**What's New**
For tax years beginning after December 31, 2004, sections 412(a) and 413(c)(1) of the American Jobs Creation Act of 2004 (P.L. 108-357) repealed provisions of the Internal Revenue Code that specifically excluded distributions from foreign personal holding companies and foreign investment companies from the definition of qualified dividends. Thus, ordinary dividends from a foreign corporation that would otherwise have been subject to these provisions will be qualified dividends if the other conditions under Qualified Dividends below are met.

**Reminder**
In addition to these specific instructions, you should also use the 2005 General Instructions for Forms 1099, 1098, 5498, and W-2G. Those general instructions include information about:
- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- Who must file (nominee/middleman)
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS website at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

**Qualified Dividends**
Except as provided below, qualified dividends are dividends paid during the tax year from domestic corporations and qualified foreign corporations. For individuals, estates, and trusts, qualified dividends are taxed at a maximum rate of 15% (generally, 5% for individuals whose other income is taxed at the 10% or 15% rate).

**Exceptions**
The following dividends are not qualified dividends.
- Dividends attributable to periods totaling more than 366 days that the recipient received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. See the instructions for box 1b on page DIV-2.
- Dividends that relate to payments that the recipient is obligated to make with respect to short sales or positions in substantially similar or related property.
- Dividends paid by a regulated investment company that are not treated as qualified dividend income under section 854.

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**Specific Instructions for Form 1099-DIV**
File Form 1099-DIV, Dividends and Distributions, for each person:
- To whom you have paid dividends (including capital gains dividends) and other distributions on stock of $10 or more,
- For whom you have withheld any foreign tax on dividends and other distributions on stock,
- For whom you have witheld any federal income tax under the backup withholding rules, or
- To whom you have paid $600 or more as part of a liquidation.

**Dividends**
If you make a payment that may be a dividend but you are unable to determine whether any part of the payment is a dividend by the time you must file Form 1099-DIV, the entire payment must be reported as a dividend. See regulations under section 6042 for a definition of dividends.

**Exceptions**
You are not required to report on Form 1099-DIV the following:
- Taxable dividend distributions from life insurance contracts are reported on Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- Exempt-interest dividends from regulated investment companies retain their tax-exempt status and are not reported on Form 1099-DIV or Form 1099-INT, Interest Income (see section 852(b)(5)).
- Substitute payments in lieu of dividends. For payments received by a broker on behalf of a customer in lieu of dividends as a result of a loan of a customer’s securities, see box 8 in the 2005 Instructions for Form 1099-MISC.

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The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
• Dividends paid by a real estate investment trust that are not
treated as qualified dividend income under section 857(c).
• Dividends paid on employer securities. See Section 404(k) Dividends on page DIV-2.

Qualified foreign corporation. A foreign corporation is a qualified foreign corporation if it is:
1. Incorporated in a possession of the United States or
dependent on behalf of a comprehensive income tax treaty
with the United States that the Secretary determines is
satisfactory for this purpose and that includes an exchange of
information program.

For a list of income tax treaties of the United States that
(a) are comprehensive, (b) include an information
exchange program, and (c) have been determined by
the Treasury Department to be satisfactory for this purpose, see Notice 2003-69, which is on page 851 of Internal Revenue
• If the foreign corporation does not meet either 1 or 2 above,
then it may be treated as a qualified foreign corporation for any
dividend paid by the corporation if the stock associated with the
dividend paid is readily tradable on an established securities
market in the United States. See Notice 2003-71, which is on
page 922 of Internal Revenue Bulletin 2003-43 at www.irs.gov/ pub/irs-ibrs/ibr03-43, for more information on when a stock may
be considered to be readily tradable.

For guidance on the extent to which distributions,
inclosures, and other amounts received by, or included
in the income of, individual shareholders as ordinary
income from foreign corporations subject to certain anti-deferral
regimes may be treated as qualified dividends, see Notice
2004-70, which is on page 724 of Internal Revenue Bulletin

Section 404(k) Dividends
Report as ordinary dividends in box 1a of Form 1099-DIV
dividends distributed under section 404(k) on stock held by
an employee stock ownership plan (ESOP) or a tax credit
ESOP. If a section 404(k) distribution is made in the same year as a total
distribution from the ESOP, you may report the entire amount
on Form 1099-R or you may report the dividends on Form
1099-DIV and the remaining amount on Form 1099-R.

Section 404(k) dividends are not subject to backup withholding.

Also, these dividends are not eligible for the
5% and 15% capital gains rates (see Exceptions on page DIV-1).

RICs and REITs
Qualified dividends. If any part of the total ordinary dividends
reported in box 1a is qualified dividends, report the qualified dividends in box 1b.

For guidance in applying section 1(h) to capital gain
dividends of RICs and REITs paid (or accounted for as if
paid) in taxable years that end on or after May 6, 2003,
see Notice 2004-39, which is on page 982 of Internal Revenue

Dividend payment delayed until January. If a regulated
investment company (RIC) or a real estate investment trust
(REIT) declares a dividend in October, November, or December payable to shareholders of record on a specified date in such a
month, the dividends are treated as paid by the RIC or REIT
and received by the recipients on December 31 of such year
as long as the dividends are actually paid by the RIC or REIT
during January of the following year. Report the dividends on
Form 1099-DIV for the year preceding the January they are
actually paid. See sections 852(b)(7) and 857(b)(9) for RICs
and REITs respectively.

