Instructions for Form 1066
U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

Paperwork Reduction Act Notice
We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form and related schedule will vary depending on individual circumstances. The estimated average times are:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Form 1066</th>
<th>Schedule Q (Form 1066)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recordkeeping</td>
<td>28 hr., 13 min.</td>
<td>6 hr., 13 min.</td>
</tr>
<tr>
<td>Learning about the law or form</td>
<td>6 hr., 41 min.</td>
<td>1 hr., 34 min.</td>
</tr>
<tr>
<td>Preparing the form</td>
<td>9 hr., 19 min.</td>
<td>2 hr., 40 min.</td>
</tr>
<tr>
<td>Copying, assembling, and sending the form to the IRS.</td>
<td>16 min.</td>
<td>16 min.</td>
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</tbody>
</table>

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. DO NOT send the tax form to this address. Instead, see Where To File below.

General Instructions

Purpose of Form
Form 1066 is used to report the income, deductions, and gains and losses from the operation of a real estate mortgage investment conduit (REMIC). In addition, the form is used by the REMIC to report and pay the taxes on net income from prohibited transactions, net income from foreclosure property, and contributions after the startup day.

Who Must File
An entity that elects to be treated as a REMIC for its first tax year (and for which the election is still in effect) and that meets the requirements of section 860D(a) must file Form 1066.

A REMIC is any entity:
1. To which an election to be treated as a REMIC applies for the tax year and all prior tax years,
2. All of the interests in which are regular interests or residual interests,
3. That has one (and only one) class of residual interests and all distributions, if any, with respect to such interests are pro rata,
4. Substantially all of the assets of which consist of qualified mortgages and permitted investments (as of the close of the 3rd month beginning after the startup day (defined in the instructions for Item B, on page 3) and at all times thereafter),
5. That has a tax year that is a calendar year, and
6. For which reasonable arrangements have been designed to ensure that (a) residual interests are not held by disqualified organizations (as defined in section 860E(e)(5)), and (b) information needed to apply section 860E(e) will be made available by the entity.

Note: Paragraph 6 does not apply to REMICs with a startup day before April 1, 1988 (or those formed under a binding contract in effect on March 31, 1988).

See section 860G for definitions and special rules. See section 860D(a) regarding qualification as a REMIC during a qualified liquidation.

Making the Election
The election to be treated as a REMIC is made by timely filing, for the first tax year of its existence, a Form 1066 signed by an authorized person. Once the election is made, it stays in effect for all years until it is terminated.

First Tax Year
For the first tax year of a REMIC’s existence, the REMIC must furnish the following in a separate statement attached to the REMIC’s initial return:
1. Information concerning the terms of the regular interests and the designated residual interest of the REMIC, or a copy of the offering circular or prospectus containing such information, and
2. A description of the prepayment and reinvestment assumptions made in accordance with section 1272(a)(6) and its regulations, including documentation supporting the selection of the prepayment assumption.

Termination of Election
If the entity ceased to qualify as a REMIC under the requirements of section 860D(a) in 1995, the election to be a REMIC is terminated for 1995 and all future years. For 1995 and all future years you must file the tax form for similarly organized entities (corporations, partnerships, trusts, etc.)

When To File
Generally, REMICs must file the 1995 Form 1066 by April 15, 1996. However, if 1995 is the entity’s final return, Form 1066 is due by the 15th day of the 4th month following the date the REMIC ceased to exist.

If you need more time to file a REMIC return, get Form 8736, Application for Automatic Extension of Time To File U.S. Return for a Partnership, REMIC, or for Certain Trusts, to request an automatic 3-month extension. You must file Form 8736 by the regular due date of the REMIC return.

If you have filed Form 8736 and you still need more time to file the REMIC return, get Form 8800, Application for Additional Extension of Time To File U.S. Return for a Partnership, REMIC, or for Certain Trusts, to request an additional extension of up to 3 months. To obtain this extension, you must show reasonable cause for the additional time you are requesting. Ask for the additional extension early so that if it is denied, the return can still be filed on time.

Where To File
File Form 1066 with the Internal Revenue Service Center listed below.

