



Instructions for Form 1099-H

Section references are to the Internal Revenue Code.

What's New for 2004

Guidance has been issued relieving health insurance providers from preparing **Form 1099-H**, Health Coverage Tax Credit (HCTC) Advance Payments. The Department of Treasury is using the HCTC Transaction Center to administer the HCTC program. The HCTC Transaction Center will file and furnish the information returns required by section 6050T unless the health insurance provider notifies the Transaction Center that the provider will file and furnish information returns and statements. This relief applies beginning with returns and statements due in 2004. See **Who Must File** below.

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-H

File **Form 1099-H**, Health Coverage Tax Credit (HCTC) Advance Payments, with the IRS by February 28, 2005, if you received in the course of your trade or business any advance payments during the calendar year of qualified health insurance payments for the benefit of eligible trade adjustment assistance (TAA), alternative TAA, or Pension Benefit Guaranty Corporation (PBGC) recipients and their qualifying family members.

Who Must File

Section 6050T requires that providers of qualified health insurance coverage (section 35(e)) file Forms 1099-H with the IRS reporting the advance payments the providers receive from the Department of the Treasury on behalf of eligible individuals. You must also furnish a statement to the eligible recipient.

However, Notice 2004-47, which is on page 48 of Internal Revenue Bulletin 2004-29 at www.irs.gov/pub/irs-irbs/irb04-29.pdf, provides that the HCTC Transaction Center, as an administrator of the Health Coverage Tax Credit (HCTC), will file the required returns and furnish statements to the recipients **unless** the provider elects to file and furnish information returns and statements on its own. Contact the HCTC Transaction Center for this purpose by calling 1-866-628-4282. Unless the

provider notifies the HCTC Transaction Center of its intent to file information returns and furnish statements, the provider will be considered to have elected to have the Transaction Center file Form 1099-H and furnish statements to recipients in satisfying section 6050T filing requirements.

For more information on the requirement to provide a statement to the recipient, see **Statements to Recipients** below.

Statements to Recipients

If required to file Form 1099-H, a statement must be furnished to the recipient. You or the Transaction Center, if elected, must furnish a copy of Form 1099-H or an acceptable substitute statement to each recipient. Also, see part **H** in the **2004 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Penalties

Waiver of penalties. Section 6724(a) authorizes the IRS to waive any penalties under sections 6721 and 6722 for failure to comply with the reporting requirements of section 6050T if such failures resulted from reasonable cause and not willful neglect. In the case of providers that elect to allow the HCTC Transaction Center to file and furnish Forms 1099-H, the IRS will not assert the penalties imposed by sections 6721 and 6722 regarding the reporting of advance payments made to providers. For providers that do not elect to allow the HCTC Transaction Center to file and furnish Forms 1099-H, the normal rules for seeking a penalty waiver under section 6724(a) apply. See Regulations section 301.6724-1.

For more information on penalties, see page GEN-4 in the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 1. Amount of HCTC Advance Payments

Enter the total amount of advance payments of health insurance premiums received on behalf of the recipient for the period January 1, 2004, through December 31, 2004. The amount received cannot exceed 65% of the total health insurance premium for the individual.

Box 2. No. of Months HCTC Advance Payments Received

Enter the number of months for which payments were received on behalf of the recipient. This number cannot be more than 12.

Boxes 3-14. Amount of Advance Payment(s) Included in Box 1

Enter the amount of the advance payment received for each month in the applicable box. You may receive these payments prior to the month for which they are paid. Be sure to enter the amounts in the correct box. For example, if you receive an advance payment of \$1,000 for TAA "X" on December 12, 2004, for January 2005 medical insurance premium, then report the \$1,000 payment on Form 1099-H for January 2005, not December 2004.