

## **HIGHLIGHTS OF THIS ISSUE**

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### **INCOME TAX**

#### **Rev. Rul. 2007-1, page 265.**

**Credit card nonsufficient funds (NSF) fee.** This ruling provides that a credit card nonsufficient funds (NSF) fee as described in the ruling is not interest for federal income tax purposes. Also, this ruling holds that a credit card NSF fee is includible in income by the issuer of the credit card when the NSF Event, as defined therein, occurs.

#### **Rev. Rul. 2007-2, page 266.**

**Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate.** For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for January 2007.

#### **Notice 2007-5, page 269.**

This notice partially modifies the effective date and provides other clarifications of the section 482 temporary services regulations which were published in the Federal Register on August 4, 2006. Rev. Proc. 2007-13 is issued contemporaneously with this notice.

#### **Rev. Proc. 2007-9, page 278.**

**Insurance companies; loss reserves; discounting unpaid losses.** The loss payment patterns and discount factors are set forth for the 2006 accident year. These factors will be used to compute discounted unpaid losses under section 846 of the Code.

#### **Rev. Proc. 2007-10, page 289.**

**Insurance companies; discounting estimated salvage recoverable.** The salvage discount factors are set forth for the 2006 accident year. These factors will be used to compute discounted estimated salvage recoverable under section 832 of the Code.

#### **Rev. Proc. 2007-13, page 295.**

This procedure finalizes Announcement 2006-50, 2006-34 I.R.B. 321, and identifies particular services that are eligible to be evaluated at cost according to the temporary regulations relating to services under section 482, which were released concurrently with Notice 2007-5 (in this Bulletin).

### **EMPLOYEE PLANS**

#### **Notice 2007-6, page 272.**

**Cash balance defined benefit pension plans; transition rules; request for comments.** This notice announces that the Service is beginning to process determination letter and examination cases that were suspended relating to cash balance and other hybrid defined pension plans. The notice also provides transitional guidance on the requirements of sections 411(a)(13) and 411(b)(5) of the Code as added by section 701(b) of the Pension Protection Act of 2006. In addition, this notice requests comments on certain issues raised by sections 411(a)(13) and 411(b)(5).

(Continued on the next page)

Finding Lists begin on page ii.



**Notice 2007–8, page 276.**

**In-service distributions; section 905 of Pension Protection Act of 2006; request for comments.** This notice states that the Treasury Department and the Service are considering proposing guidance under section 401(a)(36) of the Code, as added by section 905 of the Pension Protection Act of 2006. This notice requests comments on issues presented by section 401(a)(36) with respect to defined benefit plans.

## **ADMINISTRATIVE**

**Rev. Proc. 2007–15, page 300.**

**General rules and specifications for private printing of substitute forms.** This procedure provides requirements for reproducing paper substitutes and for furnishing substitute recipient statements for Forms 1096, 1098, 1099, 5498, W–2G, and 1042–S. It will be reproduced as the next revision of Publication 1179. Rev. Proc. 2005–69 superseded.

# The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by

applying the tax law with integrity and fairness to all.

## Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are compiled semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations,

court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

### **Part I.—1986 Code.**

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

### **Part II.—Treaties and Tax Legislation.**

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

### **Part III.—Administrative, Procedural, and Miscellaneous.**

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

### **Part IV.—Items of General Interest.**

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

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# Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

## Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

## Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

## Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

## Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

## Section 451.—General Rule for Taxable Year of Inclusion

26 CFR 1.451-1: Taxable year of inclusion. (Also: §§ 61, 446.)

**Credit card nonsufficient funds (NSF) fee.** This ruling provides that a credit card nonsufficient funds (NSF) fee as described in the ruling is not interest for federal income tax purposes. Also, this ruling holds that a credit card NSF fee is includible in income by the issuer of the credit card when the NSF Event, as defined therein, occurs.

