

2000



Department of the Treasury
Internal Revenue Service

Instructions for Forms 1099-MSA and 5498-MSA

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

What's New for 2000?

To help make it easier for you to get only the information you need to complete the Forms 1099, 1098, 5498, and W-2G you file, we are now providing general and specific form instructions as separate products. The new products you should use for 2000 are the **General Instructions for Forms 1099, 1098, 5498, and W-2G**, which contains general information concerning Forms 1099-MSA and 5498-MSA and other forms in the 1099 series, and the separate specific instructions for each information return you file. If you prefer to have all the specific and general instructions in one booklet, the **2000 Instructions for Forms 1099, 1098, 5498, and W-2G** is also available.

Specific Instructions for Form 1099-MSA

File **Form 1099-MSA**, Distributions From an MSA or Medicare+Choice MSA, to report distributions made from a medical savings account (MSA) or Medicare+Choice MSA (M+C MSA). The distribution may have been paid directly to a medical service provider or to the account holder.

Transfers

Do not report a trustee-to-trustee transfer from one MSA to another MSA or from one M+C MSA to another M+C MSA.

Death of Account Holder

If the account holder dies and the beneficiary is the spouse (1) an MSA becomes the spouse's MSA, (2) the spouse may continue an M+C MSA, but no new contributions may be made to the account, and (3) distributions from an MSA or M+C MSA are taxed under the rules that apply to MSAs that are not M+C MSAs. If the beneficiary is not the spouse or there is no named beneficiary, the account ceases to be an MSA or M+C MSA.

Distribution in year of death. If you learn of the account holder's death and make a final distribution to the beneficiary in the **year of death**, issue a final Form 1099-MSA reporting the gross distribution in box 1. Enter code 4 in box 3, and report the fair market value (FMV) of the account on the date of death in box 4. If the beneficiary is the estate, enter the name and taxpayer identification number (TIN) of the estate as the recipient's name and TIN on the form.

Distribution after year of death. If you learn of the death of the account holder and make a final distribution **after the year of death**, issue a final Form 1099-MSA in the year you learned of the death of the account holder. Report the gross distribution in box 1. In box 3 enter one of the following codes: **1**—if the beneficiary is the spouse, **4**—if the beneficiary is the estate, or **6**—if the beneficiary is not the spouse or estate. Report the FMV of the account on the date of death in box 4.

Statements to Recipients

If you are required to file Form 1099-MSA, you must provide a statement to the recipient. For more information about the requirement to furnish a Form 1099-MSA or acceptable substitute statement to recipients, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1

Enter the **total amount of the distribution**. Include any earnings separately reported in box 2. You are not required to determine the taxable amount of a distribution.

Box 2

Enter the total **earnings distributed with any excess MSA contributions** returned by the due date of the account holder's tax return. Include this amount in box 1. Report earnings on other distributions only in box 1. **Do not** report excess M+C MSA contributions returned to the Secretary of Health and Human Services or his or her representative.

Box 3

Enter the appropriate distribution code from the list below that shows the type of distribution.

Codes

1—Normal distribution. Use this code for normal distributions to the account holder and any direct payments to a medical service provider. Use this code if no other code applies. Also, see **Distribution after year of death** above.

2—Excess contributions. Use this code for distributions of excess MSA contributions. **Do not** use this code for excess M+C MSA contributions returned to the Secretary of Health and Human Services or his or her representative.

3—Disability. Use this code if you made distributions after the account holder was disabled (see section 72(m)(7)).

4—Death distribution other than code 6. Use this code for payments to a decedent's beneficiary, including an estate, in the year of death. Also use this code for payments to an estate after the year of death. Do not use with code 6. See **Death of Account Holder** above.

5—Prohibited transaction.

6—Death distribution after year of death to a nonspouse beneficiary. Use this code for payments to a decedent's nonspouse beneficiary, other than an estate, after the year of death. Do not use with code 4.

Box 4

If the account holder died, enter the **FMV** of the account on the date of death. See **Death of Account Holder** above.

Box 5

Mark the box if this distribution was from an M+C MSA.

Specific Instructions for Form 5498-MSA

File **Form 5498-MSA**, MSA or Medicare+Choice MSA Information, with the IRS on or before May 31, 2001, for each person for whom you maintained a medical savings account (MSA) or Medicare+Choice MSA (M+C MSA) during 2000. You are required to file if you are the trustee or custodian of an MSA or M+C MSA.

For MSA contributions made between January 1 and April 16, 2001, you should obtain the participant's designation of the year for which the contributions are made.

Rollovers

You must report the receipt of a rollover from one MSA to another MSA in box 4.

Transfers

Do not report a trustee-to-trustee transfer from one MSA to another MSA or from one M+C MSA to another M+C MSA. For reporting purposes, contributions and rollovers do not include these transfers.

Total Distribution, No Contributions

Generally, if a total distribution was made from an MSA during the year and no contributions were made for that year, you need not file Form 5498-MSA nor furnish a statement to the participant to reflect that the fair market value (FMV) on December 31 was zero.

Distributions

Report distributions from MSAs, including a distribution of excess contributions, or distributions from M+C MSAs on **Form 1099-MSA**, Distributions From an MSA or Medicare+Choice MSA.

Inherited MSAs

If the account holder dies and the beneficiary is the spouse (1) an MSA becomes the spouse's MSA, (2) the spouse may continue an M+C MSA, but no new contributions may be made to the account, and (3) distributions from an MSA or M+C MSA

are taxed under the rules that apply to MSAs that are not M+C MSAs. If the beneficiary is not the spouse or there is no named beneficiary, the account ceases to be an MSA or M+C MSA. In the year an MSA or M+C MSA owner dies, generally you must file a Form 5498-MSA and furnish a statement for the decedent.

Statements to Participants

If you are required to file Form 5498-MSA, you must provide a statement to the participant (generally Copy B) by May 31, 2001. You may, but you are not required to, provide participants with a statement of the December 31, 2000, value of the participant's account by January 31, 2001. For more information about statements to participants, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Box 1

Enter the **employee's or self-employed person's regular contributions** to the MSA made in 2000 and through April 16, 2001, for 2000. Report gross contributions, including any excess contributions, even if the excess contributions were withdrawn.

Box 2

Enter the **total MSA contributions** made in **2000** (employer, employee, or self-employed person). Include any contribution made in 2000 for 1999. You may, but you are not required to, report the total M+C MSA contributions the Secretary of Health and Human Services or his or her representative made in 2000.

Box 3

Enter the **total MSA contributions** made in **2001 for 2000** (employer, employee, or self-employed person).

Box 4

Enter **rollover contributions** to the MSA received by you during 2000.

Box 5

Enter the **FMV** of the MSA or M+C MSA on December 31.

Box 6

Mark this box if this is an M+C MSA.