If the REMIC’s principal place of business or principal office or agency is located in
Use the following address

<table>
<thead>
<tr>
<th>State</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)</td>
<td>Holtville, NY 00501</td>
</tr>
<tr>
<td>New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont</td>
<td>Andover, MA 05501</td>
</tr>
<tr>
<td>Florida, Georgia, South Carolina</td>
<td>Atlanta, GA 39901</td>
</tr>
<tr>
<td>Indiana, Kentucky, Michigan, Ohio, West Virginia</td>
<td>Cincinnati, OH 45999</td>
</tr>
<tr>
<td>Kansas, New Mexico, Oklahoma, Texas</td>
<td>Austin, TX 73301</td>
</tr>
</tbody>
</table>
Amended Return

If after the REMIC files its return it later becomes aware of any changes it must make to income, deductions, etc., the REMIC should file an amended Form 1066 and amended Schedule Q (Form 1066), Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, for each residual interest holder. Check the box at Item D(3), page 1, Form 1066. Give corrected Schedules Q (Form 1066) labeled “Amended” to each residual interest holder.

Note: If a REMIC does not meet the small REMIC exception under sections 860F(e) and 6231, and related regulations, or if a REMIC makes the election described in section 6231(a)(1)(B)(i) not to be treated as a small REMIC, the amended return will be a request for administrative adjustment, and Form 8802, Notice of Inconsistent Treatment or Amended Return (Administrative Adjustment Request (AAR)), must be filed by the Tax Matters Person. See sections 860F(e) and 6227 for more information.

If the REMIC’s Federal return is changed for any reason, it may affect its state return. This would include changes made as a result of an examination of the REMIC return by the IRS. Contact the state tax agency where the state return is filed for more information.

Attachments

If you need more space on the forms or schedules, attach separate sheets. Use the same size and format as on the printed forms. But show the totals on the printed forms. Be sure to put the REMIC’s name and employer identification number on each sheet. You must complete every applicable entry space on Form 1066. If you attach statements, do not write “See Attached” instead of completing the entry spaces on this form.

Other Forms and Returns That May be Required

Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Use this form to summarize and send information returns to the Internal Revenue Service Center.

Form 1098, Mortgage Interest Statement. This form is used to report the receipt from any individual of $600 or more of mortgage interest and points in the course of the REMIC’s trade or business.

Forms 1099-A, B, C, INT, MISC, OID, R and S. You may have to file these information returns to report the following:

- Abandonments and acquisitions through foreclosure, proceeds from broker and barter exchange transactions, discharge of indebtedness, interest payments, medical and dental health care payments, miscellaneous income, original issue discount, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., and proceeds from real estate transactions.

Also, use these returns to report amounts that were received as a nominee on behalf of another person.

For more details, see the Instructions for Forms 1099, 1098, 5498, and W-2G.

Note: Generally, a REMIC must file Forms 1099-INT and 1099-OID, as appropriate, to report accrued income of $10 or more of regular interest holders. See Regulations section 1.6049-7. Also, every REMIC must file Forms 1099-MISC if it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling $600 or more to any one person in the course of its trade or business during the calendar year.

Form 8275, Disclosure Statement, is used to disclose items or positions, except those contrary to a regulation, that are not otherwise adequately disclosed on a tax return. The disclosure is made to avoid parts of the accuracy-related penalty imposed for disregard of rules or substantial understatement of tax. Form 8275 is also used for disclosures relating to preparer penalties for understatements due to unrealistic positions or disregard of rules.

Form 8275-R, Regulation Disclosure Statement, is used to disclose any item on a tax return for which a position has been taken that is contrary to Treasury regulations.

Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business. Generally, this form is used to report the receipt of more than $10,000 in cash or foreign currency in one transaction (or a series of related transactions).

Cashier’s checks, bank drafts, and money orders with face amounts of $10,000 or less are considered cash under certain circumstances. For more information, see Form 8300 and Regulations section 1.6050-1(c).

Form 8811, Information Return for Real Estate Mortgage Investment Conduits (REMICs) and Issuers of Collateralized Debt Obligations. A REMIC uses this form to provide the information required by Regulations section 1.6049-7(b)(1)(ii). This information will be published in Pub. 938, Real Estate Mortgage Investment Conduits (REMICs) Reporting Information. This publication contains a directory of REMICs.

Form 8822, Change of Address, may be used to inform the IRS of a new REMIC address if the change is made after filing Form 1066.

Payment of Tax Due

The REMIC must pay the tax due (line 3, Section II, page 1) in full by the 15th day of the 4th month following the end of the tax year. Enclose with Form 1066 a check or money order for the amount due payable to the “Internal Revenue Service.”

