

2002



Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-Q

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

What's New for 2002?

Recent legislation expanded the definition of a qualified tuition program to include programs established and maintained by private eligible educational institutions. Consequently, the reporting of earnings from qualified state tuition programs was moved from Box 5 of the **2002 Form 1099-G**, Certain Government Payments, to a new form, **Form 1099-Q**, Qualified Tuition Program Payments (Under Section 529).

An Item To Note

In addition to these specific instructions, you should also use the **2002 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
- 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 Web Site at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-Q

File **Form 1099-Q**, Qualified Tuition Program Payments (Under Section 529), if you made a distribution from a qualified tuition program defined under section 529.

Note. Do not file Form 1099-Q for a change in the name of the designated beneficiary on an account if the new beneficiary is a member of the former beneficiary's family.

Statements to Recipients

If you are required to file Form 1099-Q, you must provide a statement to the recipient. Furnish a copy of Form 1099-Q or an acceptable substitute statement to each recipient. Also, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Program's name and employer identification number (EIN).

In the payer's name and Federal identification number areas of the form, enter the name and EIN of the qualified tuition program. If the qualified tuition program is a program established and maintained by a state using the EIN of the state, enter the name of the state on the first name line and the name of the program on the second name line.

Recipient's name and social security number (SSN). List the designated beneficiary as recipient only if the distribution is made **(a)** directly to the designated beneficiary or **(b)** to an eligible educational institution for the benefit of the designated beneficiary. Otherwise, list the account owner as the recipient of the distribution. Enter the SSN for the applicable recipient.

Qualified Tuition Program

A qualified tuition program is a program described in Section 529 that is established and maintained by a private eligible educational institution or a state (or its agency or instrumentality).

Under a qualified tuition program a person:

1. May purchase tuition credits or certificates on behalf of a designated beneficiary that entitle the beneficiary to the waiver or payment of qualified higher education expenses or
2. In the case of a program established and maintained by a state, may make contributions to an account established to meet the higher education expenses of the designated beneficiary.

Other rules apply. See Proposed Regulations section 1.529-2.

Box 1. Gross Distribution

Gross distributions, whether in cash or in kind, include tuition credits or certificates, payment vouchers, tuition waivers, or other similar items. Gross distributions also include a refund to the account owner, to the designated beneficiary, or to the designated beneficiary's estate.

For more information on reporting distributions, see Proposed Regulations section 1.529-4.

Box 2. Earnings

Use the earnings ratio described in Proposed Regulations section 1.529-3 to determine the earnings on the gross distribution reported in box 1 and enter the earnings in box 2. These earnings are not subject to backup withholding.

Box 3. Basis

Enter the basis in the gross distribution reported in box 1. The amount in box 3 must equal box 1 minus box 2.

Box 4. Trustee-to-Trustee Rollover Checkbox

Check this box if the distribution was made directly (trustee-to-trustee transfer) to another Section 529 program.

In a **trustee-to-trustee transfer** between Section 529 programs, the distributing Section 529 program must provide you a statement setting forth the earnings portion of the distribution within 30 days of the distribution or by January 10th, whichever is earlier. You must properly account for this in computing the earnings reported in box 2 and the basis reported in box 3.

Box 5. Checkbox

Check the "Private" box to indicate the distribution is from a Section 529 program established by one or more private eligible educational institutions or check the "State" box to indicate the distribution is from a Section 529 program established by a state.

Box 6. Designated Beneficiary Checkbox

Check the box if the recipient is not the designated beneficiary.