If a dividend paid in January is subject to backup withholding, withhold on the dividend is actually paid. Therefore, backup withhold in January, deposit the withholding when appropriate, and reflect it on Form 945, Annual Return of
Withheld Federal Income Tax, for the year withheld. However,
since the dividend is reportable on Form 1099-DIV in the prior
year, the related backup withholding is also reportable on the
prior year Form 1099-DIV.

Qualified small business stock—RICs. Under section 1202,
a 50% exclusion may be allowed on the gain from the sale or
exchange of qualified small business stock issued after August
10, 1993, and held for more than 5 years. If any part of the
capital gain distribution reported in box 2a may qualify for this
exclusion (taking into consideration the recipient’s holding
period), report the gain in box 2c, and furnish the recipient a
statement that reports separately for each designated section 1202 gain the:
• Name of the corporation that issued the stock that was sold,
• Date(s) on which the RIC acquired the stock,
• Recipient’s part of the sales price,
• Recipient’s part of the RIC’s basis in the stock, and
• Amount of the recipient’s section 1202 gain.

Restricted Stock
For information about reporting dividends on restricted stock, see Rev. Procs. 80-11, 1980-1 C.B. 616, and 83-8, 1983-1

Statements to Recipients
If you are required to file Form 1099-DIV, you must provide a
statement to the recipient. For information about the
requirement to furnish an official or acceptable substitute Form
1099-DIV to recipients in person, by statement mailing, or
electronically, see part H in the 2005 General Instructions for
Forms 1099, 1098, 5498, and W-2G.

2nd TIN Not.
You may enter an “X” in this box if you were notified by the IRS
that you must furnish a second “B” notice to the
taxpayer on receipt of the second notice. See Backup
Withholding in the General Instructions for Forms 1099, 1098,
5498, and W-2G for more information.

For information on the TIN Matching System offered by
the IRS, see the 2005 General Instructions for Forms
1099, 1098, 5498, and W-2G.

Account Number
The account number is required if you have multiple accounts
for a recipient for whom you are filing more than one Form
1099-DIV. Additionally, the IRS encourages you to designate an
account number for all Forms 1099-DIV that you file. See part P
in the 2005 General Instructions for Forms 1099, 1098, 5498, and
W-2G for more information.

Box 1a. Total Ordinary Dividends
Enter dividends, including dividends from money market funds,
net short-term capital gains from mutual funds, and other
distributions on stock. Include reinvested dividends and section
404(k) dividends. Include as a dividend the amount of the
recipient’s share of investment expenses that you report in
box 5.

An S corporation reports as dividends on Form
1099-DIV only distributions made during 2005 out of
accumulated earnings and profits. See section 1368 for more information.

Box 1b. Qualified Dividends
Enter the portion of the dividends in box 1a that qualify for the
5% and 15% capital gains rates. Include dividends for which it
is impractical to determine if the section 1(h)(11)(B)(iii) holding
period requirement has been met. See Qualified Dividends on page DIV-1.


Box 2a. Total Capital Gain Distr.
Enter total capital gain distributions (long-term). Include all amounts shown in boxes 2b, 2c, and 2d.

For more information about reporting amounts in boxes 2a through 2d, see section 1(h).

Box 2b. Unrecap. Sec. 1250 Gain
Enter any amount included in box 2a that is an unrecovered section 1250 gain from certain depreciable real property.

Box 2c. Section 1202 Gain
Enter any amount included in box 2a that is a section 1202 gain from certain qualified small business stock. See Qualified small business stock—RICs on page DIV-2.

Box 2d. Collectibles (28%) Gain
Enter any amount included in box 2a that is a 28% rate gain from sales or exchanges of collectibles.

Box 3. Nondividend Distributions
Enter nondividend distributions, if determinable.

File Form 5452, Corporate Report of Nondividend Distributions, if you pay nondividend distributions to shareholders.

Box 4. Federal Income Tax Withheld
Enter backup withholding. For example, if a recipient does not furnish its TIN to you in the manner required, you must backup withhold at a 28% rate on certain dividend payments reported on this form. Use Form W-9, Request for Taxpayer Identification Number and Certification, to request the TIN of the recipient. For foreign recipients, see part F in the 2005 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 5. Investment Expenses
Enter the recipient’s pro rata share of certain amounts deductible by a nonpublicly offered RIC in computing its taxable income. This amount is includible in the recipient’s gross income under section 67(c) and must also be included in box 1a. Do not include any investment expenses in box 1b.

Box 6. Foreign Tax Paid
Enter any foreign tax withheld and paid on dividends and other distributions on stock. A RIC must report only the amount it elects to pass through to the recipient. Report this amount in U.S. dollars.

Box 7. Foreign Country or U.S. Possession
Enter the name of the foreign country or U.S. possession to which the withheld tax applies.

Boxes 8 and 9 apply only to corporations in partial or complete liquidation. Do not include these amounts in box 1a or 1b.

Box 8. Cash Liquidation Distr.
Enter cash distributed as part of a liquidation.

Enter noncash distributions made as part of a liquidation. Show the fair market value as of the date of distribution.