.
- (b) The Information Reporting Program-Bulletin Board System (IRP-BBS) is no longer in use. The information in Part B, Sec. 6 Asynchronous (IRP-BBS) electronic filing specifications has been completely revised to provide instructions for the Filing Information Returns Electronically (FIRE) system.
- (c) The new number for the electronic filing system is 304-262-2400.
- (d) The following types of media are no longer acceptable by IRS/MCC:
 - (1) 5 ¼ inch diskettes;
 - (2) 3 ½ inch diskettes created on a non-MS-DOS system;
 - (3) 3 ½ inch diskettes created on a System 36 or AS400;
- (e) The following QIC (quarter inch cartridge) sizes have been deleted from Part B, Sec. 5:

Size	Tracks	Density	Capacity
QIC-11	4/5	4(8000BPI)	22Mb or 30Mb
QIC-320	26	17(16000 BPI)	320Mb
QIC-1350	30	18(51667 BPI)	1.3Gb

.02 PROGRAMMING CHANGES

There are no programming changes for tax year 1999. Corrections to Rev. Proc. 98-26 printed in Internal Revenue Bulletin No. 1998-24, dated June 15, 1998, Announcement 98-48 have been incorporated into this revision.

SEC. 3. WHERE TO FILE AND HOW TO CONTACT THE IRS, MARTINSBURG COMPUTING CENTER

.01 All Forms W-4 filed magnetically or electronically are processed at IRS/MCC. Magnetic media containing Forms W-4 is to be sent to the following address:

IRS-Martinsburg Computing Center
 Information Reporting Program
230 Murall Dr
Kearneysville WV 25430

.02 Requests for paper forms and publications can be made by calling the "Forms Only Number" listed in your local telephone directory or by calling the IRS toll-free number **1-800-TAX-FORM (1-800-829-3676)**.

.03 Questions pertaining to magnetic media/electronic filing of Forms W-2 must be directed to the Social Security Administration (SSA). Filers can call 1-800-SSA-6270 to obtain the phone number of the SSA Employer Service Liaison Officer for their area.

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

.05 The IRS/MCC Call Site, located in Kearneysville, WV, provides service to the payer/employer community (financial institutions, employers, and other transmitters of information returns). The IRS/MCC Call Site answers questions concerning tax law and the magnetic/electronic filing of questionable Forms W-4 as well as information returns (Forms 1096, 1098, 1099, 5498, 5498-MSA, 8027, W-2G, W-3, and 1042-S), inquiries dealing with backup withholding due to missing and incorrect taxpayer identification numbers and questions concerning paper filing of Forms W-2. Recipients of information returns (payees) should continue to contact 1-800-829-1040 or other numbers specified in the tax return instructions with any questions on how to report information returns.

The Call Site accepts calls from all areas of the country. The number to call is **304-263-8700** or Telecommunications Device for the Deaf (TDD) **304-267-3367**. These are toll calls. The Call Site is in operation throughout the year to handle the questions of payers, transmitters, and employers. Due to the high demand for assistance at the end of January and February, it is advisable to call as soon as possible to avoid these peak filing seasons.

.06 Telephone inquiries may be made Monday through Friday between 8:30 a.m. and 4:30 p.m. Eastern time. The telephone numbers for magnetic media/electronic inquiries or electronic submissions are:

304-263-8700 – Call Site
304-262-2400 – Electronic Filing
304-267-3367 – TDD (Telecommunication Device for the Deaf)
304-264-5602 – Fax Machine
(These are not toll-free telephone numbers.)

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

TO OBTAIN FORMS & PUBLICATIONS INTERNET:
www.irs.gov

SEC. 4. FILING REQUIREMENTS

.01 Employers are required to send to IRS quarterly, copies of all Forms W-4 received during the quarter from employees still employed at the end of the quarter who claim the following:

- (a) More than 10 withholding allowances, or
- (b) Exempt status and are expected to earn more than \$200 a week.

.02 Employers are not required to send other Forms W-4 unless notified by IRS in writing to do so.

.03 Employers may submit all information magnetically or electronically; or a combination of magnetic/electronic files and paper documents is acceptable, provided there are no duplications or omissions of documents. However, magnetic/electronic filing is preferred and strongly encouraged.

.04 A Form W-4 with a written statement attached from the employee must be filed on paper, not on magnetic media. If filing paper Forms W-4, the employer may send them in each quarter with paper Forms 941. If the employer submits the paper Forms W-4 at any time other than quarterly, a cover letter must be submitted giving the employer's name, address, employer identification number (EIN), and the number of Forms W-4 included.

NOTE: MCC DOES NOT PROCESS PAPER RETURNS. PAPER RETURNS MUST BE FILED WITH THE APPROPRIATE SERVICE CENTER. SEE FORM 941 INSTRUCTIONS FOR THE APPROPRIATE SERVICE CENTER.

SEC. 5. FORM 4419, APPLICATION FOR FILING INFORMATION RETURNS MAGNETICALLY/ELECTRONICALLY

.01 Employers, or their transmitters, who wish to file magnetically or electronically, must submit a Form 4419, Application for Filing Information Returns Magnetically/Electronically. Instructions for its completion are on the reverse of the form.

.02 Magnetic/electronic files may not be filed with IRS/MCC until authorization to file is received. Requests will be approved or disapproved within 30 days of receipt.

.03 Only applications of employers or transmitters whose equipment meets the specifications in Part B, Sec. 2, 3, 4, 5 or 6 will be approved.

.04 Once authorization to file has been granted, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned. Approval will continue in effect in succeeding years provided the requirements of the current revenue procedure are met and there are no equipment changes by the employer or transmitter. Although a TCC may have already been assigned to a transmitter for the filing of information returns, the Form W-4 requires a separate TCC of its own. This TCC must appear on all transmittal forms submitted with magnetic/electronic files, as well as other correspondence. The TCC must also be coded into positions 319-323 of the Form W-4 record. (See Part B, Sec. 7.)

.05 New applications (Forms 4419) are required whenever

- (a) You discontinue filing magnetically/electronically for two years, in which case your TCC may have been reassigned. You may call IRS/MCC to verify if your TCC is still valid.
- (b) You have used a service agency in the past, and they had their own TCC, to prepare your files but you now have computer equipment compatible with that of IRS, in which case you must request your own TCC.

SEC. 6. FILING DUE DATES

.01 Magnetic/electronic reporting of Forms W-4 to IRS must be at least quarterly (monthly reporting is encouraged). The following are the quarter end dates:

<u>Period Covered</u>	<u>Due Date</u>
January 1 thru March 31	April 30
April 1 thru June 30	July 31
July 1 thru September 30	October 31
October 1 thru December 31	January 31

.02 If any due date falls on a Saturday, Sunday, or legal holiday, the Forms W-4 are considered timely if they are filed on the next day that is not a Saturday, Sunday, or legal holiday.

SEC. 7. FILING FORMS W-4 MAGNETICALLY/ELECTRONICALLY

.01 A Magnetic Media/Electronic Reporting Package which includes the current revenue procedure and the necessary transmittal forms will be mailed to approved filers each year.

.02 If the employer chooses to file magnetically/electronically, then a Form 6466, Transmittal of Forms W-4 Reported Magnetically/Electronically, must be sent to the IRS/MCC as prescribed in Part A, Sec. 3.

.03 Form 6466 MUST be signed by the employer or the transmitter, service bureau, paying agent, or disbursing agent (all hereafter referred to as agent), on behalf of the employer if the agent has the authority to sign the affidavit under an agency agreement (either oral, written, or implied) that is valid under state law and adds the caption "FOR: (name of employer)."

.04 Although a duly authorized agent signs the affidavit, the employer(s) is held responsible for the accuracy of the Forms W-4 filed magnetically or electronically.

.05 **DO NOT REPORT THE SAME INFORMATION ON PAPER DOCUMENTS THAT YOU REPORT MAGNETICALLY/ELECTRONICALLY.** If you report part of your returns on paper and part magnetically or electronically, be sure that duplicate returns are not included on both.

.06 Before submitting your magnetic/electronic file, include the following:

- (a) A signed Form 6466, Transmittal of Forms W-4 Reported Magnetically/Electronically along with a Form 6467, Transmittal of Forms W-4 Reported Magnetically/Electronically(Continuation), if you submit data for multiple employers. These forms must be mailed or faxed the same day electronic files are submitted.
- (b) Your media (tape, diskette, or cartridge) with an external identifying label. Notice 1027 describes the information which should be included on this self-prepared label.
- (c) On the outside of the shipping container, affix the label IRB Special Projects. This label is included in the publication.

.07 IRS/MCC will not return filers' magnetic media after it has been successfully processed. Should filers wish to know if their media was received by IRS/MCC, a delivery service that provides certification of delivery is recommended.

.08 IRS cannot accept any Cash-On-Delivery (COD) or Charged-to-IRS shipments of reportable tax information that an individual or organization is legally required to file. Because of the high volume of data received and shipping cost involved, special shipping containers will not be returned.

.09 Use this record format and processing capabilities to file Forms W-4 submitted for the quarter ending March 31, 2000 and for all subsequent filings.

SEC. 8. REPLACEMENT FILES

THE MAGNETIC MEDIA/ELECTRONIC SPECIFICATIONS CONTAINED IN PART B OF THIS REVENUE PROCEDURE MUST BE STRICTLY ADHERED TO. If files are not processable, they will be returned to you for replacement and resubmission, or submission of paper Forms W-4. Replacement files must be resubmitted to IRS/MCC within 45 days of the date of the enclosed letter. The media should be identified as replacement data by writing, typing or printing "Magnetic Media Replacement" on the external label used on the magnetic media and marking the replacement box on the Form 6466. *If filing electronically, you should choose replacement when asked for the type of submission to identify a replacement file before transmission begins.*

SEC. 9. EFFECT ON PAPER DOCUMENTS

.01 Magnetic/electronic reporting to IRS eliminates the need to submit copies of paper Forms W-4.

.02 If part of the Forms W-4 are reported magnetically/electronically and the remainder are reported on paper forms, the paper Forms W-4 must be mailed to the appropriate service center.

SEC. 10. DEFINITION OF TERMS

Employer	Generally, an employer is a person or organization for whom a worker performs a service as an employee. The employer has the right to direct and control the worker. A person or organization paying wages to a former employee after the work ends is also considered an employer.
Employee	One who performs services for an employer.
EIN	Employer Identification Number that has been assigned by IRS.
File	For purposes of this procedure, a file consists of all magnetic/electronic records submitted by an employer or transmitter.
Special Character	Any character that is not a numeric, an alpha or a blank.
Taxpayer Identification Number (TIN)	May be either an Employer Identification Number (EIN); a Social Security Number (SSN); an IRS Individual Taxpayer Identification Number (ITIN) issued to an alien individual; or an IRS Adoption Taxpayer Identification Number(ATIN) assigned to children who are in the process of being adopted.
Transmitter	Person or organization preparing and/or submitting magnetic/electronic file(s).
Transmitter Control Code (TCC)	A five-character alpha/numeric number assigned by IRS to the transmitter prior to actual filing magnetically/electronically. This number is inserted in Positions 319–323 of your files and must be present before the file can be processed. An application Form 4419 must be filed with IRS to receive this number.

PART B. MAGNETIC MEDIA/ELECTRONIC SPECIFICATIONS

SEC. 1. GENERAL

.01 The specifications contained in this part of the revenue procedure define the required format and content of the records to be included in the magnetic/electronic file. Use this revenue procedure to file Forms W-4 submitted for the quarter ending March 31, 2000 and all subsequent filings.

