Instructions for Form 1097-BTC

Bond Tax Credit

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

Future Developments

For the latest information about developments related to Form 1097-BTC and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form1097btc.

Reminder

In addition to these specific instructions, you should also use the 2017 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

* Who must file (nominee/middleman).
* When and where to file.
* Electronic reporting requirements.
* Corrected and voided returns.
* Statements to recipients.
* Taxpayer identification numbers.
* Backup withholding.
* Penalties.
* Other general topics.

You can get the general instructions at General Instructions for Certain Information Returns or www.irs.gov/form1097btc.

Specific Instructions

Issuers of certain tax credit bonds (or their agents) and recipients of Form 1097-BTC from the bond issuer or agent, such as mutual funds or partnerships, who are further distributing the credit must file Form 1097-BTC for each tax credit distributed from the following tax credit bonds.

* New clean renewable energy bonds.
* Qualified energy conservation bonds.
* Qualified zone academy bonds.
* Qualified school construction bonds.
* Clean renewable energy bonds.
* Build America bonds (Tax Credit).

Filings of Form 1097-BTC with respect to a bond, by the issuer or the issuer’s agent, must be made on a separate Form 1097-BTC for each bond.

For tax credit bonds issued with two or more maturities, each maturity must be reported separately on the Form 1097-BTC issued by the bond issuer or its agent.

Recipients of Form 1097-BTC from the bond issuer or agent, such as brokers, nominees, mutual funds, or partnerships, who are further distributing the credit must file only one Form 1097-BTC per recipient or account, aggregating credit from all applicable bonds.

Note. Issuers that have elected to issue build America bonds (Direct Pay) under section 54AA(g) or specified tax credit bonds under section 6431(f) to receive a refundable credit under section 6431(a) in lieu of tax credits under section 54A should not file Form 1097-BTC.

Definitions

Tax credit bond. Generally, a tax credit bond is an obligation issued under sections 54, 54A, 54AA, 1397E, or 1400N(l) that entitles the taxpayer holding such bond on one or more credit allowance dates occurring during any tax year to a credit against the federal income tax imposed for that tax year.

Qualified tax credit bond. Qualified tax credit bonds under section 54A include new clean renewable energy bonds under section 54C, qualified energy conservation bonds under section 54D, qualified zone academy bonds under section 54E, and qualified school construction bonds under section 54F.

New clean renewable energy bond. An obligation that is part of an issue, 100% of the available project proceeds of which are to be used for capital expenditures incurred by governmental bodies, public power providers, or cooperative electric companies for one or more qualified renewable energy facilities, as defined in section 54C. The annual credit allowed is 70% of the annual credit amount determined by applying 54A(b).

Qualified energy conservation bond. An obligation that is part of an issue, 100% of the available project proceeds of which are to be used for one or more qualified energy conservation purposes, as defined in section 54D. The annual credit allowed is 70% of the annual credit amount determined by applying 54A(b).

Qualified zone academy bond. An obligation that is part of an issue, 95% or more of the proceeds of which are to be used for a qualified zone academy established by an eligible local education agency, as provided in section 54E; or an obligation that is part of an issue, 95% or more of the proceeds of which are to be so used and issued before October 4, 2008, as provided by section 1397E.

Qualified school construction bond. An obligation that is part of an issue, 100% of the available project proceeds of which are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with the proceeds, as provided in section 54F.

Clean renewable energy bond. An obligation that is part of an issue, 95% or more of the proceeds of which are used for capital expenditures incurred by qualified
When To File

File Copy A of Form 1097-BTC with the IRS by February 28, 2018 (April 2, 2018, if filed electronically). See Statement to Recipient below for furnishing statements to recipients.

Penalties for Failure To File

There are penalties for failure to file correct information returns by the due date and for failure to furnish correct payee statements. See part O in the 2017 General Instructions for Certain Information Returns for details. The failure to file Forms 1097-BTC also includes the requirement to file electronically. For more information on penalties for failure to file electronically, see part F in the 2017 General Instructions for Certain Information Returns.

Statement to Recipient

If required to file Form 1097-BTC, you must furnish a statement to the recipient quarterly for each credit amount indicated on or before the 15th day of the 2nd calendar month after the close of the calendar quarter in which the credit was allowed.

For the first three quarters, report to the recipient only the amounts for the months of the applicable quarter. Box 1 should not be completed and box 6 is optional.

You are not required to furnish a separate report solely for the fourth quarter because the fourth quarter amounts are reported with the annual filing. For the annual filing, report the credits for each month in boxes 5a–5l; report the total of those amounts in box 1; and complete the rest of the form as applicable. Furnish the annual filing to the recipient by February 15, 2018.

If any amounts previously furnished for the first three quarters need to be corrected, report the correct amounts for the annual reporting and explain the correction to the recipient; no explanation is required for the IRS filing.