### Rev. Rul. 2007-1

#### ISSUES

(1) If a credit card issuer becomes entitled to a fee if it refuses to honor a credit

card convenience check that, if honored, would leave the cardholder over the cardholder's credit limit, is the fee interest income for federal income tax purposes?

(2) When is the credit card fee that is described in Issue (1) includible in gross income by the card issuer?

#### FACTS

X, a taxpayer that uses an overall accrual method of accounting for federal income tax purposes, issues a credit card to A. The credit card allows A to access a revolving line of credit to make purchases of goods and services and to obtain cash advances, including cash advances obtained through A's use of a convenience check made available through A's credit card account (an "account check").

There is a written agreement between X and A that sets forth the terms and conditions governing A's use of the credit card (the "Cardholder Agreement"). Under the terms and conditions of the Cardholder Agreement, X is not required to honor one of A's account checks if, when the account check is presented to X for payment, either A is overdrawn on A's line of credit or payment of the check would cause A to become overdrawn. Under the agreement X is entitled to impose a \$25 fee (the "Credit Card NSF Fee") on A if an account check is presented to X that, if honored, would leave A overdrawn and X does not in fact honor the check (the "NSF Event").

A writes an account check and uses it to make a payment to a third party. X does not honor A's account check when the third party presents it for payment because A would be overdrawn on A's line of credit if X honored the account check at that time. X is therefore entitled to impose a \$25 Credit Card NSF Fee on A in accordance with the terms of X's Cardholder Agreement with A.

#### LAW AND ANALYSIS

For federal income tax purposes, interest is an amount that is paid in compensation for the use or forbearance of money. *Deputy v. DuPont*, 308 U.S. 488 (1940); *Old Colony Railroad Co. v. Commissioner*, 284 U.S. 552 (1932). Neither the

label used for the fee nor a taxpayer's treatment of the fee for financial or regulatory reporting purposes is determinative of the proper federal income tax characterization of that fee. See *Thor Power Tool Co. v. Commissioner*, 439 U.S. 522, 542-43 (1979); Rev. Rul. 72-315, 1972-1 C.B. 49.

When X determines that it will not honor A's account check that the third party has presented for payment because A would be overdrawn on A's line of credit, X is denying A the use of X's funds. Thus, the \$25 Credit Card NSF Fee does not compensate X for the use or forbearance of money, and it is not interest income for federal income tax purposes.

Under § 451(a) of the Internal Revenue Code, the amount of any item of gross income is includible in gross income for the taxable year in which it is received by the taxpayer, unless that amount is to be properly accounted for in a different period under the method of accounting used by the taxpayer in computing taxable income.

Under § 1.451-1(a) of the Income Tax Regulations, income is includible in gross income by a taxpayer that uses an accrual method of accounting when all events have occurred that fix the taxpayer's right to receive that income and the amount of that income can be determined with reasonable accuracy. See also § 1.446-1(c)(1)(ii)(A). Generally, all the events that fix the right to receive income occur either when the required performance takes place, when payment is due, or when payment is made, whichever occurs first (the "All Events Test"). See, e.g., Rev. Rul. 2004-52, 2004-1 C.B. 973 (addressing credit card issuers' treatment of credit card annual fees).

X is required to include the Credit Card NSF Fee in gross income under section 451 when the NSF Event occurs because the NSF Event fixes X's right to receive the income and the amount can be determined with reasonable accuracy. Thus, the All Events Test is satisfied when the NSF Event occurs.

A change in the treatment of Credit Card NSF fees to comply with this revenue ruling is a change in method of accounting within the meaning of §§ 446 and 481

and the regulations issued thereunder. Accordingly, a taxpayer wishing to change its treatment of Credit Card NSF fees to comply with this revenue ruling must obtain the consent of the Commissioner under § 446(e) and § 1.446-1(e)(2)(i) by following the procedures in Rev. Proc. 97-27, 1997-1 C.B. 680 (or its successor).

#### HOLDINGS

(1) The Credit Card NSF Fee is not interest for federal income tax purposes.