.02 An external label must appear on each tape, tape cartridge and diskette submitted. Notice 1027 details what information must be on the label. The diskettes used must be MS/DOS compatible.

SEC. 2. TAPE SPECIFICATIONS

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

- (a) 9-track EBCDIC (Extended Binary Coded Decimal Interchange Code) with
 - (1) Odd parity
 - (2) Recording density—1600 or 6250 BPI
 - (3) If you use UNISYS Series 1100, you must submit an interchange tape.
- (b) 9-track ASCII (American Standard Coded Information Interchange) with:
 - (1) Odd parity
 - (2) Recording density—1600 or 6250 BPI

.02 All tape files must have the following characteristics:

- (a) 0.5 inch (12.7 mm) wide computer grade magnetic tape,
- (b) Tape thickness: 1.0 or 1.5 mils,
- (c) Reel diameter: 10.5 inch (26.67 cm), 8.5 inch (21.59 cm), or 7 inch (17.78 cm) and
- (d) Reel of tape up to 2400 feet (731.52 m).

.03 All records, including Header and Trailer Labels (if used) must be transmitted using the same density.

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

- (a) A block must not exceed 32,550 tape positions.
- (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9's; however, the last block of the file may be filled with 9's or truncated. **Do not pad a block with blanks.**
- (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of log-

ical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 350.

(d) All data records are a fixed record length of 350 positions and may not span blocks.

.05 Labeled or unlabeled tapes may be submitted.

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

Tape Mark:

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

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

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

.07 Do not submit an employee Form W-4 record without the required employer identification information. Every record must contain both employee and employer data.

SEC. 3. 3 ½-INCH DISKETTE SPECIFICATIONS

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

(a) 3 ½-inches in diameter.

(b) Data must be recorded in standard ASCII code.

(c) Records must be a fixed length of 350 bytes per record.

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

(e) Positions 349 and 350 of each record have been reserved for carriage return/line feed (cr/lf) characters.

(f) Filename of QWFTAX must be used. Do not enter any other data in this field. The extension will indicate the sequence of the diskettes within the file. For example, the first diskette will be named QWFTAX.001, the second diskette will be QWFTAX.002, etc.

(g) A diskette file may consist of multiple diskettes as long as the file naming conventions are adhered to.

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

Capacity	Tracks	Sides/Density	Sector Size
1.44 mb	96tpi	hd	512
1.44 mb	135tpi	hd	512
1.2 mb	96tpi	hd	512

.02 3 ½-inch diskettes are only acceptable if they were created using MS/DOS.

SEC. 4. TAPE CARTRIDGE SPECIFICATIONS

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

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

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

(1) Tape cartridges will be ½-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.

(2) Magnetic tape will be chromium dioxide particle based ½-inch tape.

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

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

(5) Mode will be full function.

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

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

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

(a) A block **must not** exceed 32,550 tape positions.

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

(c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 350.

(d) Records may not span blocks.

.03 Tape cartridges may be labeled or unlabeled.

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

Tape Mark:

- (a) Used to signify the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111(8421).
- (c) May follow the header label and precede and/or follow the trailer label.

Note: Filers should indicate on the external media label and transmittal Form 6466 whether the cartridge is 36-track or 18-track.

SEC. 5. 8MM, 4MM, AND QUARTER INCH CARTRIDGE SPECIFICATIONS

.01 In most instances, IRS/MCC can process 8mm tape cartridges that meet the following specifications:

- (a) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
 - (1) Created from an AS400 operating system only.
 - (2) 8mm (.315-inch) tape cartridges will be 2 ½-inch by 3 ¾-inch.
 - (3) The 8mm tape cartridges must meet the following specifications:

Tracks	Density	Capacity
1	20 (43245 BPI)	2.3 Gb
1	21 (45434 BPI)	5 Gb

- (4) Mode will be full function.
 - (5) Compressed data is not acceptable.
 - (6) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used. However, IRS/MCC encourages the use of EBCDIC. This information must appear on the external media label affixed to the cartridge.
- .02 The 8mm (.315-inch) tape cartridge records defined in this revenue procedure may be blocked subject to the following:
- (a) A block **must not** exceed 32,550 tape positions.
 - (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9's; however, the last block of the file may be filled with 9's or truncated. **Do not pad a block with blanks.**
 - (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 350.
 - (d) Various COPY commands have been successful, however, the SAVE OBJECT COMMAND is not acceptable.
 - (e) Records may not span blocks.

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

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

Tape Mark:

- (a) Used to signify the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111(8421).
- (c) May follow the header label and precede and/or follow the trailer label.

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

.06 4mm (.157-inch) cassettes are acceptable with the following specifications:

- (a) 4mm cassettes will be 2 ¼-inch by 3-inch.
- (b) The tracks are 1 (one).
- (c) The density is 19 (61000 BPI).
- (d) The typical capacity is DDS (DAT data storage) at 1.3 Gb or 2 Gb, or DDS-2 at 4Gb.
- (e) The general specifications for 8mm cartridges will also apply to the 4mm cassettes.

.07 Various Quarter Inch Cartridges (QIC) (¼-inch) are also acceptable.

- (a) QIC cartridges will be 4" by 6".
- (b) QIC cartridges must meet the following specifications:

Size	Tracks	Density	Capacity
QIC-24	8/9	5 (8000 BPI)	45Mb or 60Mb
QIC-120	15	15 (10000 BPI)	120Mb or 200Mb
QIC-150	18	16 (10000 BPI)	150Mb or 250Mb
QIC-525	26	17 (16000 BPI)	525Mb
QIC-1000	30	21 (36000 BPI)	1Gb
QIC-2Gb	42	34 (40640 BPI)	2Gb

SEC. 6. ELECTRONIC FILING SPECIFICATIONS

.01. IRS/MCC is in the process of updating all of its hardware and software for electronic filing. Effective October 31, 1999, the Information Reporting Program Bulletin Board System (IRP-BBS) electronic filing system will be discontinued. Starting November 1, 1999, users will be able to access the new electronic system via analog and ISDN BRI connections. The new system is designed to support the electronic filing of information returns only. The new telephone number for electronic filing is (1-304-262-2400). Publications and forms will no longer be electronically available from MCC. Users needing the publications and forms that were formerly available on the IRP-BBS will need to download them from the IRS website at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

.02. Electronic filing of Form W-4 originals and replacements is offered as an alternative to magnetic media (tape, tape cartridge, or diskette) or paper filing, *but is not a requirement*. If the original file was sent magnetically, but was returned for replacement, the replacement may be transmitted electronically.

.03. The electronic filing of Forms W-4 is not affiliated with the Form 1040 electronic filing program. These two programs are totally independent, and filers must obtain separate approval to participate in each of them. All inquiries concerning the electronic filing of information returns should be directed to IRS/MCC. IRS/MCC personnel cannot answer questions or assist taxpayers in the filing of Form 1040 tax returns. Filers with questions of this nature will be directed to the Customer Service toll-free number (1-800-829-1040) for assistance.

.04. Filers participating in the electronic filing program for Forms W-4 will submit their returns to IRS/MCC electronically and not through magnetic media or paper filing. Files submitted in this manner must be in standard ASCII code.

.05. The format of the record is the same for electronically filed records as they are for 3 1/2-inch diskettes, tapes, and tape cartridges and must be in standard ASCII code.

.06. Filers must obtain, or already have, a Transmitter Control Code (TCC) assigned to them prior to submitting their files electronically. (Filers who currently have a TCC for magnetic media filing of Forms W-4 do not have to request a second TCC for electronic filing.) Refer to Part A, Sec. 5, for information on how to obtain a TCC.

.07. Once a TCC is obtained, electronic filers assign their own passwords and do not need prior or special approval.

.08. With all passwords, it is the user's responsibility to remember the password and not allow the password to be compromised. Passwords are user assigned at first logon and are up to 8 alpha/numerics, which are case sensitive. However, if filers do forget their password, call 304-263-8700 for assistance.

Note: Passwords are case sensitive.

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

.10. **Do not transmit data electronically from January 1 through January 5.** This will allow time for IRS/MCC to update their system to reflect current year changes.

.11. Data compression is encouraged when submitting Forms W-4 electronically. MCC has the ability to decompress files created using several popular software compression programs such as ARC, COMPRESS, LHARC, and PKZIP. The time required to transmit Forms W-4 electronically will vary depending on the modem speed and the type of data compression used, if any. **The time required to transmit a file can be reduced by as much as 85 percent by using software compression and hardware compression.** The following are actual transmission rates achieved in test uploads of 1099 information at MCC using compressed files. The actual transmission rates will vary depending on the modem speeds.

Transmission Speed in bps	1000 Records	10,000 Records	100,000 Records
19.2K	34 Sec.	6 Min.	60 Min.
56K	20 Sec.	3 1/2 Min.	33 Min.
128K (ISDN)	8 Sec.	1 Min.	10 Min.

.11 Files submitted electronically will be assigned a unique filename by the IRS system (the user can name the file anything they choose from their end). The IRS assigned filename will consist of the filer's TCC, the submission type [ORIG (original), and REPL (replacement)], and a four digit number sequence. The sequence number will be incremented for every file sent. For example, if it is your first original file for the calendar year and your TCC is 44444, the IRS assigned filename would be ORIG.44444.0001. Record the filename. This information will be needed by MCC in order to identify the file, if assistance is required, and to complete Form 6466.

.12 Filers are advised not to resubmit an entire file if records were omitted from the original transmission. This will result in duplicate filing. A new file should be sent consisting of the records that had not previously been submitted.

.13 The results of the electronic transmission will be available in the File Status area of the electronic system within two weeks; however, no further processing will occur until the signed Form 6466 is received. The transmitter must mail or fax the signed Form 6466 the same day the electronic transmission is made. No return is considered filed until a Form 6466 is received by IRS/MCC.

.14 Form 6466 can be ordered by calling the IRS toll-free forms and publications order number 1-800-TAX-FORM, (1-800-829-3676), or it may be computer-generated. It may also be obtained from the Internet at www.irs.gov. If a filer chooses to computer-generate Form 6466, all of the information contained on the original form, including the affidavit, must also be contained on the computer-generated form.

.15 Forms 6466 may be mailed to the following address:

If by Postal Service, air or truck freight:
IRS-Martinsburg Computing Center
Information Reporting Program
Attn: Electronic Filing Coordinator
230 Murall Drive
Kearneysville, WV 25430

**Please indicate on the envelope the following message:
CONTAINS FORM 6466 INFORMATION - NO MAGNETIC MEDIA**

.16 Contact the Electronic Filing System by dialing **304-262-2400**. This number supports analog connections from 1200bps to 56Kbps or ISDN BRI 128Kbps connections. The system can be accessed via Dial-up network/web browser or a communications software package such as Hyperterminal, Procomm, PCAnywhere, etc. The Dial-up network/web browser will provide an Internet-like look without going through the Internet (point to point). If you do not have this capability, a text interface will be provided that can be accessed via typical communications software and will perform similar to the former IRP-BBS.

.17 Due to the large number of communication products available, it is impossible to provide specific information on a particular software package or hardware configuration. Filers should contact their software or hardware supplier for assistance. Your browser will need to be capable of file uploads (i.e., Internet Explorer 4.0, Netscape Navigator 2.0 or higher). The following are some general instructions (many of these settings may already be set by default in your software):

(a) Dial-up network settings:

- (1) Set dial-up server type to PPP
- (2) Set network protocol to TCP/IP
- (3) Enable software compression
- (4) Enable PPP LCP extensions

(b) Browser settings:

- (1) Set to receive "cookies"
- (2) Enable JavaScript or Jscript
- (3) Browser must be capable of file uploads (i.e. Internet Explorer 4.0, Netscape 2.0 or higher)
- (4) Enter the URL Address of <http://10.225.224.2>

(c) Communications software settings should be:

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

(d) Hardware features

- (1) Enable hardware flow control
- (2) Enable modem error control
- (3) Enable modem compression

.18 The first time you log on to the electronic system, you will need to create a new account. After completing the registration information, you will be prompted for a user name and password. Passwords are assigned by the user at first logon and are up to 8 alpha/numerics which are case sensitive. Remember your **exact** logon name and password for future reference. If you forget your logon name and/or password, call IRS/MCC at 304-263-8700 for assistance.