For the report furnished to the recipient (quarterly or annual), you may use Copy B or your own substitute statement reporting the same applicable information (the reporting for the first three quarters may be furnished electronically). See Pub.1179 for specific rules about providing substitute statements to recipients.

The IRS encourages Form 1097-BTC issuers to provide the credit information to the recipient monthly if applicable, and as soon after the end of the month in which a credit arises as possible.

For more information about the requirement to furnish a statement to the recipient, see part M in the 2017 General Instructions for Certain Information Returns.

Bond Issuer. If issuing the Form 1097-BTC as an issuer of the bond or its agent, box 2a of the form will always reflect code “C” and box 2b must reflect the CUSIP number for the bond or stripped coupon, unless a CUSIP number was not issued for the bond. See the instructions for boxes 2a and 2b.

Form 1097-BTC Issuer's Name, Address, and Telephone Number

Enter the name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number of the entity issuing the Form 1097-BTC.

Enter the entity's true name (as set forth in the legal documents creating it). Enter the address of the entity's principal office or place of business. 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 entity has a P.O. box, show the box number instead.
Note. Do not use the address of the registered agent for the state in which the entity is incorporated. For example, if a business is incorporated in Delaware or Nevada and the corporation's principal office is located in Little Rock, AR, the corporation should enter the Little Rock address.

If the entity receives its mail in care of a third party (such as an accountant or an attorney), enter for the street address “C/O” followed by the third party’s name and street address or P.O. box.

Form 1097-BTC Issuer's Federal Identification Number

Enter the Form 1097-BTC issuer’s federal identification number, such as an employer identification number (EIN). Do not truncate the Form 1097-BTC issuer’s federal identification number. An issuer that does not have an EIN should apply for one. See Form SS-4, Application for Employer Identification Number, and its separate instructions, available at www.irs.gov. Applications can be submitted online, by phone, fax, or mail.

Recipient’s Federal Identification Number

Enter the federal identification number, such as an EIN or social security number, of the recipient of the distributed (or stripped) credit from the tax credit bond. Do not truncate the recipient's federal identification number on the form filed with the IRS. Truncation of the recipient's federal identification number is allowed on the statement to the recipient. See 2017 General Instructions for Certain Information Returns.

Recipient's Name

Enter the name of the recipient of the distributed (or stripped) credit from the tax credit bond. If not an individual, enter the entity’s true name (as set forth in the legal documents creating it).

Recipient's Street Address (Including Apt. No.)

Enter the street address, city or town, state or province, country, and ZIP or foreign postal code of the recipient's principal residence, office, or place of business. Include the apartment, suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the entity has a P.O. box, show the box number instead.

Note. Do not use the address of the registered agent for the state in which the recipient is incorporated.

If the recipient receives its mail in care of a third party (such as an accountant or an attorney), enter for the street address “C/O” followed by the third party’s name and street address or P.O. box.

Check, as applicable, whether you are the issuer of the bond (or its agent) filing the initial 2017 Form 1097-BTC for the bond, or are an entity or a person that received or should have received a 2017 Form 1097-BTC for credit(s) that was or should have been reported and that is distributing part or all of that credit to others.

Box 1. Total

Enter the total amount of credits distributed to the recipient with respect to the amounts reported in boxes 5a–5l for the calendar year.

This box should be only filled out when filing Copy A and when the annual statement (Copy B of the form) is sent to the recipient. See Statement to Recipient, earlier.

Box 2a. Code

Enter the unique identification number code. Enter “C” for CUSIP number, “A” for account number, and “O” if the unique identification number is not an account number or a CUSIP number, such as a self-provided identification number. If you checked the first box under Form 1097-BTC issuer, and a CUSIP number is assigned to the bond(s), enter “C.” If no CUSIP number is assigned to the bond(s) and you checked the first box under Form 1097-BTC issuer, use the account number as the unique identifier and enter “A” or “O” if you are using any other unique identifying number. See Box 2b. Unique Identifier next.

Box 2b. Unique Identifier

The unique identification number is assigned by the Form 1097-BTC issuer and is limited to 39 alphanumeric characters. It can be the CUSIP number, account number, or any other unique identification number by which you track the bond transactions.

For a bond issuer (or its agent) filing the 2017 Form 1097-BTC for a bond, the unique identification number must start with the CUSIP number(s), if available, and may be expanded by the account number or any other self-provided number(s). If a CUSIP number was not issued for the bond, the bond issuer may use or devise its own unique identifier, preferably the account number or other reference number by which you track the bond transaction. A recipient of a Form 1097-BTC that issues its own Form 1097-BTC to further distribute the credit may use or devise its own unique identifier using whatever means it deems best.

Box 3. Bond Type

Enter code “101” for clean renewable energy bonds issued under section 54. Enter code “199” for all other bonds.