Interest and Penalties

Interest and penalty charges are described below. If a REMIC files late or does not pay the tax when due, it may be liable for penalties unless it can show that failure to
file or pay was due to reasonable cause and not willful neglect.

Interest.—Interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, gross valuation overstatement, and substantial understatement of tax from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

Late filing penalty.—A penalty may be charged if (a) the return is filed after the due date (including extensions), or (b) the return does not show all the information required. However, the penalty will not be charged if you can show reasonable cause for the late filing or for the failure to include the required information on the return.

If no tax is due, the amount of the penalty is $50 for each month or part of a month (up to 5 months) the return is late, multiplied by the total number of persons who were residual interest holders in the REMIC during any part of the REMIC’s tax year for which the return is due. If tax is due, the penalty is the amount stated above plus 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. If the return is more than 60 days late, the minimum penalty is $100 or the balance of the tax due on the return, whichever is smaller.

Late payment penalty.—The penalty for not paying the tax when due is usually ½% of 1% of the unpaid tax for each month or part of a month the tax is unpaid. The penalty cannot exceed 25% of the unpaid tax. The penalty will not be charged if you can show reasonable cause for not paying on time.

Other penalties.—Penalties can also be imposed for negligence, substantial understatement of tax, and fraud. See sections 6662 and 6663.

Contributions to the REMIC
Generally, no gain or loss is recognized by the REMIC or any of the regular or residual interest holders when property is transferred to the REMIC in exchange for an interest in the REMIC. The adjusted basis of the interest received equals the adjusted basis of the property transferred to the REMIC.

The basis to the REMIC of property transfereed by a regular or residual interest holder is its fair market value immediately after its transfer.

If the issue price of a regular interest is more than its adjusted basis, the excess is included in income by the regular interest holder for the applicable tax years as if the excess were market discount on a bond and the holder had made an election under section 1278(b) to include this market discount currently. If the issue price of a residual interest is more than its adjusted basis, the excess is amortized and included in the residual interest holder’s income ratably over the anticipated weighted average life of the REMIC (as defined in Regulations section 1.860E-1(a)(3)(iv)). If the adjusted basis of a regular interest is more than its issue price, the regular interest holder treats the excess as amortizable bond premium subject to the rules of section 717. If the adjusted basis of a residual interest is more than its issue price, the excess is deductible ratably over the anticipated weighted average life of the REMIC (as defined in Regulations section 1.860E-1(a)(3)(iv)).

Payments Subject to Withholding at Source
If there are any nonresident alien individuals, foreign partnerships, or foreign corporations as regular interest holders or residual interest holders, and the REMIC has items of gross income from sources within the United States (see sections 861 through 865), see Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

Who Must Sign
Start-up day after November 9, 1988.—For a REMIC with a start-up day after November 9, 1988, Form 1066 may be signed by any person who could sign the return of the entity in the absence of the REMIC election. Thus, the return of a REMIC that is a corporation or trust would be signed by a corporate officer or a trustee, respectively. For REMICs with only segregated pools of assets, the return would be signed by any person who could sign the return of the entity owning the assets of the REMIC under applicable state law.

Start-up day before November 10, 1988.—A REMIC with a start-up day before November 10, 1988, may elect to apply the rules for REMICs with a start-up day after November 9, 1988 (as described in Regulations section 1.860F-4(c)(2)(iii)). Otherwise, Form 1066 must be signed by a residual interest holder or, as provided in section 6903, by a fiduciary as defined in section 7701(a)(6) who is acting for the REMIC and who has furnished adequate notice as described in Regulations section 301.6903-1(b).

Note: For this purpose, the term “start-up day” means any day selected by a REMIC that is on or before the first day on which interests in such REMIC are issued. Otherwise, “start-up day” is defined in the instructions for Item B on this page.

Facsimile signature.—A facsimile signature is acceptable if the following conditions are met:

● Each group of returns sent to the IRS must be accompanied by a letter signed by the person authorized to sign the returns declaring, under penalties of perjury, that the facsimile signature appearing on the returns is the signature adopted by that person to sign the returns filed and that the signature was affixed to the returns by that person or at that person’s direction. The letter must also list each return by the name and employer identification number of the REMIC;

● After the facsimile signature is affixed, no entries on the return may be altered other than to correct discernible arithmetic errors;

● A manually signed copy of the letter submitted to the IRS with the returns, as well as a record of any arithmetic errors corrected, must be retained on behalf of the REMIC’s listed in the letter and must be available for inspection by the IRS.