.19 Once you are an established user, select the logon option and then you will be prompted for your logon name and password. Once you have entered this information, you will be at the Main Menu. Select one of the following options:

(a) *Electronic Filing* - this option will allow you to send your files and provide us with current mailing address information in case we need to send any correspondence.

(b) *File Status* - this option will display the results of your file transfer and will be posted in this area within 2 weeks.

Common Problems Associated with Electronic Filing

1. No Form 6466, Transmittal of Forms W-4 Reported Magnetically/Electronically.

Even though you have sent your Forms W-4 electronically, you still need to fax or mail the Form 6466. See Part B, Sec. 6.15 for the mailing address. The fax number is 304-264-5602.

2. Transmitter does not dial back to the electronic system to determine file acceptability.

Within 2 weeks the results of your file transmission will be posted under the option called File Status. It is very important that you check this option because if your file is bad we must receive a replacement within 45 days.

3. Transmitter compresses several files into one.

Only compress one file at a time. For example, if you have 10 uncompressed files to send, compress each file separately and send 10 separate compressed files.

4. Transmitter sends a file and File Status indicates that the file is good, but the transmitter wants to send a replacement file to replace the original/replacement file.

Once a file has been transmitted, you cannot send a replacement file unless File Status indicates the file is bad. If you do not want us to process the file, you must first contact us at 304-263-8700 to see if this is a possibility.

5. File format is formatted as EBCDIC.

All files submitted electronically must be in standard ASCII Code.

SEC. 7. FORM W-4 RECORD FORMAT AND RECORD LAYOUT

.01 This record is used to identify the employer, the employee, number of allowances, and other information that is reported on the paper Form W-4.

.02 ALL RECORDS MUST BE A FIXED LENGTH OF 350 POSITIONS.

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

FORM W-4 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
1-9	Employee Tax Identification Number (TIN)	9	REQUIRED. Enter the 9-digit TIN assigned to the employee. DO NOT ENTER HYPHENS or ALPHA CHARACTERS. All zeroes, ones, twos, etc. will have the effect of an incorrect TIN.
10-44	Employee Name Line 1	35	REQUIRED. Enter the name of the employee whose TIN appears in field positions 1-9. Enter the name in the following order: first name, middle name (if present), and surname. (Use initials for the first and middle names where necessary to insure that the entire employee surname fits in the field.) If fewer than 35 characters are used, left-justify and fill unused positions with blanks.

- (1) A blank must be surrounded by alphas or continued to the end of the field (e.g., ab...b, aba).
- (2) A hyphen in the first position is to identify an employee with surname only. Hyphens must be surrounded by alphas or numerics and must never occur in the first position of a name unless immediately followed by a caret.
- (3) A caret is used to define an internal name control. It must immediately precede the employee surname in place of the blank. A second caret is used to separate a suffix from the surname (e.g., JOHN J. <BLACK; BILL<OAK<JR; AMY FERN<BROWN<MD).

Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. A minimum of one and a maximum of two carets (<) can be used. Punctuation, such as, periods and commas are not allowed and will cause your file to be returned.

45-79	Employee Name Line 2	35	Optional. This line is designated for an "in care of" (c/o) situation. Left-justify and fill unused positions with blanks. Hyphens and slashes must be surrounded by alphas or numerics; ampersands must be surrounded by blanks; blanks must be surrounded by alphas or numerics or continued to the end of the field (e.g., ab...b, aba).
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Note: The same exceptions apply as set forth in "Employee Name Line 1"; also the use of a percent sign (%) is not valid—use c/o if necessary.

80-114	Employee Street Address	35	REQUIRED. Enter mailing address of employee. Street address should include number, street, apartment or suite number (or P O Box if mail is not delivered to street address). Left-justify and fill unused positions with blanks. Position 80 must be an alpha or numeric; hyphens and slashes must be surrounded by alphas or numerics; ampersands must be surrounded by blanks; blanks must be surrounded by alphas or numerics or continued to the end of the field (e.g., ab...b, aba).
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Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the address 210 N. Queen St., Suite #300 must be entered as 210 N Queen St Suite 300.

115-139	Employee City	25	REQUIRED. Enter the city, town or post office. If a foreign address, see Note 2. Left-justify and fill unused positions with blanks. Enter APO or FPO, if applicable. Do not enter state and ZIP Code information in this field. Position 115 must be an alpha or numeric; hyphens must be surrounded by alphas or numerics; blanks must be surrounded by alphas or numerics or continued to the end of the field (e.g., ab...b, aba).
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Note 1: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the city St. Louis must be entered as St Louis.

Note 2: For foreign addresses, you may use the 25 position Employee City field to provide the following information: city and country name.

140-141	Employee State	2	REQUIRED. Enter the two character location code of employee address; must be one of the following:
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Note: For foreign addresses, enter XX from table below.

Location	Code	Location	Code	Location	Code
Alabama	AL	Kentucky	KY	Ohio	OH
Alaska	AK	Louisiana	LA	Oklahoma	OK
American Samoa	AS	Maine	ME	Oregon	OR
Arizona	AZ	Marshall Islands	MH	Pennsylvania	PA
Arkansas	AR	Maryland	MD	Puerto Rico	PR
California	CA	Massachusetts	MA	Rhode Island	RI
Colorado	CO	Michigan	MI	South Carolina	SC

FORM W-4 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks												
Location	Code	Location	Code												
Connecticut	CT	Minnesota	MN												
Delaware	DE	Mississippi	MS												
District of Columbia	DC	Missouri	MO												
Federated States of Micronesia	FM	Montana	MT												
Florida	FL	Nebraska	NE												
Georgia	GA	Nevada	NV												
Guam	GU	New Hampshire	NH												
Hawaii	HI	New Jersey	NJ												
Idaho	ID	New Mexico	NM												
Illinois	IL	New York	NY												
Indiana	IN	North Carolina	NC												
Iowa	IA	North Dakota	ND												
Kansas	KS	Northern Mariana Islands	MP												
South Dakota	SD	Tennessee	TN												
Texas	TX	Utah	UT												
Vermont	VT	Virginia	VA												
Virgin Islands	VI	Washington	WA												
West Virginia	WV	Wisconsin	WI												
Wyoming	WY	Foreign Address, All Others	XX												
142-150	Employee ZIP Code	9	REQUIRED. Enter the valid nine-digit ZIP Code of employee. IF YOU ONLY HAVE FIVE (5) DIGITS AVAILABLE, LEFT-JUSTIFY AND ZERO FILL. Blank fill only if the employee's ZIP Code is unavailable.												
151	Marital Status	1	REQUIRED. Enter appropriate code from the table below: <table border="0"> <tr> <td><u>Marital Status</u></td> <td><u>Code</u></td> </tr> <tr> <td><u>Designated</u></td> <td></td> </tr> <tr> <td>Single</td> <td>S</td> </tr> <tr> <td>Married</td> <td>M</td> </tr> <tr> <td>Married, withhold at single rate</td> <td>W</td> </tr> <tr> <td>No marital status designated</td> <td>A</td> </tr> </table>	<u>Marital Status</u>	<u>Code</u>	<u>Designated</u>		Single	S	Married	M	Married, withhold at single rate	W	No marital status designated	A
<u>Marital Status</u>	<u>Code</u>														
<u>Designated</u>															
Single	S														
Married	M														
Married, withhold at single rate	W														
No marital status designated	A														
152	Exempt Status	1	REQUIRED. Enter "E" if employee claims exempt status; otherwise, enter blank.												
153	BLANK	1	Enter Blank.												
154-156	Allowances	3	REQUIRED. Must be a three (3) digit numeric field corresponding to the number of allowances claimed by employee. (It is necessary to file this Form W-4 with IRS if the number of allowances is more than ten (10) or exempt status is claimed.) Field must be right justified and zero filled. If no entry, or employee claimed exempt status, enter blanks.												
157-163	Additional Amount	7	REQUIRED. Enter any additional amount of withholding the employee wants deducted from each pay. Amount must be entered in U.S. dollars and cents. The right-most two positions represent cents. Do not enter dollar signs, commas, decimal points, or negative numbers. Right-justify and zero fill. If no entry, zero fill.												
164-169	BLANK	6	Enter Blanks.												

FORM W-4 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
170–178	Employer Identification Number	9	REQUIRED. The 9-digit EIN assigned to the employer. DO NOT ENTER HYPHENS, ALPHA CHARACTERS. All zeroes, ones, twos, etc. will have the effect of an incorrect TIN.
179–213	Employer Name Line 1	35	REQUIRED. Enter the name of the employer as it appears on employment tax forms (e.g., Form 941). Any extraneous information must be deleted from this name line. Left-justify and fill with blanks. Position 179 must be alpha or numeric; hyphens and slashes must be surrounded by alphas or numerics; blanks must be surrounded by alphas or numerics or continued to the end of the field (e.g., ab...b, aba).
Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation, such as periods and commas, are not allowed and will cause your file to be returned.			
214–247	Employer Name Line 2	34	If the employer name requires more space than is available in Employer Name Line 1, enter the remaining portion of the name in this field. Left-justify and fill with blanks. Position 214 must be alpha or numeric; hyphens must be surrounded by alphas or numerics; blanks must be surrounded by alphas or numerics or continued to the end of the field (e.g., ab...b, aba).
Note: The same exceptions apply as set forth in “Employer Name Line 1”; also, the use of a percent sign (%) is not valid—use c/o if necessary.			
248–282	Employer Street	35	REQUIRED. Enter mailing address of employer. Street address should include number, street, apartment or suite number (or P O Box if mail is not delivered to street address). Left-justify and fill unused positions with blanks. Position 248 must be alpha or numeric; hyphens must be surrounded by alphas or numerics; blanks must be surrounded by alphas or numerics or continued to the end of the field (e.g., ab...b, aba).
Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the address 210 N. Queen St., Suite #300 must be entered as 210 N Queen St Suite 300.			
283–307	Employer City	25	REQUIRED. Enter the city, town or post office. Enter APO or FPO if applicable. Do not enter state and ZIP Code information in this field. Position 283 must be alpha or numerics; hyphens must be surrounded by alphas or numerics; blanks must be surrounded by alphas or numerics or continued to the end of the field (e.g., ab...b, aba).
Note: The only allowable characters are alphas, blanks, numerics, ampersands, hyphens and slashes. Punctuation such as periods and commas are not allowed and will cause your file to be returned. For example, the city St. Louis must be entered as St Louis.			
308–309	Employer State Code	2	REQUIRED. Enter location code of employer. Must use abbreviation shown in the location abbreviation table for Employee Location Code (field positions 140–141).
310–318	Employer ZIP Code	9	REQUIRED. Enter the valid nine digit ZIP Code of employer. IF YOU ONLY HAVE FIVE (5) DIGITS AVAILABLE, LEFT-JUSTIFY AND ZERO FILL. Blank fill only if employer’s ZIP Code is unavailable.
319–323	Transmitter Control Code	5	REQUIRED. Enter 5-character Transmitter Control Code (TCC) assigned by IRS/MCC.