Multiple bond types can be entered on one Form 1097-BTC, other than clean renewable energy bonds. Credits from clean renewable energy bonds must be reported on a separate Form 1097-BTC.

Box 4.

Reserved.

Boxes 5a–5l.

Enter the amount of credit allowed for each month during the calendar year, calculated by using steps 1 and 2, following.

STEP 1. For each recipient, multiply the outstanding face amount of the qualified tax credit bond, clean renewable energy bond, or qualified zone academy bond issued before October 4, 2008, by the applicable credit rate. The
outstanding face amount of the bond is the face amount of
the bond minus any principal that has been paid. The
credit rate for the qualified tax credit bond, clean
renewable energy bond, or qualified zone academy bond
issued before October 4, 2008, is the rate published on
the Treasury Direct website under “IRS Tax Credit Bond
Rates” at www.treasurydirect.gov/govt/rates/
rates_irstcb.htm for the first day on which there is a
binding contract in writing for the sale or exchange of the
bond.

The credit rate for qualified zone academy bonds
issued before July 1, 1999, is 110% of the long-term
applicable federal rate (AFR), compounded annually, for
the month and year the bond is issued. The IRS
announces the long-term AFR monthly in a series of
revenue rulings published in the Internal Revenue Bulletin.

For build America bonds (Tax Credit), multiply by 35%
the amount of interest payable with respect to the interest
payment date for which you are filing Form 1097-BTC or
sending a statement to the credit recipient. Enter the
credit amount so determined in boxes 5a–5l for the month
in which the interest payment date occurred. Thus, if the
interest payment dates for a build America bond are June
30 and December 31, enter the credit amounts in boxes 5f
and 5l.

For qualified zone academy bonds issued before
October 4, 2008, enter the amount so determined in the
box 5 that corresponds to the credit allowance date.
When filing the annual Form 1097-BTC with the IRS, enter
the same amount in box 1.

**STEP 2.** For qualified tax credit bonds or clean
renewable energy bonds only, multiply the credit amount
so determined in STEP 1 by 25% for each credit
allowance date you hold a qualified tax credit bond or
clean renewable energy bond during your taxable year.
Enter the credit amount determined in STEP 2 in the box
for the month in which the credit allowance date occurred.

**Example.** You issued a qualified energy conservation
bond on March 15, 2016. For the Form 1097-BTC
statement for the June 15, 2017, credit allowance date,
due to recipient by August 15, you would enter 25% of the
amount computed in STEP 1 in box 5f. For the Form
1097-BTC statement for the September 15, 2017, credit
allowance date, due to recipient by November 15, you
would enter 25% of amount computed in STEP 1 in 5i. For
the annual Form 1097-BTC and December 15, 2017,
credit allowance date, due to recipient by February 15 and
to the IRS by February 28, 2018 (April 2, 2018, if filed
electronically), enter 25% of the credit amount determined
in STEP 1 in box 5l and 75% of the credit amount
determined in STEP 1 in box 1.

However, the 25% will be pro-rated for any credit
allowance date if a clean renewable energy bond or
qualified tax credit bond is issued, redeemed, or matures
during the 3-month period ending on a credit allowance
date with respect to which you are reporting the credit.
The percentage of credit allowed for that credit allowance
date is pro-rated for the number of days the bond was
outstanding during the 3-month period.

**Example.** You issued a qualified energy conservation
bond on March 23, 2017. Since the bond was not
outstanding for the entire 3-month period on June 15,
2017, the pro-rated portion of the 25% is figured by
dividing (a) the number of days the bond was outstanding
beginning on the day after the date the bond was issued
and ending on the next credit allowance date by (b) the
number of days included in the 3-month period beginning
on the day after the prior (March 15) credit allowance date
and ending on the next (June 15) credit allowance date. See below.

<table>
<thead>
<tr>
<th>Days</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>84</td>
<td>0.913 X 25% = 23%</td>
</tr>
<tr>
<td>92</td>
<td>0.913 X 25% = 23%</td>
</tr>
</tbody>
</table>

Thus, for each credit allowance date with respect to the
3-month period in which the bond was issued, redeemed,
or matured, you would multiply the credit amount
determined in STEP 1 by the pro-rated percentage. In the
example above, for the 2nd quarter reporting period, due to
recipient by August 15, you would enter the amount
determined by multiplying 23% with the credit amount
determined in STEP 1 in box 5f. You would carry the same
percentage to the Total annual credit reported in box 1 for
the annual/4th quarter reporting period filed with the IRS
and sent to the recipient. Thus, in the example above, you
would enter in box 1 (73%) of the amount determined in
STEP 1.

**Note.** For new clean renewable energy bonds issued
under section 54C and qualified energy conservation
bonds issued under section 54D, report the credit amount
after the 70% limit has been applied.

**Box 6. Comments**
Enter any additional information.