The above instructions regarding facsimile signatures do not apply to paid preparers.

Paid preparer’s information.—If someone prepares the return and does not charge the REMIC, that person should not sign the return.

Generally, anyone who is paid to prepare the REMIC return must sign the return and fill in the Paid Preparer’s Use Only area of the return.

The preparer required to sign the REMIC’s return must complete the required preparer information and:

● Sign it, by hand, in the space provided for the preparer’s signature. (Signature stamps or labels are not acceptable.)

● Give the REMIC a copy of the return in addition to the copy to be filed with the IRS.

Specific Instructions

General Information
Name, address, and employer identification number.—Print or type the REMIC’s legal name and address on the appropriate lines. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the REMIC has a P.O. box, show the box number instead of the street address.

Note: Each REMIC must have its own employer identification number (EIN).

Show the EIN in Item A on page 1 of Form 1066. If the REMIC does not have an EIN, get Form SS-4, Application for Employer Identification Number, for details on how to obtain an EIN immediately by telephone. If the REMIC has previously applied for an EIN, but has not received it by the time the return is due, write “Applied for” in the space for the EIN. Do not apply for an EIN more than once. See Pub. 553 for details.

Item B—Date REMIC started.—Enter the “start-up day” selected by the REMIC.

The startup day is the day on which the REMIC issued all of its regular and residual interests. However, a sponsor may contribute property to a REMIC in exchange for regular and residual interests over any period of 10 consecutive days and the REMIC may designate any one of those 10 days as the startup day. The day so designated is then the startup day, and all interests are treated as issued on that day.

Page 3
Section I

Line 1—Taxable interest.—Enter the total taxable interest. “Taxable interest” is interest that is included in ordinary income from all sources except interest exempt from tax and interest on tax-free covenant bonds. You may elect under section 171(c) to reduce the amount of interest accrued on taxable bonds acquired after 1987 by the amount of amortizable bond premium on those bonds attributable to the current tax year. There is also an election for taxable bonds acquired on or after October 23, 1986.

Line 2—Accrued market discount under section 860C(b)(1)(B).—Enter the amount of market discount attributable to the current tax year determined on the basis of a constant interest rate under the rules of section 1276(b)(2).

Line 3—Capital gain (loss).—Enter the amount shown on line 12 or 13 (if any), from Schedule D, page 2.

Line 4—Ordinary gain (loss).—Enter the net gain (loss) from line 20, Part II, Form 4797.

Line 5—Other income.—Attach a schedule, listing by type and amount, any other taxable income not reported on lines 1–4. If there is only one item of other income, describe it in parentheses to the left of the entry space on line 5 instead of attaching a schedule. If the REMIC issued regular interests at a premium, the net amount of the premium is income that must be prorated over the term of these interests. Include this income on this line.

Deductions—(Lines 7–14).—Include only deductible amounts on lines 7–14. A REMIC is not allowed any of the following deductions in computing its taxable income:

- The net operating loss deduction;
- The deduction for taxes paid or accrued to foreign countries and U.S. possessions;
- The deduction for charitable contributions;
- The deduction for depletion under section 611 for oil and gas wells; and,
- Losses or deductions allocable to prohibited transactions.

Line 9—Amount accrued to regular interest holders in the REMIC that is deductible as interest.—Regular interests in the REMIC are treated as indebtedness for Federal income tax purposes. Enter the amount of interest, including original issue discount, accruing to regular interest holders for the tax year. Do not deduct any amounts paid or accrued for residual interests in the REMIC.

Line 10—Other interest.—Do not include interest deducted on line 9 or interest on indebtedness incurred or continued to purchase or carry obligations on which the interest is wholly exempt from income tax. You may elect to include amortization of bond premium on taxable bonds acquired before 1988 unless you elected to offset amortizable bond premium against the interest accrued on the bond (see the Section I, line 1, instructions). Do not include any amount attributable to a tax-exempt bond.

Line 11—Taxes.—Enter taxes accrued during the tax year but do not include the following:

- Federal income taxes (except the tax on net income from foreclosure property);
- Foreign or U.S. possession income taxes;
- Taxes not imposed on the REMIC; or
- Taxes, including state or local sales taxes, that are paid or incurred in connection with an acquisition or disposition of property (such taxes must be treated as a part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition).