FORM W-4 RECORD FORMAT

Field Position	Field Title	Length	Description and Remarks
324-331	Form W-4 Date	8	REQUIRED. Enter date located on signature line Form W-4. If no date entered, generate current system date. Format as YYYYMMDD (e.g.19981231). Exempt Status Form W-4 compare "year effective date" on Line 7 to signature date. If year entered on Line 7 is later than signature date, use Form W-4 date as a 01/01 receipt for subsequent calendar year (e.g., Line 7 of Form W-4 shows an exempt status date of 2000 but signature date is 19991031, use 20000101 as Form W-4 date.)
332-348	BLANK	17	Enter Blanks.
349-350	BLANK	2	Enter blanks, or carriage return/line feed (CR/LF) characters.

FORM W-4 RECORD LAYOUT

Employee Tax Identification Number	Employee Name Line 1	Employee Name Line 2	Employee Street Address	Employee City	
1-9	10-44	45-79	80-114	115-139	
Employee State	Employee ZIP Code	Marital Status	Exempt Status	BLANK	Allowances
140-141	142-150	151	152	153	154-156
Additional Amount	BLANK	Employer Identification Number	Employer Name Line 1	Employer Name Line 2	
157-163	164-169	170-178	179-213	214-247	
Employer Street	Employer City	Employer State Code	Employer ZIP Code	Transmitter Control Code	
248-282	283-307	308-309	310-318	319-323	
Form W-4 Date	BLANK	BLANK or CR/LF			
324-331	332-348	349-350			

SEC. 8. EFFECT ON OTHER DOCUMENTS

Revenue Procedure 98-24, Publication 1245 (Rev. 3-98), is superseded.

SEC. 9. EFFECTIVE DATE

Use the record length and processing capabilities of this revenue procedure to file Forms W-4 submitted for the quarter ending March 31, 2000 and for all subsequent filings.

Limitations on Benefits and Contributions under Qualified Plans; Cost-of-Living Adjustments for 2000¹

Notice 99-55

Section 415 of the Internal Revenue Code (the Code) provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415 also requires that the Commissioner annually adjust these limits for cost-of-living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments.

Effective January 1, 2000, the limitation for the annual benefit under § 415(b)(1)(A) for a defined benefit plan is increased from \$130,000 to \$135,000. For participants who separated from service before January 1, 2000, the limitation for defined benefit plans under § 415(b)-

(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 1999 by 1.0235. The limitation for defined contribution plans under § 415(c)(1)(A) remains unchanged at \$30,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of § 415(b)(1)(A) is adjusted. These dollar amounts and the adjusted amounts are as follows:

The limitation under § 402(g)(1) on the exclusion for elective deferrals described in § 402(g)(3) is increased from \$10,000 to \$10,500.

The dollar amount under § 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$735,000 to \$755,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$145,000 to \$150,000.

The limitation used in the definition of a highly compensated employee under § 414(q)(1)(B) is increased from \$80,000 to \$85,000.

The annual compensation limit under §§ 401(a)(17) and 404(l) is increased from \$160,000 to \$170,000. The annual compensation limit under § 401(a)(17) for eligible participants in certain govern-

mental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under § 401(a)(17) to be taken into account, is increased from \$270,000 to \$275,000.

The compensation amount under § 408(k)(2)(C) regarding simplified employee pension plans (SEPs) is increased from \$400 to \$450. The compensation amount under § 408(k)(3)(C) for SEPs is increased from \$160,000 to \$170,000.

The limitation under § 408(p)(2)(A) regarding simple retirement accounts remains unchanged at \$6,000.

The limitation on deferrals under § 457(b)(2) and (c)(1) concerning eligible deferred compensation plans of state and local governments and of tax-exempt organizations remains unchanged at \$8,000.

The compensation amounts under § 1.61-21(f)(5)(i) and (iii) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes are increased from \$70,000 and \$145,000, respectively, to \$75,000 and \$150,000, respectively.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

¹ Based on News Release IR-1999-80, dated October 19, 1999.

Part IV. Items of General Interest

Notice of Proposed Rulemaking and Notice of Public Hearing

Generation-Skipping Transfer Issues

REG-103841-99

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations relating to the application of the effective date rules of the generation-skipping transfer (GST) tax imposed under chapter 13 of the Internal Revenue Code. The proposed regulations provide guidance with respect to the type of trust modifications that will not affect the exempt status of a trust. In addition, the proposed regulations clarify the application of the effective date rules in the case of property transferred pursuant to the exercise of a general power of appointment. The proposed regulations are necessary to provide guidance to taxpayers so that they may properly determine if chapter 13 of the Code is applicable to a particular trust.

DATES: Written and electronic comments must be received by February 16, 2000. Outlines of topics to be discussed at the public hearing scheduled for March 15, 2000 at 10:00, must be received by February 23, 2000.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG-103841-99), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may also be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-103841-99), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS internet site at <http://www.irs.gov/taxregs/reglist.html>. The public hearing will be

held in room 2615, Internal Revenue Service Building, 1111 Constitution Avenue, NW, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, James F. Hogan, (202) 622-3090; concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Michael L. Slaughter, (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

The GST tax provisions were enacted as part of the Tax Reform Act of 1986 (TRA), Pub. L. 99-514, 1986-3 (Vol. 1) C.B. 1, 634. Under section 1433(a) of the TRA, the GST tax generally applies to all generation-skipping transfers made after October 22, 1986, the date the TRA was enacted.

Section 1433(b)(2) of the TRA exempts transfers from certain trusts from the GST tax. Hereinafter, a trust that is exempt under section 1433(b)(2) is referred to as an "exempt trust."

First, under section 1433(b)(2)(A) of the TRA, the GST tax does not apply to any transfer from a trust that was irrevocable on September 25, 1985, to the extent the transfer is not made out of additions to the trust after September 25, 1985 (the day before the House Ways and Means Committee began considering the bill containing the GST provisions). Under §26.2601-1(b)(1)(ii) of the Generation-Skipping Transfer Tax Regulations, a trust created on or before September 25, 1985, is considered irrevocable on that date unless: (1) the settlor retained a power that would cause the trust to be included in the settlor's gross estate for federal estate tax purposes by reason of section 2038 of the Code, if the settlor had died on September 25, 1985; or (2) the property held in the trust is a life insurance policy transferred by the insured and the insured possessed, on September 25, 1985, any incident of ownership that would have caused the value of the trust to be included in the insured's gross estate under section 2042 of the Code if the insured had died on September 25, 1985.

Second, under section 1433(b)(2)(B) of the TRA, as amended by the Technical and Miscellaneous Revenue Act of 1988, the GST tax does not apply to any generation-skipping transfer under a will or revocable trust executed before October 22, 1986, if the decedent died before January 1, 1987.

Third, under section 1433(b)(2)(C) of the TRA, the GST tax does not apply to any generation-skipping transfer under a trust to the extent such trust consists of property included in the gross estate of a decedent or reinvestments thereof, but only if the decedent was, on October 22, 1986, under a mental disability to change the disposition of the decedent's property and did not regain competence to dispose of the property before death.

Numerous taxpayers have requested private letter rulings regarding the effect that a proposed modification or construction will have on an exempt trust for GST tax purposes. In rulings in this area, the IRS has held that a modification will not cause the trust to lose its exempt status if the modification does not result in any change in the quality, value, or timing of any beneficial interest under the trust. Although the statute does not specifically address modifications to trusts that are exempt under section 1433(b)(2) of the TRA, Treasury and the IRS believe that a trust that is modified such that none of the beneficial interests change can be viewed as the same trust that was in existence on September 25, 1985.

The majority of the ruling requests received by the Service concern proposed modifications intended to enable the trust to adapt to changed circumstances or to enable the trustee to administer the trust properly. These proposed modifications often are not inconsistent with the purpose of the TRA effective date provisions. Accordingly, as discussed below, these proposed regulations adopt a more liberal standard with respect to changes that may be made to the trust without the loss of exempt status. Treasury and the IRS intend that the regulations, when finalized, provide sufficient guidance concerning modifications that the need for private letter rulings will be greatly diminished. Comments are requested regarding whether the proposed regulations will achieve this result.

In addition, the proposed regulations clarify the application of the effective date provisions when the exercise or lapse of a general power of appointment over an otherwise grandfathered trust results in property passing to a skip person.

Explanation of Provisions

1. Modifications to Trusts

The proposed regulations provide guidance regarding the types of modifications, constructions, and settlements of controversies that will not cause a trust to lose its exempt status. However, the rules contained in these proposed regulations apply only for GST tax purposes. Thus, the rules do not apply in determining, for example, whether a modification will result in a gift for gift tax purposes, or may cause inclusion of the trust assets in the gross estate, or may result in the realization of gain for purposes of section 1001 of the Code.

Under the proposed regulations, a court order in a construction proceeding that resolves an ambiguity in the terms of a trust instrument will not cause the trust to lose its exempt status. The judicial action, however, must involve a bona fide issue and the court's decision must be consistent with applicable state law that would be applied by the highest court of the state. *Commissioner v. Estate of Bosch*, 387 U.S. 456 (1967). Construction proceedings determine a settlor's intent as of the date the instrument became effective, and thus, a court order construing an instrument that satisfies these requirements does not alter or modify the terms of the instrument.

Similarly, under the proposed regulations, a court-approved settlement of a bona fide controversy relating to the administration of a trust or the construction of terms of the governing instrument of a trust will not cause a trust to lose its exempt status. This will be the case, however, only if the settlement is the product of arm's length negotiations, and the settlement is within the range of reasonable outcomes under the governing instrument and applicable state law addressing the issues resolved by the settlement. See *Ahmanson Foundation v. United States*, 674 F.2d 761 (9th Cir. 1981); *Estate of Suzuki v. Commissioner*, T.C. Memo. 1991-624. For example, A and B are the

sole remainder beneficiaries of a trust established by their parent. They disagree as to the portion of the remainder each is entitled to under the terms of the trust when the trust terminates. A settlement dividing the corpus equally among A, B, and C, B's child and the grandchild of the parent who established the trust, would not be considered within the range of reasonable outcomes because C is not a potential remainderman under any construction of the trust agreement.

The proposed regulations also address the situation in which a trustee distributes trust principal to a new trust for the benefit of succeeding generations. In some cases, the governing instrument grants the trustee broad discretionary powers to distribute principal to or for the benefit of the trust beneficiaries, outright or in trust. Under these circumstances, distributions by the trustee to trusts for the benefit of trust beneficiaries will not cause the original trust or the new trusts to lose exempt status provided the vesting of trust principal is not postponed beyond the perpetuities period applicable to the original trust.

Finally, under the proposed regulations, a trust may be modified and remain exempt for GST purposes. The modification, however, must not shift a beneficial interest in the trust to any beneficiary who occupies a lower generation (as defined in section 2651) than the person or persons who held the beneficial interest prior to the modification and must not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust.

2. Exercise of a General Power of Appointment after September 25, 1985.

In *Simpson v. United States*, 183 F.3d 812 (8th Cir. 1999), the decedent exercised a testamentary general power of appointment granted under a marital trust that was created in 1966. Pursuant to the decedent's exercise of the general power of appointment, the property passed to her grandchildren who were skip persons under section 2612. The court concluded that the transfer to the grandchildren was exempt from the GST tax under section 1433(b)(2)(A) of the TRA, because the transfer was "under a trust" that was irrevocable on September 25, 1985.

