2016
Instructions for Form 1099-PATR
Taxable Distributions Received From Cooperatives

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

Future Developments
For the latest information about developments related to Form 1099-PATR and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form1099patr.

Reminder
In addition to these specific instructions, you should also use the 2016 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 void returns.
- Statements to recipients.
- Taxpayer identification numbers.
- Backup withholding.
- Penalties.
- Other general topics.

You can get the general instructions at www.irs.gov/form1099patr.

Specific Instructions
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.

Report on Form 1099-PATR only items of income, expenses, and credits that you properly pass through to patrons for reporting on the patron’s tax return.

Exceptions. Generally, you are not required to file Form 1099-PATR for payments made to a corporation, a tax-exempt organization including tax-exempt trusts (HSAs, Archer MSAs, and Coverdell ESAs), 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 furnish a statement to the recipient. For more information about the requirement to furnish statements to recipients, see part M in the 2016 General Instructions for Certain Information Returns.

Truncating recipient’s identification number on payee statements. Pursuant to Treasury Regulation section 301.6109-4, all filers of this form may truncate a payee’s identification number (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with the IRS. A filer’s identification number may not be truncated on any form. See part J in the 2016 General Instructions for Certain Information Returns.

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.

However, if you received both IRS notices in the same year, or if you received them in different years but they both related to information returns filed for the same year, do not check the box at this time. For purposes of the two-notices-in-3-years rule, you are considered to have received one notice and you are not required to send a second “B” notice to the taxpayer on receipt of the second notice. See part N in the 2016 General Instructions for Certain Information Returns for more information.

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-PATR. Additionally, the IRS encourages you to designate an account number for all Forms 1099-PATR that you file. See part L in the 2016 General Instructions for Certain Information Returns.

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. Don't 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 and Deductions
Report in the appropriate boxes the patron’s share of unused
credits and deductions that the cooperative is passing through to
the patron.

Box 6. Domestic Production
Activities Deduction
A cooperative must reduce its section 1382 deduction
by an amount equal to the portion of any patronage
dividend or per-unit retain allocation, including any
advances on these paid in cash during the year, that is
attributable to the cooperative’s section 199 deduction passed
through to its patrons during the year. See Regulations section
1.199-6 for more details.

Deduction for domestic production activities income.
Section 199(d)(3) and Regulations section 1.199-6 provide
special rules for cooperatives to pass through, if elected, to their
patrons receiving certain patronage dividends or certain per-unit
retain allocations from the cooperative a deduction equal to their
portion of the cooperative’s qualified production activities income
(QPAI) that would be deductible by the cooperative and have
been designated by the cooperative in a written notice mailed to
its patrons during the payment period specified under section
1382(d). The deduction for QPAI applies to any cooperative that
is engaged in the manufacturing, producing, growing, or
extracting in whole or significant part of any agricultural or
horticultural product, or the marketing of agricultural or
horticultural products.

If any amount of a patronage dividend or qualified per-unit
retain allocation is passed through to a patron, and such amount
is allocable to QPAI that is deductible under section 199(a), then
the amount is reported in box 6. However, if no written notice
(see later) was sent within the payment period or if the
cooperative does not pass through the deduction to the patron,
leave box 6 blank.

To determine the portion of the cooperative’s QPAI that would
be deductible, the cooperative’s taxable income is computed
without taking into account any deduction allowable under
section 1382(b) or (c) relating to patronage dividends, per-unit
retain allocations, and nonpatronage distributions. In the case of
a cooperative engaged in the marketing of agricultural or
horticultural products (or both), the cooperative is treated as
having manufactured, produced, grown, or extracted in whole or
in significant part any qualifying production property marketed by
the cooperative that its patrons have manufactured, produced,
grown, or extracted. Agricultural or horticultural products also
include fertilizer, diesel fuel, and other supplies used in
agricultural or horticultural production that are manufactured,
produced, grown, or extracted by the cooperative.

Written notice. In order for the patron to qualify for the
deduction, the cooperative must designate the patron’s portion
of the section 199 deduction in a written notice mailed to the
patron no later than the 15th day of the ninth month following the
close of the tax year. The cooperative may use the same written
notice, if any, that it uses to notify patrons of their respective
allocations of patronage dividends, or may use a separate timely
written notice to comply with the written notice requirement for
this deduction.

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.

Box 9. Patron’s AMT Adjustment
Enter the total alternative minimum tax (AMT) patronage
dividend adjustment for the patron.

Box 10. Other Credits and Deductions
For the patron, state separately in box 10 the type and amount of
each of the following credits and deductions.
• The cellulosic biofuel fuels credit (including second
generation biofuel) (Form 6478).
• The renewable electricity, refined coal, and Indian coal
production credit (Form 8835).
• The empowerment zone credit (Form 8844).
• The Indian employment credit (Form 8845).
• The biodiesel and renewable diesel fuels credit (Form 8864).
• The low sulfur diesel fuel production credit (Form 8896).
• The credit for small employer health insurance premiums
( Form 8941).
• The credit for employer differential wage payments (Form
8932).
• The deduction for capital costs incurred by small refiner
cooperatives when complying with EPA sulfur regulations.