Note: If you have to pay tax on net income from foreclosure property, you should include this tax (from line 10 of Schedule J) here on line 11.

See section 164(d) for apportionment of taxes on real property between the seller and purchaser.

Line 12—Depreciation.—See the Instructions for Form 4562 or Pub. 946, How To Depreciate Property, to figure the amount of depreciation to enter on this line. You must complete and attach Form 4562, Depreciation and Amortization, if the REMIC placed property in service during 1995, claims a section 179 expense deduction, or claims depreciation on any car or other listed property.

Line 13—Other deductions.—Attach a schedule, listing by type and amount, any other allowable deductions for which no line is provided on Form 1066.

Schedule D

Caution: At the time these instructions were printed, Congress was considering legislation that would change the tax treatment of capital gains. Get Pub. 553, Highlights of 1995 Tax Changes, for more information.

General Instructions

Purpose of schedule.—For a REMIC with a startup day before November 12, 1991, use Schedule D to report the sale or exchange of capital assets. To report sales or exchanges of property other than capital assets, see Form 4797 and its instructions. A REMIC with a startup day after November 11, 1991, must use Form 4797 instead of Schedule D because all of its gains and losses from the sale or exchange of any property are treated as ordinary gains and losses.

For amounts received from an installment sale, the holding period rule in effect in the year of sale will determine the treatment of amounts received as long-term or short-term capital gain.

Report every sale or exchange of property in detail, even though there is no gain or loss.

For details, see Pub. 544, Sales and Other Dispositions of Assets.

Capital gain distributions.—On line 7, report as long-term capital gain distributions: (a) a capital gain dividend, and (b) the REMIC’s share of the undistributed capital gain from a mutual fund or other regulated investment company.

For details, see Pub. 564, Mutual Fund Distributions.

Losses on worthless securities.—If any securities that are capital assets become worthless during the tax year, the loss is a loss from the sale or exchange of capital assets as of the last day of the tax year.

Losses from wash sales.—The REMIC cannot deduct losses from a wash sale of stock or securities. A wash sale occurs if the REMIC acquires (by purchase or exchange), or has a contract or option to acquire, substantially identical stock or securities within 30 days before or after the date of the sale or exchange. See section 1091 for details.

Installment sales.—If the REMIC sold property (except publicly traded stock or securities) at a gain and will receive any payment in a tax year after the year of sale, it must use the installment method and Form 6252, Installment Sale Income, unless it elects not to use the installment method.

If the REMIC wants to elect out of the installment method, it must report the full amount of the gain on a timely filed return (including extensions).

Specific Instructions

Column (d)—Sales price.—Enter either the gross sales price or the net sales price from the sale. On sales of stocks and bonds, report the gross amount as reported to the REMIC by the REMIC’s broker on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, or similar statement. However, if the broker advised the REMIC that gross proceeds (sales price) minus commissions and option premiums were reported to the IRS, enter that net amount in column (d).

Column (e)—Cost or other basis.—In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation. If the REMIC got the property in a tax-free exchange, involuntary conversion, or wash sale of stock, it may not be able to use the actual cash cost as the basis. If the REMIC uses a basis other than cash cost, attach an explanation.

When selling stock, adjust the basis by subtracting all the nontaxable distributions received before the sale. This includes nontaxable dividends from utility company stock and mutual funds. Also, adjust the basis for any stock splits.

See section 852(f) for the treatment of certain load charges incurred in acquiring stock in a mutual fund with a reinvestment right.
Increase the cost or other basis by any expense of sale, such as broker’s fee, commission, and option premium, before making an entry in column (e), unless the REMIC reported net sales price in column (d).

For details, see Pub. 551, Basis of Assets.

**Schedule J**

**Part I—Tax on Net Income from Prohibited Transactions**

Do not net losses from prohibited transactions against income or gains from prohibited transactions in determining the amounts to enter on lines 1a through 1d. These losses are not deductible in computing net income from prohibited transactions.

Note: For purposes of lines 1a and 1d, the term “prohibited transactions” does not include any disposition that is required to prevent default on a regular interest where the threatened default resulted from a default on one or more qualified mortgages, or to facilitate a clean-up call. A clean-up call is the redemption of a class of regular interests when, by reason of prior payments with respect to those interests, the administrative costs associated with servicing that class outweigh the benefits of maintaining the class. It does not include the redemption of a class in order to profit from a change in interest rates.