The facts in *Simpson* are similar to those presented in *Peterson Marital Trust v. Commissioner*, 78 F.3d 795 (2nd Cir. 1996). In *Peterson*, the decedent had a testamentary general power to appoint property in a pre-September 25, 1985 marital trust created under her husband's will. Rather than appointing the property outright, the taxpayer allowed the power to lapse and the property passed to her husband's grandchildren, who were skip persons under section 2612. The court concluded that the transfer was subject to the GST tax. The court noted that the effective date provisions in section 1433(b)(2) of the TRA were "designed . . . to protect those taxpayers who, on the basis of pre-existing rules, made arrangements from which they could not reasonably escape and which, in retrospect, had become singularly undesirable." *Peterson Marital Trust*, at 801 (footnote omitted). The court concluded that there was no basis to apply the protection provided in section 1433(b)(2) to the marital trust because the arrangement could have been changed to avoid the GST tax through the exercise of the decedent's general power of appointment.

Treasury and the IRS believe that there is no substantive difference between the situation in *Simpson* where property passed pursuant to the exercise of a general power of appointment and the situation in *Peterson Marital Trust* where property passed pursuant to a lapse of a general power of appointment. An individual who has a general power of appointment has the equivalent of outright ownership in the property. *Estate of Kruz v. Commissioner*, 101 T.C. 44, 50-51, 59-60 (1993). The value of the property subject to the general power is includible in the powerholder's gross estate at death under section 2041(a). In either case, the powerholder can avoid the consequences of the GST tax by appointing the property to nonskip persons. Therefore, as the court noted in *Peterson Marital Trust*, there is no basis for exempting such dispositions from the GST tax under the TRA effective date provisions.

Accordingly, the proposed regulations clarify that the transfer of property pursuant to the exercise, release, or lapse of a general power of appointment created in a pre-September 25, 1985 trust is not a transfer under the trust, but rather is a

transfer by the powerholder occurring when the exercise, release, or lapse of the power becomes effective, for purposes of section 1433(b)(2)(A) of the TRA.

Special Analysis

It has been determined that this notice of proposed rulemaking 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 these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the regulations will be submitted to the Small Business Administration for comment on their impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic comments that are submitted timely (in the manner described in ADDRESSES) to the IRS. Treasury and the IRS specifically request comments on the clarity of the proposed regulations and how they can be made easier to understand. All comments will be available for public inspection and copying.

A public hearing has been scheduled for March 15, 2000 at 10:00 a.m. in room 2615, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Due to building security procedures, visitors must enter at the 10th Street entrance, located between Constitution and Pennsylvania Avenues, NW. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 15 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons that wish to present oral comments at the hearing must submit comments by February 16, 2000, and submit an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by February 23, 2000. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these proposed regulations is James F. Hogan, Office of the Chief Counsel, IRS. Other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

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

PART 26—GENERATION-SKIPPING TRANSFER TAX REGULATIONS UNDER THE TAX REFORM ACT OF 1986

Par. 1. The authority citation for part 26 continues to read in part as follows:

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

Par. 2. In §26.2600-1 the Table is amended under §26.2601 by revising the entry for paragraphs (b) and (b)(4) and adding an entry for paragraph (b)(5) to read as follows:

§26.2600-1. Table of contents.

§26.2601-1. *Effective dates.*

* * * * *

(b) Exceptions

* * * * *

(4) Retention of trust's exempt status in the case of modifications, etc.

(5) Exceptions to additions rule.

* * * * *

Par. 3. Section 26.2601-1 is amended as follows:

1. Adding four sentences to the end of paragraph (b)(1)(i).

2. Redesignating paragraph (b)(4) as paragraph (b)(5).

3. Adding a new paragraph (b)(4).

4. Paragraph (c) is amended by adding a new sentence to the end of the paragraph.

The additions read as follows:

§26.2601-1 *Effective Dates.*

* * * * *

(b) * * *

(1) * * *

(i) * * * Further, the rule in the first sentence of this paragraph (b)(1)(i) does not apply to a transfer of property pursuant to the exercise, release, or lapse of a general power of appointment that is treated as a taxable transfer under chapter 11 or chapter 12. The transfer is made by the person holding the power at the time the exercise, release, or lapse of the power becomes effective, and is not considered a transfer under a trust that was irrevocable on September 25, 1985. See §26.2601-1(b)(1)(v)(B) regarding the treatment of the release, exercise, or lapse of a power of appointment that will result in a constructive addition to a trust. See §26.2652-1(a) for the definition of a transferor.

* * * * *

(4) *Retention of trust's exempt status in the case of modifications, etc.* (i) *In general.* This paragraph provides rules for determining when a modification, judicial construction, settlement agreement, or trustee action with respect to a trust that is exempt from the generation-skipping transfer tax under paragraphs (b)(1), (b)(2), or (b)(3) of this section (hereinafter referred to as an exempt trust) will not cause the trust to lose its exempt status. The rules contained in this paragraph (b)(4) are applicable only for purposes of determining whether an exempt trust retains its exempt status for generation-skipping transfer tax purposes. The rules do not apply in determining, for example, whether the transaction results in a gift subject to gift tax, or may cause the trust to be included in the gross estate of a beneficiary, or may result in the realization of capital gain for purposes of section 1001 of the Code.

(A) *Trustee's discretionary powers.* The distribution of trust principal from an

exempt trust to a new trust will not cause the new trust to be subject to the provisions of chapter 13, if—

(1) The terms of the governing instrument of the exempt trust authorize the trustee to make distributions to the new trust without the consent or approval of any beneficiary or court, and

(2) The terms of the governing instrument of the new trust do not extend the time for vesting of any beneficial interest in the trust in a manner that may postpone or suspend the vesting, absolute ownership, or power of alienation of an interest in property for a period, measured from the date of creation of the original trust, extending beyond any life in being at the date of creation of the original trust plus a period of 21 years, plus if necessary, a reasonable period of gestation. For purposes of this paragraph (b)(4)(i)(A), the exercise of a trustee's distributive power that validly postpones or suspends the vesting, absolute ownership, or power of alienation of an interest in property for a term of years that will not exceed 90 years (measured from the date of creation of the original trust) will not be considered an exercise that postpones or suspends vesting, absolute ownership, or the power of alienation beyond the perpetuities period. If a trustee's distributive power is exercised by creating another power, it is deemed to be exercised to whatever extent the second power may be exercised.

(B) *Settlement.* A court-approved settlement of a bona fide controversy regarding the administration of the trust or the construction of terms of the governing instrument will not cause an exempt trust to be subject to the provisions of chapter 13, if—

(1) The settlement is the product of arm's length negotiations, and

(2) The settlement is within the range of reasonable outcomes under the governing instrument and applicable state law addressing the issues resolved by the settlement.

(C) *Judicial construction.* A judicial construction of a governing instrument to resolve an ambiguity in the terms of the instrument or to correct a scrivener's error will not cause an exempt trust to be subject to the provisions of chapter 13, if—

(1) The judicial action involves a bona fide issue, and

(2) The construction is consistent with applicable state law that would be applied by the highest court of the state.

(D) *Other changes.* A modification of the governing instrument of an exempt trust (including a trustee distribution, settlement, or construction that does not satisfy paragraphs (b)(4)(i)(A), (B), or (C) of this subsection) by judicial reformation, or nonjudicial reformation that is valid under applicable state law, will not cause an exempt trust to be subject to the provisions of chapter 13, but only if—

(1) The modification does not shift a beneficial interest in the trust to any beneficiary who occupies a lower generation (as defined in section 2651) than the person or persons who held the beneficial interest prior to the modification, and

(2) The modification does not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust.

(E) *Examples.* The following examples illustrate the application of this paragraph (b)(4). In each example, assume that the trust established in 1980 was irrevocable for purposes of §26.2601-1(b)(1)(ii) and that there have been no additions to any trust after September 25, 1985.

Example 1. Trustee's power to distribute principal authorized under trust instrument. In 1980, Grantor established an irrevocable trust (Trust) for the benefit of Grantor's child, A, A's spouse, and A's issue. At the time Trust was established, A had two children, B and C. A corporate fiduciary was designated as trustee. Under the terms of Trust, the trustee has the discretion to distribute all or part of the trust income to one or more of the group consisting of A, A's spouse or A's issue. The trustee is also authorized to distribute all or part of the trust principal to one or more trusts for the benefit of A, A's spouse, or A's issue under terms specified by the trustee in the trustee's discretion. Any trust established under Trust, however, must terminate 21 years after the death of the last child of A to die who was alive at the time Trust was executed. Trust will terminate on the death of A, at which time the remaining principal will be distributed to A's issue, per stirpes. In 2000, the trustee distributed part of Trust's principal to a new trust for the benefit of B and C and their issue. The new trust will terminate 21 years after the death of the survivor of B and C, at which time the trust principal will be distributed to the issue of B and C, per stirpes. The terms of the governing instrument of Trust authorize the trustee to make the distribution to a new trust without the consent or approval of any beneficiary or court. In addition, the terms of the governing instrument of the new trust do not extend the time for vesting of any beneficial interest in a manner that may post-

pone or suspend the vesting, absolute ownership or power of alienation of an interest in property for a period, measured from the date of creation of Trust, extending beyond any life in being at the date of creation of Trust plus a period of 21 years, plus if necessary, a reasonable period of gestation. Accordingly, neither Trust nor the new trust will be subject to the provisions of chapter 13 of the Code.

Example 2. Trustee's power to distribute principal pursuant to state statute. In 1980, Grantor established an irrevocable trust (Trust) for the benefit of Grantor's child, A, A's spouse, and A's issue. At the time Trust was established, A had two children, B and C. A corporate fiduciary was designated as trustee. Under the terms of Trust, the trustee has the discretion to distribute all or part of the trust income or principal to one or more of the group consisting of A, A's spouse or A's issue. Trust will terminate on the death of A, at which time the trust principal will be distributed to A's issue, per stirpes. Under a state statute applicable to Trust, a trustee who has the absolute discretion under the terms of a testamentary instrument or irrevocable inter vivos trust agreement to invade the principal of a trust for the benefit of the income beneficiaries of the trust, may exercise the discretion by appointing so much or all of the principal of the trust in favor of a trustee of a trust under an instrument other than that under which the power to invade is created, or under the same instrument. The trustee may take the action either with consent of all the persons interested in the trust but without prior court approval, or with court approval, upon notice to all of the parties. The exercise of the discretion, however, must not reduce any fixed income interest of any income beneficiary of the trust and must be in favor of the beneficiaries of the trust. In 2000, the trustee distributes one-half of Trust's principal to a new trust that provides for the payment of trust income to A for life and further provides that, at A's death, one-half of the trust remainder will pass to B or B's issue and one-half of the trust will pass to C or C's issue. Because the state statute requires the consent of all of the parties, the transaction constitutes a modification of Trust. However, because the modification does not shift any beneficial interest in Trust to a beneficiary or beneficiaries who occupy a lower generation than the person or persons who held the beneficial interest prior to the modification, neither Trust nor the new trust will be subject to the provisions of chapter 13 of the Code.

Example 3. Construction of an ambiguous term in the instrument. In 1980, Grantor established an irrevocable trust for the benefit of Grantor's children, A and B, and their issue. The trust is to terminate on the death of the last to die of A and B, at which time the principal is to be distributed to their issue. However, the provision governing the termination of the trust is ambiguous regarding whether the trust principal is to be distributed per stirpes, only to the children of A and B, or per capita among the children, grandchildren, and more remote issue of A and B. The trustee files a construction suit with the appropriate local court to resolve the ambiguity. The court issues an order construing the instrument to provide for per capita distributions to the children, grandchildren, and more remote issue of A and B living at the time the trust terminates. The court's construction is consistent with applicable state law as it

would be interpreted by the highest court of the state and resolves a bona fide controversy regarding the proper interpretation of the instrument. Therefore, the trust will not be subject to the provisions of chapter 13 of the Code.