(2) The Credit Card NSF Fee is includible in gross income for federal income tax purposes when the NSF Event occurs.

#### DRAFTING INFORMATION

The principal authors of this revenue ruling are Jonathan Silver and Tina Jannotta of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue ruling, contact the principal authors at (202) 622-3930 (not a toll-free call).

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### Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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### Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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### Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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### Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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### Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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### Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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### Section 832.—Insurance Company Taxable Income

26 CFR 1.832-4: *Gross income.*

The salvage discount factors are set forth for 2006. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2007-10, page 289.

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### Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

26 CFR 1.846-1: *Application of discount factors.*

The loss payment patterns and discount factors are set forth for the 2006 accident year. These factors will be used for computing discounted unpaid losses under section 846 of the Code. See Rev. Proc. 2007-9, page 278.

26 CFR 1.846-1: *Application of discount factors.*

The salvage discount factors are set forth for 2006. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2007-10, page 289.

### Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

**Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate.** For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for January 2007.

#### Rev. Rul. 2007-2

This revenue ruling provides various prescribed rates for federal income tax purposes for January 2007 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Finally, Table 6 contains the deemed rate of return for transfers made during calendar year 2007 to pooled income funds described in section 642(c)(5) that have been in existence for less than 3 taxable years immediately preceding the taxable year in which the transfer was made.

REV. RUL. 2007-2 TABLE 1  
Applicable Federal Rates (AFR) for January 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	4.88%	4.82%	4.79%	4.77%
110% AFR	5.37%	5.30%	5.27%	5.24%
120% AFR	5.86%	5.78%	5.74%	5.71%
130% AFR	6.37%	6.27%	6.22%	6.19%
<i>Mid-term</i>				
AFR	4.58%	4.53%	4.50%	4.49%
110% AFR	5.04%	4.98%	4.95%	4.93%
120% AFR	5.51%	5.44%	5.40%	5.38%
130% AFR	5.98%	5.89%	5.85%	5.82%
150% AFR	6.92%	6.80%	6.74%	6.71%
175% AFR	8.09%	7.93%	7.85%	7.80%
<i>Long-term</i>				
AFR	4.73%	4.68%	4.65%	4.64%
110% AFR	5.22%	5.15%	5.12%	5.10%
120% AFR	5.70%	5.62%	5.58%	5.56%
130% AFR	6.17%	6.08%	6.03%	6.00%

REV. RUL. 2007-2 TABLE 2  
Adjusted AFR for January 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.39%	3.36%	3.35%	3.34%
Mid-term adjusted AFR	3.54%	3.51%	3.49%	3.48%
Long-term adjusted AFR	4.03%	3.99%	3.97%	3.96%

REV. RUL. 2007-2 TABLE 3  
Rates Under Section 382 for January 2007

Adjusted federal long-term rate for the current month	4.03%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	4.15%

REV. RUL. 2007-2 TABLE 4  
Appropriate Percentages Under Section 42(b)(2) for January 2007

Appropriate percentage for the 70% present value low-income housing credit	8.08%
Appropriate percentage for the 30% present value low-income housing credit	3.46%

REV. RUL. 2007-2 TABLE 5

Rate Under Section 7520 for January 2007

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest

5.6%

REV. RUL. 2007-2 TABLE 6

Deemed Rate for Transfers to New Pooled Income Funds During 2007

Deemed rate of return for transfers during 2007 to pooled income funds that have been in existence for less than 3 taxable years

4.8%

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**Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations**

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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**Section 7520.—Valuation Tables**

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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**Section 7872.—Treatment of Loans With Below-Market Interest Rates**

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.