**Line 1a—Gain from certain dispositions of qualified mortgages.**—Enter the amount of gain from the disposition of any qualified mortgage transferred to the REMIC other than a disposition from:

1. The substitution of a qualified replacement mortgage for a qualified mortgage (or the repurchase in lieu of substitution of a defective obligation).
2. The foreclosure, default, or imminent default of the mortgage.
3. The bankruptcy or insolvency of the REMIC.
4. A qualified liquidation.

See section 860F(a) for details and exceptions.

**Line 1b—Income from nonpermitted assets.**—Enter the amount of any income received or accrued during the year attributable to any asset other than a qualified mortgage or permitted investment. See section 860G(a) for definitions.

**Line 1c—Compensation for services.**—Enter the amount of fees or other compensation for services received or accrued during the year.

**Line 1d—Gain from the disposition of cash flow investments (except from a qualified liquidation).**—Enter the amount of gain from the disposition of any “cash flow investment” except from a qualified liquidation. A cash flow investment is any investment of amounts received under qualified mortgages for a temporary period (not more than 13 months) before distribution to holders of interests in the REMIC. See section 860F(a)(4) for the definition of a qualified liquidation.

**Part II—Tax on Net Income From Foreclosure Property**

For a definition of foreclosure property, see instructions on page 6 for Schedule L, line 1c. Net income from foreclosure property must also be included in the computation of taxable income (or net loss) shown in Section I, page 1, Form 1066.

**Line 6—Gross income from foreclosure property.**—Do not include on line 6 amounts described in section 856(c)(3)(A), (B), (C), (D), (E), or (G).

**Line 8—Deductions.**—Only those expenses which are directly connected with the production of the income shown on line 7 may be deducted to figure net income from foreclosure property. Allowable deductions include depreciation on foreclosure property, interest accrued on debt of the REMIC attributable to the carrying of foreclosure property, real estate taxes, and fees charged by an independent contractor to manage foreclosure property. Do not deduct general overhead and administrative expenses.

**Line 10—Tax on net income from foreclosure property.**—The REMIC is allowed a deduction for the amount of tax shown on this line. Include this amount in computing the deduction for taxes entered on line 11, Section I, page 1, Form 1066.

**Part III—Tax on Contributions After the Startup Day**

Do not complete this part if the startup day was before July 1, 1987. For this purpose “startup day” means any day selected by a REMIC which is on or before the first day on which interests in the REMIC are issued.

**Line 11—Tax.**—Enter the amount of contributions received during the calendar year after the startup day (as defined above). Do not include cash contributions described below:

1. Any contribution to facilitate a clean-up call or a qualified liquidation.
2. Any payment in the nature of a guarantee.
3. Any contribution during the 3-month period beginning on the startup day.
4. Any contribution to a qualified reserve fund by any holder of a residual interest in the REMIC.

Attach a schedule showing your computation.

**Designation of Tax Matters Person (TMP)**

A REMIC may designate a tax matters person in the same manner that a partnership may designate a tax matters partner under Temporary Regulations section 301.6231(a)(7)-1T. When applying that section, treat all holders of a residual interest in the REMIC as general partners. The designation may be made by completing the Designation of Tax Matters Person section on page 4 of Form 1066.

**Additional Information**

Be sure to answer the questions and provide other information in items E through L.

**Item E—Type of entity.**—Check the box for the entity type of the REMIC recognized under state or local law. If the REMIC is not a separate entity under state or local law, check the box for “Segregated Pool of Assets,” and state the name and type of entity which owns the assets in the spaces provided.

**Item F—Number of residual interest holders.**—Enter the number of persons who were residual interest holders at any time during the tax year.

**Item G—Consolidated REMIC proceedings.**—Generally, the tax treatment of REMIC items is determined at the REMIC level in a consolidated REMIC proceeding, rather than in separate proceedings with individual residual interest holders.

Check the box for Item G if any of the following applies:

1. The REMIC had more than 10 residual interest holders at any time during the tax year.
2. Any residual interest holder was a nonresident alien or was other than a natural person or estate, unless there was at no time during the tax year more than one holder of the residual interest.
3. The REMIC has elected to be subject to the rules for consolidated REMIC proceedings.

“Small REMICs,” as defined in sections 860F(e), 6231(a)(1)(B), and the regulations of both, are not subject to the rules for consolidated REMIC proceedings but may make an election to be covered by them. This election can be revoked only with the consent of the Commissioner.