Example 4. Change in trust situs. In 1980, Grantor, who was domiciled in State X, executed an irrevocable trust for the benefit of Grantor's issue, naming a State X bank as trustee. Under the terms of the trust, the trust is to terminate, in all events, no later than 21 years after the death of the last to die of certain designated individuals living at the time the trust was executed. The provisions of the trust do not specify that any particular state law is to govern the administration and construction of the trust. In State X, the common law rule against perpetuities applies to trusts. In 2000, a State Y bank is named as sole trustee. The effect of changing trustees is that the situs of the trust changes to State Y, and the laws of State Y govern the administration and construction of the trust. State Y law contains no rule against perpetuities. In this case, however, in view of the terms of the trust, the trust will terminate at the same time before and after the change in situs. Accordingly, the change in situs does not shift any beneficial interest in the trust to a beneficiary who occupies a lower generation (as defined in section 2651) than the person or persons who held the beneficial interest prior to the transfer. Furthermore, the change in situs does not extend the time for vesting of any beneficial interest in the trust beyond that provided for in the original trust. Therefore, the trust will not be subject to the provisions of chapter 13 of the Code. If, in this example, as a result of the change in situs, State Y law governed such that the time for vesting was extended beyond the period prescribed under the terms of the original trust instrument, the trust would not retain exempt status.

Example 5. Division of a trust. In 1980, Grantor established an irrevocable trust for the benefit of his two children, A and B, and their issue. Under the terms of the trust, the trustee has the discretion to distribute income and principal to A, B, and their issue in such amounts as the trustee deems appropriate. On the death of the last to die of A and B, the trust principal is to be distributed to the living issue of A and B, per stirpes. In 2000, the appropriate local court approved the division of the trust into two equal trusts, one for the benefit of A and A's issue and one for the benefit of B and B's issue. The trust for A and A's issue provides that the trustee has the discretion to distribute trust income and principal to A and A's issue in such amounts as the trustee deems appropriate. On A's death, the trust principal is to be distributed equally to A's issue, per stirpes. The trust for B and B's issue is identical (except for the beneficiaries), and terminates at B's death at which time the trust principal is to be distributed equally to B's issue, per stirpes. The division of the trust into two trusts does not shift any beneficial interest in the trust to a beneficiary who occupies a lower generation (as defined in section 2651) than the person or persons who held the beneficial interest prior to the division. In addition, the division does not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust. Therefore, the two partitioned trusts resulting from the division will not be

subject to the provisions of chapter 13 of the Code.

Example 6. Merger of two trusts. In 1980, Grantor established an irrevocable trust for Grantor's child and the child's issue. In 1983, Grantor's spouse also established a separate irrevocable trust for the benefit of the same child and issue. The terms of the spouse's trust and Grantor's trust are identical. In 2000, the appropriate local court approved the merger of the two trusts into one trust to save administrative costs and enhance the management of the investments. The merger of the two trusts does not shift any beneficial interest in the trust to a beneficiary who occupies a lower generation (as defined in section 2651) than the person or persons who held the beneficial interest prior to the merger. In addition, the merger does not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust. Therefore, the trust that resulted from the merger will not be subject to the provisions of chapter 13 of the Code.

Example 7. Modification that does not shift an interest to a lower generation. In 1980, Grantor established an irrevocable trust for the benefit of Grantor's grandchildren, A, B, and C. The trust provides that income is to be paid to A, B, and C, in equal shares for life. The trust further provides that, upon the death of the first grandchild to die, one-third of the principal is to be distributed to that grandchild's issue, per stirpes. Upon the death of the second grandchild to die, one-half of the remaining trust principal is to be distributed to that grandchild's issue, per stirpes, and upon the death of the last grandchild to die, the remaining principal is to be distributed to that grandchild's issue, per stirpes. In 2000, A became disabled. Subsequently, the trustee, with the consent of B and C, petitioned the appropriate local court and the court approved a modification of the trust that increased A's share of trust income. The modification does not shift a portion of the income interest to a beneficiary who occupies a generation lower than the generation occupied by A, B and C, and does not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust. Accordingly, the trust as modified will not be subject to the provisions of chapter 13 of the Code. However, the modification increasing A's share of trust income is a transfer by B and C to A for federal gift tax purposes.

(ii) *Effective date.* The rules in this paragraph (b)(4) are effective as of [THE DATE OF PUBLICATION IN THE FEDERAL REGISTER AS A FINAL REGULATION].

* * * * *

(c) * * * The last four sentences in paragraph (b)(1)(i) of this section are effective as of November 18, 1999.

Robert E. Wenzel,
Deputy Commissioner of
Internal Revenue.

(Filed by the Office of the Federal Register on November 17, 1999, 8:45 a.m., and published in the issue of the Federal Register for November 18, 1999, 64 F.R. 62997)

Notice of Proposed Rulemaking

Definition of Last Known Address

REG-104939-99

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations defining "last known address" in relation to the mailing of notices of deficiency and other notices, statements, and documents sent to a taxpayer's last known address. The proposed regulations affect taxpayers who receive notices of deficiency and other notices, statements, and documents sent to taxpayers' last known addresses.

DATES: Written or electronic comments and requests for a public hearing must be received by February 22, 2000.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG-104939-99), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-104939-99), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to http://www.irs.gov/tax_regs/regslst.html (the IRS Internet site).

FOR FURTHER INFORMATION CONTACT: Concerning submissions, Michael Slaughter, (202) 622-7180; concerning the regulations, Charles A. Hall, (202) 622-4940 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

In General

This document contains proposed amendments to the Regulations on Procedure and Administration (26 CFR part 301) under section 6212(b) relating to the sufficiency of a notice of deficiency if it is mailed to the last known address of a taxpayer. This document also contains proposed amendments to the Income Tax Regulations (26 CFR part 1) and the Regulations on Procedure and Administration (26 CFR part 301) to provide cross-references to the proposed last known address rules under section 6212(b) in order to apply those rules to other notices, statements, and documents required to be sent to the last known address of a taxpayer.

Last Known Address

Many statutory and regulatory provisions refer to the last known address of a taxpayer. However, current law with respect to the last known address of a taxpayer has developed under section 6212(b), relating to the address for mailing a notice of deficiency. Generally, under section 6501, the IRS has three years from the date a Federal tax return is filed, or the due date for the return if the return is filed early, to assess a deficiency. Under section 6213, the IRS may not assess or collect a deficiency until after the notice of deficiency has been mailed to the taxpayer giving the taxpayer an opportunity to petition the United States Tax Court. Under section 6212(b), an otherwise valid notice of deficiency is sufficient if it is mailed to the taxpayer's last known address, even if it is not received by the taxpayer.

The term *last known address* is not defined by statute or current regulations. However, case law defines *last known address* as the "address which appears on the taxpayer's most recently filed return, unless [the IRS] has been given clear and concise notification of a different address." *Abeles v. Commissioner*, 91 T.C. 1019, 1035 (1988), *acq.* 1989-2 C.B. 1. The taxpayer's most recently filed return for this purpose is the last return filed by the taxpayer from which, if the return was properly processed, the address on the return was available to the IRS agent mailing a notice of deficiency. *Id.* at 1035.

The taxpayer provides the IRS with clear and concise notification of a change of address by affirmatively informing the IRS that the former address is not to be used. See *King v. Commissioner*, 857 F.2d 676, 681 (9th Cir. 1988); *Monge v. Commissioner*, 93 T.C. 22, 32 (1989). Although the IRS must exercise due diligence in ascertaining the last known address and in mailing the notice of deficiency to the correct address after having become aware of a taxpayer's change of address, that duty does not require the IRS to change the taxpayer's last known address based on information from third party sources. See *Grenczewicz v. Commissioner*, 60 T.C.M. (CCH) 1300, 1302 (1990). Accordingly, under current law, clear and concise notification does not include taxpayer notification to third parties, such as payors or the United States Postal Service (USPS). See *Adams v. Commissioner*, 68 T.C.M. (CCH) 291, 294 (1994), *aff'd sub nom., Miller v. Commissioner*, 76 A.F.T.R.2d (RIA) 95-5903 (10th Cir. 1995) (forwarding order filed with USPS not clear and concise notice to IRS); *Selman v. Commissioner*, 61 T.C.M. (CCH) 2184, 2186 (1991) (USPS change of address form not notice to IRS because no evidence IRS received form); *Martin v. Commissioner*, 64 T.C.M. (CCH) 1529, 1531 (1992) (citing *Selman*); *Grenczewicz v. Commissioner*, 60 T.C.M. (CCH) 1300, 1302 (1990) (IRS not required to review Forms 1099 and Schedule K-1); *Greenstein v. Commissioner*, 60 T.C.M. (CCH) 379, 382 (1990) (Forms W-2G and Form 1099-DIV not sufficient notice).

Current IRS Procedures for Changing Last Known Address

The IRS has prescribed rules for providing clear and concise notification of a different address in Rev. Proc. 90-18 (1990-1 C.B. 491). Under Rev. Proc. 90-18, a taxpayer must give clear and concise written notification of a change of address to the Internal Revenue Service Center that serves the taxpayer's old address or to the Chief, Taxpayer Service Division, in the local district office. The revenue procedure applies to notices required to be sent to a taxpayer's last known address under sections 982(c)(1), 6110(f)(3)(B), 6212(b), 6303(a), 6325(f)(2)(A), 6331(d)(2)(C), 6332(b)(1), 6335(a) and (b),

6901(g), and 7609(a)(2). Rev. Proc. 90-18, section 2.01. Although not included in Rev. Proc. 90-18, section 6110(f)(4)(B) also requires a notice to be sent to a taxpayer's last known address. Since publication of Rev. Proc. 90-18, four new sections have been added to the Code that reference last known address. See sections 6245(b)(1), 6320(a)(2)(C), 6330(a)(2)(C), and 7603(b)(1). Future updates of Rev. Proc. 90-18 will incorporate these new sections, as well as section 6110(f)(4)(B).

Under section 5.04 of Rev. Proc. 90-18, taxpayers may provide the IRS with clear and concise notification of a different address in one of three ways. First, a taxpayer may send the IRS a signed statement informing the IRS that the taxpayer wants the address of record changed to a new address. In addition to the new address, this notification must contain the taxpayer's full name, signature, old address, and social security number and/or employer identification number. Filers of a joint return should provide both names, social security numbers, and signatures. Individuals who have changed last names, for instance, due to marriage, should provide the last name shown on the most recently filed return and the new last name. In all cases, clear and concise written notification must be specific as to a change of address. Thus, a new address reflected in the letterhead of taxpayer correspondence will not by itself change a taxpayer's address of record.

Second, if the IRS sends correspondence to the taxpayer that solicits or requires a response by the taxpayer and the taxpayer returns the correspondence to the IRS with corrections marked on the taxpayer's address information, the return of the correspondence will constitute clear and concise written notification of a change of address. The taxpayer's signature on the correspondence is not required.

Third, the taxpayer may file a Form 8822, "Change of Address," with the IRS.

In addition to the rules prescribed in Rev. Proc. 90-18, the IRS currently accepts oral notification of a different address, provided the request is made in the context of an inquiry about the taxpayer's account. Courts have acknowledged the validity of oral notification of a change of

address for purposes of last known address under section 6212(b), provided the notification is sufficiently clear, is given to a proper representative of the IRS, and is established by competent proof. See *Mollet v. Commissioner*, 82 T.C. 618, 625–26 (1984). Future updates of Rev. Proc. 90–18 will permit the oral notification of a change of address.

