

2004



Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-PATR

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

A Change To Note

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (Public Law 108-27) reduced the backup withholding rate to 28% on amounts paid after December 31, 2002.

An Item To Note

In addition to these specific instructions, you should also use the **2004 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).

Specific Instructions for Form 1099-PATR

File **Form 1099-PATR**, Taxable Distributions Received From Cooperatives, for each person to whom the cooperative has paid at least \$10 in patronage dividends and other distributions described in section 6044(b) or from whom you withheld any Federal income tax under the backup withholding rules regardless of the amount of the payment. A cooperative determined to be primarily engaged in the retail sale of goods or services that are generally for personal, living, or family use of the members may ask for and receive exemption from filing Form 1099-PATR. See **Form 3491**, Consumer Cooperative Exemption Application, for information about how to apply for this exemption. Report dividends paid on a cooperative's capital stock on **Form 1099-DIV**, Dividends and Distributions.

Exceptions. Generally, you are not required to file Form 1099-PATR for payments made to a corporation, a tax-exempt organization, the United States, a state, a possession, or the District of Columbia. See Regulations section 1.6044-3(c).

Statements to Recipients

If you are required to file Form 1099-PATR, you must provide a statement to the recipient. For more information about the requirement to furnish an official form or acceptable substitute statement to recipients in person, by statement mailing, or electronically, see part **H** in the **2004 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 twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

TIP For more information on the TIN Matching System offered by the IRS, see the **2004 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1. Patronage Dividends

Enter the total patronage dividends paid in cash (qualified or "consent" checks), qualified written notices of allocation (face amount), and other property (except nonqualified written notices of allocation).

Box 2. Nonpatronage Distributions

This box applies only to farmers' cooperatives exempt from tax under section 521. Enter the total nonpatronage distributions paid in cash (qualified or "consent" checks), qualified written notices of allocation (face amount), and other property. Do not include nonqualified written notices of allocation.

Box 3. Per-Unit Retain Allocations

Enter the total per-unit retain allocations paid in cash, qualified per-unit retain certificates (face amount), and other property.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TIN to you in the manner required are subject to withholding at a 28% rate on payments required to be reported in boxes 1, 2, 3, and 5 to the extent such payments are in cash or qualified check. See Regulations section 31.3406(b)(2)-5 for more information on backup withholding by cooperatives.

Box 5. Redemption of Nonqualified Notices and Retain Allocations

For farmers' cooperatives qualifying under section 521 only, enter all redemptions of nonqualified written notices of allocation issued as patronage dividends or nonqualified written notices of allocation issued as nonpatronage allocations. Also enter nonqualified per-unit retain certificates issued with respect to marketing.

Pass-Through Credits

Report in the appropriate boxes the patron's share of unused credits that the cooperative is passing through to the patron.

Box 6. (Certain Credits)

For the patron, state separately in box 6 (or in the blank box below boxes 8 and 9 if more than one credit applies) the type and amount of each of the following credits:

- The empowerment zone and renewal community employment credit (Form 8844).
- The Indian employment credit (Form 8845).
- The welfare-to-work credit (Form 8861).
- The New York Liberty Zone business employee credit (Form 8884) for wages paid during 2002 or 2003.

Box 7. Investment Credit

Enter the total investment credit for the patron.

Box 8. Work Opportunity Credit

Enter the total work opportunity credit for the patron. **Do not** include the New York Liberty Zone business employee credit on line 8; instead, include it on line 6.

Box 9. Patron's AMT Adjustment

Enter the total alternative minimum tax (AMT) patronage dividend adjustment for the patron.