## Part III. Administrative, Procedural, and Miscellaneous

### **This Notice Clarifies and Modifies Certain Provisions of the Temporary and Proposed Regulations Under Section 482 of the Code Relating to Controlled Services Transactions, and Section 6662 of the Code Relating to Transfer Pricing Documentation Penalties**

#### **Notice 2007-5**

##### SECTION 1. PURPOSE

On August 4, 2006, the Treasury Department and the IRS published T.D. 9278, 2006-34 I.R.B. 256, containing temporary and proposed regulations that address controlled services under section 482 (71 Fed. Reg. 44466). This notice makes several clarifications concerning provisions in the temporary and proposed regulations, primarily relating to the services cost method. In addition, this notice makes certain modifications to the effective date of the temporary regulations.

##### SECTION 2. BACKGROUND

The temporary and proposed regulations provided for a new transfer pricing method applicable to certain controlled services transactions, the services cost method (SCM). Under specified circumstances, the SCM allows the arm's length charge for a controlled services transaction to be determined by reference to total services costs, without a markup. Two categories of covered services are potentially eligible for this method, specified covered services and low margin covered services, both defined in Temp. Treas. Reg. § 1.482-9T(b)(4). To demonstrate that a particular controlled service qualifies for the SCM, the taxpayer must reasonably conclude, in its business judgment, that the service does not contribute significantly to key competitive advantages, core capabilities, or fundamental risks of success or failure in one or more trades or businesses of the renderer, the recipient, or both. Temp. Treas. Reg. § 1.482-9T(b)(2) (business judgment rule). Specified covered services are those controlled services

that the Commissioner identifies by means of a revenue procedure. Low-margin covered services are controlled services transactions for which the arm's length mark-up, determined by reference to comparable uncontrolled transactions, equals 7% or less.

The Treasury Department and the IRS issued a proposed revenue procedure that identified specified covered services. See Announcement 2006-50, 2006-34 I.R.B. 321 (August 21, 2006). That proposed revenue procedure identified forty-eight activities or groups of activities that constitute specified covered services. Contemporaneously with the issuance of this notice, the IRS intends to issue a final revenue procedure on this topic before December 31, 2006. The revenue procedure may be further updated, as appropriate, including in connection with the conclusion of the one-year transition period provided by this notice and in the course of finalization of the temporary regulations in response to comments.

The temporary and proposed regulations also added a provision in Temp. Treas. Reg. § 1.482-9T(b)(5) concerning shared services arrangements (SSAs). Provided that the taxpayer satisfies the conditions for use of an SSA, which includes reasonably concluding that the SSA utilizes the most reliable measure of the participants' respective shares of the reasonably anticipated benefits from the covered services, the IRS will not make an adjustment to the taxpayer's allocation. An SSA must be structured such that: (1) it includes two or more participants; (2) each participant reasonably anticipates a benefit from one or more covered services specified in the SSA; and (3) each covered service confers a benefit on at least one participant in the SSA. See Temp. Treas. Reg. § 1.482-9T(b)(5). Services eligible to be included in an SSA are limited to services that qualify for the SCM. Temp. Treas. Reg. § 1.482-9T(b)(5)(i).

The temporary and proposed regulations are generally effective for taxable years that begin after December 31, 2006. Temp. Treas. Reg. § 1.482-9T(n). A taxpayer may elect to apply the temporary regulations to open tax years that begin after September 10, 2003.

##### SECTION 3. CLARIFICATIONS, PARTIAL MODIFICATION OF EFFECTIVE DATE

Numerous public comments were submitted concerning both Announcement 2006-50 and the temporary and proposed regulations. In response to these comments, this notice describes modifications to the list of specified covered services, as adopted in the final revenue procedure. The notice also modifies the effective date of the temporary regulations in several respects, as described below. Lastly, the notice makes several clarifications concerning the intended application of the regulations, as described below. These clarifications will be considered during the process of finalizing the temporary regulations. In the interim, and pending the issuance of final regulations under Treas. Reg. § 1.482-9, and other related provisions, taxpayers may rely on the guidance contained in this notice.