Explanation of Provisions

The proposed regulations define last known address consistent with the definition set forth in *Abeles*. Accordingly, the proposed regulations provide that the taxpayer's last known address is the address that appears on the taxpayer's most recently filed and properly processed Federal tax return, unless the IRS is given clear and concise notification of a different address.

The proposed regulations also provide that the IRS will use an address obtained from the United States Postal Service (USPS) as a taxpayer's last known address in the absence of a more recent address. Although current law does not require the IRS to treat a taxpayer's notification to a third party, such as a payor or the USPS, as clear and concise notification of a different address for purposes of determining a last known address, the IRS and the Treasury Department are not prohibited from prescribing a rule that would allow the IRS to consult a third party source for the taxpayer's most current address.

Thus, the proposed regulations provide that beginning in May 2000, the IRS will refer to the USPS's National Change of Address (NCOA) database to obtain a taxpayer's address for purposes of determining the taxpayer's last known address. The proposed regulations also provide that the rules for last known address under §301.6212–2 apply for purposes of other notices, statements, and documents mailed by the IRS to a taxpayer's last known address pursuant to the Internal Revenue Code or regulations. In addition, the regulations propose to amend existing regulations that use the term "last known address" to cross reference the regulations to §301.6212–2.

NCOA Database

The NCOA database is a computerized record of changes of address maintained

by the USPS. This database retains address changes for a thirty-six month period. USPS obtains the change of address information from a properly submitted USPS Form 3575, "Official Mail Forwarding Change of Address Form." Both businesses and individuals use the Form 3575. Individuals may indicate whether the change of address applies to the individual or, if applicable, the individual's entire family.

Updating Master File

In May 2000, and again in November 2000, and annually thereafter in each November, the Martinsburg Computing Center (MCC) in Martinsburg, West Virginia, will access the NCOA database to update all taxpayer address records maintained in the IRS's automated master file for purposes of updating the IRS's mailing list. Generally, if the taxpayer's name and the last known address maintained in the automated master file match the taxpayer's name and old mailing address contained in the NCOA database, within certain tolerances, the IRS will use the new address obtained from the NCOA database to update the automated master file. The updated address will be the taxpayer's last known address, unless the IRS is given clear and concise notification of a different address. However, due to IRS system limitations, if taxpayers file jointly, but the NCOA database contains change of address information for only one spouse, the earliest this rule will apply is January 2001. The IRS will publish further guidance as to when this rule will apply to these joint filers.

In addition, beginning in May 2000, prior to mailing correspondence to any particular taxpayer from an IRS Service Center, the IRS will access the NCOA database to determine if the taxpayer submitted a Form 3575 to the USPS with a more recent address. If so, the following will occur: (1) the correspondence will be mailed to the address obtained from the NCOA database, and (2) the IRS will use the new address from the NCOA database to update the automated master file. This updated address will be the taxpayer's last known address. Similar to the exception relating to the annual update, however, this rule will not be effective any earlier than January 2001 if taxpayers file jointly, but the NCOA database contains change

of address information for only one spouse.

If the taxpayer subsequently files a return with an address other than the address on the Form 3575, the taxpayer's last known address will be the address on the subsequently filed and properly processed return. Similarly, if the taxpayer submits a Form 8822, "Change of Address," (or other clear and concise notification of a change of address) to the IRS after the taxpayer submits a Form 3575 to the USPS, the taxpayer's last known address will be the address on the Form 8822 (or on the clear and concise notification). In each instance, the IRS's master file will be updated to reflect the taxpayer's new last known address.

The IRS will not access the NCOA database prior to mailing correspondence from district offices and posts of duty. Unlike Service Centers, these locations do not have the systems capability to check the NCOA database for individual mailings at this time. Instead, the IRS will use the address stored in the automated master file. For purposes of correspondence mailed from district offices and posts of duty, the address on the IRS automated master file, as updated through the use of the NCOA database, will be the taxpayer's last known address.

Using the NCOA database will increase customer service by allowing faster delivery of IRS correspondence to a taxpayer. Rather than mailing correspondence to an address which is no longer a taxpayer's address and relying on the USPS to forward mail to the taxpayer's most recent address, the IRS will mail the correspondence directly to the taxpayer's most recent address. In addition, by updating the automated master file with the most recent address, future IRS correspondence will be mailed to the taxpayer's most recent address.

Although use of the NCOA database will result in improved delivery in most cases, such use does not completely eliminate the taxpayer's need to provide the IRS with clear and concise notification of a different address. For instance, if the taxpayer changes the address of a residence or business and submits a Form 3575 with the USPS, but does not wish to change the taxpayer's address for purposes of IRS correspondence, then the taxpayer must notify the IRS as provided

in Rev. Proc. 90-18. It should be noted, however, that even if the taxpayer notifies the IRS to continue using the old address for IRS correspondence, the USPS may forward the correspondence to the address on the USPS Form 3575.

Licensing Agreement with USPS

To gain access to the NCOA database, the IRS has applied to the USPS to become a limited licensee of the NCOA database. As a limited licensee, the IRS will receive from the USPS a copy of the entire thirty-six month NCOA database and periodic updates thereto in electronic format. The USPS will not have access to confidential return information as a result of this process. Moreover, unlike organizations that have entered into general licensing agreements with the USPS for use of the NCOA database, the IRS will not provide name and address matching services to commercial customers. Rather, the IRS will only use the NCOA database to update taxpayers' addresses maintained in the automated master file in the manner prescribed by these regulations. The IRS and the Treasury Department invite comments regarding whether the IRS should become a licensee for the limited purpose of updating its automated master file.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, considera-

tion will be given to any electronic or written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. The IRS and Treasury Department request comments on the clarity of the proposed rules and how they can be made easier to understand. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested by any person that timely submits comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these regulations is Charles A. Hall, Office of Assistant Chief Counsel (Income Tax and Accounting). However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 301 are proposed to be amended as follows:

PART 1—INCOME TAXES

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

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

Par. 2. In §1.468A-5, paragraph (c)(1)(ii) is amended by adding a sentence at the end of the paragraph to read as follows:

§1.468A-5 Nuclear decommissioning fund qualification requirements; prohibitions against self-dealing; disqualification of nuclear decommissioning fund; termination of fund upon substantial completion of decommissioning.

* * * * *

(c) * * *

(1) * * *

(ii) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter.

* * * * *

Par. 3. In §1.503(a)-1 is amended by adding a sentence at the end of the concluding text of paragraph (c) to read as follows:

§1.503(a)-1 Denial of exemption to certain organizations engaged in prohibited transactions.

* * * * *

(c) * * *

* * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter.

* * * * *

Par. 4. In §1.547-2, paragraph (b)(1)(v) is amended by adding a sentence after the third sentence of the paragraph to read as follows:

§1.547-2 Requirements for deficiency dividends.

* * * * *

(b) * * *

(1) * * *

(v) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter. * * *

* * * * *

Par. 5. In §1.856-6, paragraph (g)(5) is amended by adding a sentence after the first sentence of the paragraph to read as follows:

§1.856-6 Foreclosure property.

* * * * *

(g) * * *

(5) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter. * * *

* * * * *

Par. 6. In §1.860-2, paragraph (b)(1)(ii) is amended by adding a sentence after the fourth sentence of the paragraph to read as follows:

§1.860-2 Requirements for deficiency dividends.

* * * * *

(b) * * *

(1) * * *

(ii) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter. * * *

* * * * *

Par. 7. In §1.963-6, paragraph (c)(5) is amended by adding a sentence after the second sentence of the paragraph to read as follows:

§1.963-6 Deficiency distribution.

* * * * *

(c) * * *

(5) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter. * * *

* * * * *

Par. 8. In §1.992-3, paragraph (c)(3)(iv) is amended by adding a sentence after the third sentence of the paragraph to read as follows:

§1.992-3 Deficiency distributions to meet qualification requirements.

* * * * *

(c) * * *

(3) * * *

(iv) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter. * * *

* * * * *

Par. 9. In §1.6081-2, paragraph (f) is amended by adding a sentence at the end of the paragraph to read as follows:

§1.6081-2 Automatic extension of time to file partnership return of income.

* * * * *

(f) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter.

* * * * *

Par. 10. In §1.6081-3, paragraph (d) is amended by adding a sentence at the end of the paragraph to read as follows:

§1.6081-3 Automatic extension of time for filing corporation income tax returns.

* * * * *

(d) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter.

* * * * *

Par. 11. In §1.6081-4, paragraph (c) is amended by adding a sentence at the end of the paragraph to read as follows:

§1.6081-4 Automatic extension of time for filing individual income tax returns.

* * * * *

(c) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter.

* * * * *

Par. 12. In §1.6081-6, paragraph (d) is amended by adding a sentence at the end of the paragraph to read as follows:

§1.6081-6 Automatic extension of time to file trust income tax return.

* * * * *

(d) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter.

* * * * *

Par. 13. In §1.6081-7, paragraph (d) is amended by adding a sentence at the end of the paragraph to read as follows:

§1.6081-7 Automatic extension of time to file Real Estate Mortgage Investment Conduit (REMIC) income tax return.

* * * * *

(d) * * * For further guidance regarding the definition of last known address, see §301.6212-2 of this chapter.

* * * * *

PART 301—PROCEDURE AND ADMINISTRATION

Par. 14. The authority citation for part 301 continues to read in part as follows:

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

Par. 15. In §301.6110-4, paragraph (c)(3) is amended by adding a sentence at the end of the paragraph to read as follows:

§301.6110-4 Communications from third parties.

* * * * *

(c) * * *

(3) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 16. In §301.6110-5, paragraph (b)(4) is amended by adding a sentence at

the end of the paragraph to read as follows:

§301.6110-5 Notice and time requirements; actions to restrain disclosure; actions to obtain additional disclosure.

* * * * *

(b) * * *

(4) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 17. In §301.6110-6, paragraph (b)(2)(v) is amended by adding a sentence at the end of the paragraph to read as follows:

§301.6110-6 Written determinations issued in response to requests submitted before November 1, 1976.

* * * * *

(b) * * *

(2) * * *

(v) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 18. Section 301.6212-2 is added to read as follows:

§301.6212-2 Definition of last known address.

(a) *General rule.* Except as provided in paragraph (b)(2) of this section, a taxpayer's last known address is the address that appears on the taxpayer's most recently filed and properly processed Federal tax return, unless the Internal Revenue Service (IRS) is given clear and concise notification of a different address.

(b) *Address obtained from third party—*
(1) *In general.* Except as provided in paragraph (b)(2) of this section, change of address information that a taxpayer provides to a third party, such as a payor or another government agency, is not clear and concise notification of a different address for purposes of determining a last known address under this section.

(2) *Exception for address obtained from the United States Postal Service—*(i) *Annual update.* Annually, the IRS will

update taxpayer addresses maintained in IRS records by referring to data accumulated and maintained in the United States Postal Service (USPS) National Change of Address database that retains change of address information for thirty-six months (NCOA database). Except as provided in paragraph (b)(2)(ii) of this section, if the taxpayer's name and last known address in IRS records match the taxpayer's name and old mailing address contained in the NCOA database, within certain tolerances, the new address in the NCOA database is the taxpayer's last known address, unless the IRS is given clear and concise notification of a different address.

(ii) *Update prior to mailing any notice, statement or document from an IRS Service Center.* Prior to mailing any notice, statement, or other document, including a notice of deficiency, to the taxpayer from an IRS Service Center, the IRS will update the taxpayer's last known address by referring to the NCOA database. If the taxpayer's name and last known address in IRS records match the taxpayer's name and old mailing address contained in the NCOA database, within certain tolerances, the new address in the NCOA database is the taxpayer's last known address, unless the IRS is given clear and concise notification of a different address.