For details on the consolidated entity-level audit procedures, see “Examination of Partnerships and S Corporations” in Pub. 556, Examination of Returns, Appeal Rights, and Claims for Refund, and sections 860F(e) and 6231.

**Item H—Foreign accounts.**—Check “Yes” if either 1 OR 2 below applies:

1. At any time during calendar year 1995, the REMIC had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country, and
2. The combined value of the accounts was more than $10,000 at any time during the calendar year, and
3. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

**Get Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts,** to see if the REMIC is considered to have an...
If you checked “Yes” for Item H, file Form TD F 90-22.1 by June 30, 1996, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return. Do not file it with Form 1066.

Item I—Foreign trusts.—Check “Yes” if the REMIC was a grantor of, or a transferor to, a foreign trust that existed during the tax year.

A U.S. REMIC that has (at any time) transferred property to a foreign trust may have to include the income from that property in the REMIC’s taxable income if the trust had a U.S. beneficiary during 1995. (See section 679.)

If the REMIC transfers property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign estate or trust, or to a foreign partnership, an excise tax is imposed under section 1491 (see Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, Foreign Estate or Trust, or Foreign Partnership). To avoid this excise tax, the REMIC may choose to treat the transfer as a taxable sale or exchange as specified in section 1057.

Item L—Sum of the daily accruals.—Enter the total of the daily accruals for all residual interests for the calendar year. See section 860E(c)(2) for details.

Schedule L—Balance Sheets
The amounts shown should agree with the REMIC’s books and records. Attach a statement explaining any differences.

Line 1a.—Cash flow investments are any investments of amounts received under qualified mortgages for a temporary period (not more than 13 months) before distribution to holders of interests in the REMIC.

Line 1b.—Qualified reserve assets include any intangible property that is held for investment and as part of any reasonably required reserve to provide for full payment of expenses of the REMIC or amounts due on regular interests in the event of defaults on qualified mortgages or lower than expected returns on cash flow investments. No more than 30% of the gross income from such assets may be derived from the sale or disposition of property held less than 3 months. See section 860G(a)(7)(C) for details and exceptions.

Line 1c.—Foreclosure property is any real property (including interests in real property), and any personal property incident to such real property, acquired by the REMIC as a result of the REMIC’s having bid in the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default or imminent default on a qualified mortgage held by the REMIC. Generally, this property ceases to be foreclosure property 2 years after the date that the REMIC acquired the property. See sections 860G(a)(8), 856(e), and Regulations section 1.856-6 for more details.

Note: Solely for purposes of section 860D(a), the determination of whether any property is foreclosure property will be made without regard to section 856(e)(4).

Line 7.—Regular interests are interests in the REMIC that are issued on the startup day with fixed terms and that are designated as regular interests, if:

1. Such interest unconditionally entitles the holder to receive a specified principal amount or other similar amounts; and
2. Interest payments (or similar amounts), if any, with respect to the interest at or before maturity are payable based on a fixed rate (or at a variable rate described in Regulations section 1.860G-1(a)(3)), or consist of a specified portion of the interest payments on qualified mortgages and this portion does not vary during the period that the interest is outstanding.

The interest will meet the requirements of 1 above even if the timing (but not the amount) of the principal payments (or other similar amounts) is contingent on the extent of prepayments on qualified mortgages and the amount of income from permitted investments.

Schedule M—Reconciliation of Residual Interest Holders’ Capital Accounts
Show what caused the changes in the residual interest holders’ capital accounts during the tax year.

The amounts shown should agree with the REMIC’s books and records and the balance sheet amounts. Attach a statement explaining any differences.

Include in column (d) tax-exempt interest income, other tax-exempt income, income from prohibited transactions, income recorded on the REMIC’s books but not included on this return, and allowable deductions not charged against book income this year.

Include in column (e) capital losses over the $3,000 limitation (for a REMIC with a startup day before November 12, 1991), other nondeductible amounts (such as losses from prohibited transactions and expenses connected with the production of tax-exempt income), deductions allocable to prohibited transactions, expenses recorded on books not deducted on this return, and taxable income not recorded on books this year.

Schedule Q—Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation
Attach a separate Copy A, Schedule Q (Form 1066), to Form 1066 for each person who was a residual interest holder at any time during the tax year and for each quarter in which each person was a residual interest holder.