(iii) *Duration of address obtained from NCOA database.* The address obtained from the NCOA database under paragraph (b)(2)(i) or (ii) of this section is the taxpayer's last known address until one of the following events occurs—

(A) The taxpayer files and the IRS properly processes a Federal tax return with an address different from the address obtained from the NCOA database; or

(B) The taxpayer provides the IRS with clear and concise notification of a change of address, as defined in procedures prescribed by the Commissioner, that is different from the address obtained from the NCOA database.

(3) *Examples.* The following examples illustrate the rules of paragraph (b)(2) of this section:

Example 1. (i) A is an unmarried taxpayer. The address on A's 1999 Form 1040, U.S. Individual Income Tax Return, filed on April 14, 2000, and 2000 Form 1040 filed on April 13, 2001, is 1234 Anyplace Street, Anytown, USA 43210. On May 15, 2001, A informs the USPS of a new permanent address (9876 Newplace Street, Newtown, USA 12345) using the USPS Form 3575, "Official Mail

Forwarding Change of Address Form." The change of address is included in the USPS NCOA database.

(ii) In June 2001 the IRS determines a deficiency for A's 1999 tax year and prepares to issue the notice of deficiency. When the IRS mails the notice of deficiency from the Service Center, the IRS refers to the NCOA database and updates the taxpayer's last known address to 9876 Newplace Street, Newtown, USA 12345. On June 15, 2001, the IRS mails a notice of deficiency to A at 9876 Newplace Street, Newtown, USA 12345. For purposes of section 6212(b), the notice of deficiency mailed on June 15, 2001, is mailed to A's last known address.

Example 2. (i) The facts are the same as in *Example 1*, except that instead of determining a deficiency for A's 1999 tax year in June 2001, the IRS determines a deficiency for A's 1999 tax year in December 2001. The IRS performs its annual update of addresses in November 2001. At this time the taxpayer's address maintained in IRS records was changed to 9876 Newplace Street, Newtown, USA 12345.

(ii) On December 14, 2001, the IRS mails a notice of deficiency to A at 9876 Newplace Street, Newtown, USA 12345. For purposes of section 6212(b), the notice of deficiency mailed on December 14, 2001, is mailed to A's last known address.

Example 3. (i) B is an unmarried taxpayer. The address on B's 1999 Form 1040, U.S. Individual Income Tax Return, filed on April 14, 2000, is 1234 Main Street, Mytown, USA 56789. In September 2000, B informs the USPS of a new permanent address (4321 Maple Street, Ourtown, USA 54321) using the USPS Form 3575, "Official Mail Forwarding Change of Address Form."

(ii) In September 2000, the IRS determines a deficiency for B's 1998 tax year and prepares to issue the notice of deficiency in the Service Center. On September 15, 2000, the IRS refers to the NCOA database to update the taxpayer's last known address. Because B did not inform the USPS of a change of address in sufficient time to be included in the NCOA database on September 15, 2000, the NCOA database does not yet contain any address information for B. On September 15, 2000, the IRS mails a notice of deficiency to B at 1234 Main Street, Mytown, USA 56789. For purposes of section 6212(b), the notice of deficiency mailed on September 15, 2000, is mailed to B's last known address.

Example 4. (i) C is an unmarried taxpayer. The address on C's 1998 Form 1040, U.S. Individual Income Tax Return, filed on April 15, 1999, and 1999 Form 1040 filed on April 14, 2000, is 2468 Spring Street, Little City, USA 97531. On August 15, 2001, C informs the USPS of a new permanent address (8642 Peachtree Street, Big City, USA 13579) using the USPS Form 3575, "Official Mail Forwarding Change of Address Form." The IRS performs its annual update of addresses in November 2001.

(ii) In September 2001 the IRS district office for Little City, USA determines a deficiency for C's 1998 tax year and prepares to issue the notice. When the IRS mails the notice of deficiency from the district office, the IRS does not refer to the NCOA database because IRS systems are not capable of checking the NCOA database for individual mailings other than for Service Center correspondence. On September 17, 2001, the IRS mails a notice of deficiency for tax year 1998 to C at 2468 Spring Street, Little City, USA 97531. For purposes of section 6212(b), the

notice of deficiency mailed on September 17, 2001, is mailed to C's last known address.

(iii) Also in September 2001, the IRS determines a deficiency for C's 1999 tax year. When the IRS mails this notice of deficiency from the IRS Service Center, the IRS refers to the NCOA database and updates the taxpayer's last known address to 8642 Peachtree Street, Big City, USA 13579. On September 18, 2001, the IRS mails a notice of deficiency for tax year 1999 to C at 8642 Peachtree Street, Big City, USA 13579. For purposes of section 6212(b), the notice of deficiency mailed on September 18, 2001, is mailed to C's last known address.

Example 5. The facts are the same as in *Example 4*, except that the IRS Service Center mails the notice of deficiency for C's 1999 tax year on September 10, 2001, after updating the taxpayer's last known address by referring to the NCOA database. On September 17, 2001, when the district office prepares to mail the notice of deficiency for C's 1998 tax year by referring to the IRS's automated master file, the taxpayer's address will appear as 8642 Peachtree Street, Big City, USA 13579. Thus, in both cases, for purposes of section 6212(b), the taxpayer's last known address is 8642 Peachtree Street, Big City, U.S.A. 13579.

(c) *Last known address for all notices, statements, and documents.* The rules in paragraphs (a) and (b) of this section apply for purposes of determining whether all notices, statements, or other documents are mailed to a taxpayer's last known address whenever the term last known address is used in the Internal Revenue Code or the regulations thereunder.

(d) *Effective Date*—(1) *In general.* Except as provided in paragraph (d)(2) of this section, the rules prescribed by this section apply to all notices, statements, and other documents mailed on or after May 1, 2000.

(2) *Individual moves in the case of joint filers.* In the case of taxpayers who file joint returns under section 6013, if the NCOA database contains change of address information for only one spouse, paragraphs (b)(2) and (3) of this section will not apply to notices, statements, and other documents mailed before January 1, 2001.

Par. 19. In §301.6303-1, paragraph (a) is amended by adding a sentence at the end of the paragraph to read as follows:

§301.6303-1 *Notice and demand for tax.*

* * * * *

(a) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 20. In §301.6305-1, paragraph (b)(2)(ii) is revised to read as follows:

§301.6305-1 Assessment and collection of certain liability.

* * * * *

- (b) * * *
- (2) * * *

(ii) The name, social security number, and last known address of the individual owing the assessed amount. For further guidance regarding the definition of last known address, see §301.6212-2;

* * * * *

Par. 21. In §301.6320-1T, paragraph (a)(1) is amended by adding a sentence at the end of the paragraph to read as follows:

§301.6320-1T Notice and opportunity for hearing upon filing of notice of Federal tax lien (temporary).

(a) * * * (1) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 22. In §301.6325-1, paragraph (f)(2)(ii)(a) is revised to read as follows:

§301.6325-1 Release of lien or discharge of property.

* * * * *

- (f) * * *
- (2) * * *
- (ii) * * *

(a) Mailing notice of the revocation to the taxpayer at his last known address (see §301.6212-2 for further guidance regarding the definition of last known address); and

* * * * *

Par. 23. In §301.6330-1T, paragraph (a)(1) is amended by adding a sentence at the end of the paragraph to read as follows:

§301.6330-1T Notice and opportunity for hearing prior to levy (temporary).

(a) * * * (1) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 24. In §301.6331-2, paragraph (a)(1) is amended by adding a sentence after the second sentence of the paragraph to read as follows:

§301.6331-2 Procedures and restrictions on levies.

(a) * * * (1) * * * For further guidance regarding the definition of last known address, see §301.6212-2. * * *

* * * * *

Par. 25. Section 301.6332-2 is amended as follows:

1. Paragraphs (b)(1) introductory text, (b)(1)(i), and (b)(1)(ii) are redesignated as paragraphs (b)(1)(i) introductory text, (b)(1)(i)(A), and (b)(1)(i)(B), respectively.

2. In newly designated paragraph (b)(1)(i)(B), the text beginning with the second sentence is redesignated as paragraph (b)(1)(ii).

3. Newly designated paragraph (b)(1)(ii) is amended by adding a sentence after the second sentence of the paragraph.

The addition reads as follows:

§301.6332-2 Surrender of property subject to levy in the case of life insurance and endowment contracts.

* * * * *

(b) * * * (1) *In general.* (i) * * *

(ii) * * * For further guidance regarding the definition of last known address, see §301.6212-2. * * *

* * * * *

Par. 26. In §301.6335-1, paragraph (b)(1) is amended by adding a sentence after the third sentence of the paragraph to read as follows:

§301.6335-1 Sale of seized property.

* * * * *

(b) * * * (1) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 27. In §301.6503(c)-1, paragraph (a) is amended by adding a sentence at the end of the paragraph to read as follows:

§301.6503(c)-1 Suspension of running of period of limitation; location of property outside the United States or removal of property from the United States; taxpayer outside of United States.

(a) * * * For further guidance regarding the definition of last known address, see §301.6212-2.

* * * * *

Par. 28. In §301.6903-1, paragraph (c) is amended by adding a sentence after the first sentence of the paragraph to read as follows:

§301.6903-1 Notice of fiduciary relationship.

* * * * *

(c) * * * For further guidance regarding the definition of last known address, see §301.6212-2. * * *

* * * * *

Robert E. Wenzel,
Deputy Commissioner of
Internal Revenue.

(Filed by the Office of the Federal Register on November 19, 1999, 8:45 a.m., and published in the issue of the Federal Register for November 22, 1999, 64 F.R. 63768)

Announcement 99-112

This announcement corrects certain errors which appear in Rev. Proc. 99-29, 1999-31, I.R.B. 138, which provides specifications for filing Forms 1098, 1099, 5498, and W-2G, magnetically or electronically. Revenue Procedure 99-29 is reprinted as Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically. Corrections to forms are also included in this announcement.

Changes are listed by part, section and form number. The actual wording changes are highlighted using *italics* and **bold print**.

Corrections to Form 4419 and Form 8508

The following forms, for the filer's use, were printed incorrectly in the back of the Publication 1220. The correct wording below is highlighted using *italics* and **bold print**. These forms may be photocopied.

Form 4419: Application for Filing Information Returns Magnetically/Electronically

Type of Return To Be Reported
(Check appropriate box(s))

Important: Form W-2 information is sent to the Social Security Administration only. Do not use Form 4419 to request authorization to file information magnetically. Contact SSA to request the appropriate application.

- | | |
|--|--|
| <input type="checkbox"/> Forms 1098, 1099-series, 5498, 5498-MSA, and W-2G
(Tape, Tape Cartridges, 3-1/2" Diskette or Electronic) | <input type="checkbox"/> 1042-S, (Tape, Tape Cartridges, 3-1/2" Diskette or Electronic) |
| | <input type="checkbox"/> 8027 (Tape, Tape Cartridges, 3-1/2" Diskette or Electronic) |
| | <input type="checkbox"/> 8596 (Tape, Tape Cartridges, 3-1/2" Diskette or Electronic) |
| | <input type="checkbox"/> W-4 (Tape, Tape Cartridges, 3-1/2" Diskette or Electronic) |
-

Form 8508: Request for Waiver From Filing Information Returns on Magnetic Media

Box 3. Payer name and complete address (A separate **8508** form must be filed for each payer requesting a waiver.)

Box 7. **W-2VI**

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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Key to Abbreviations:

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

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