###### *§ 3.01 Partial Modification of Effective Date — SCM Provisions*

The temporary and proposed regulations are effective for tax years beginning after December 31, 2006 (with retroactive application for tax years beginning after September 10, 2003, at the election of the taxpayer). See Temp. Treas. Reg. § 1.482-9T(n). Several commentators requested that the effective date of the entire regulations be moved back one year, which in their view would provide taxpayers sufficient time to modify accounting systems and to take other steps, including preparation of contractual agreements and other transfer pricing documentation, deemed necessary to comply fully with the temporary regulations.

In response to these comments, this notice partially modifies the effective date of Temp. Treas. Reg. § 1.482-9T(b) of the temporary regulations. Subject to the exceptions described below, the effective date of the temporary regulations, as they pertain to the identification of controlled services eligible to be priced at cost, is moved back one year. The temporary regulations will thus apply to taxable years after December 31, 2007, for all provisions related to the SCM in Temp. Treas. Reg.

§ 1.482-9T(b). The only SCM provision that has immediate effect, *i.e.*, for taxable years beginning after December 31, 2006, is the business judgment rule in Temp. Treas. Reg. § 1.482-9T(b)(2).

The net effect of this modification is that, for taxable years with beginning dates from January 1, 2007 to December 31, 2007, taxpayers may apply the existing regulations in Treas. Reg. § 1.482-2(b) for purposes of identifying controlled services that are eligible to be priced on a cost basis, without a markup. For such taxable years, services that are priced on a cost basis must be “non-integral” within the meaning of existing Treas. Reg. § 1.482-2(b)(7), and they must also satisfy the SCM business judgment test in Temp. Treas. Reg. § 1.482-9T(b)(2). Other SCM related provisions, including the documentation provision in Temp. Treas. Reg. § 1.482-9T(b)(3)(i) and the excluded transactions in Temp. Treas. Reg. § 1.482-9T(b)(3)(ii), are inapplicable to transactions during this one-year period. Consequently, in this context, the existing documentation standards applicable to controlled services will apply to transactions during this one-year period. Alternatively, for tax years beginning between January 1, 2007 and December 31, 2007, taxpayers may elect to apply the SCM as set forth in Temp. Treas. Reg. § 1.482-9T(b), without taking into account any of the modifications described above.

The provisions of Temp. Treas. Reg. § 1.482-9T(b) will be effective in all respects for taxable years beginning after December 31, 2007.

### § 3.02 Services Cost Method Applies Only at Option of Taxpayer

Several commentators requested confirmation that application of the SCM was a matter within the control of the taxpayer, assuming that the underlying transactions qualified for the SCM. Commentators observed that the temporary regulations could be interpreted as *requiring* a taxpayer to apply the SCM, if all the conditions for that method were satisfied. In the view of commentators, this would conflict with the ability of a taxpayer to apply the best method rule, including by applying a transfer pricing method other than the SCM.

This notice confirms that under the temporary regulations the SCM is elective by taxpayers. A statement in its books and records evidencing the taxpayer’s intent to apply the SCM is required as a necessary condition to applicability of the SCM. Temp. Treas. Reg. § 1.482-9T(b)(3)(i) (second sentence). This notice also confirms that there is no requirement for a taxpayer to attach such statement to its tax return, as typically is the case with elections that are to be flagged to the IRS’ attention.

### § 3.03 Listing of Specified Covered Services in Announcement 2006-50

Several commentators contended that the proposed list of specified covered services in Announcement 2006-50 was too narrow to be of practical use. Some commentators suggested that the list should refer to departments or to accounting classifications, rather than to specific activities or groups of activities. One commentator suggested that all activities in particular departments should be identified as eligible for the SCM. Other commentators supported the general approach taken in Announcement 2006-50, but suggested that the list include certain additional activities, so as to describe the back office in a more comprehensive manner.

The SCM is intended to provide a practical and administrable means of identifying low-margin services that may be evaluated by reference to total services cost without a markup. The SSA provision affords taxpayers the flexibility to analyze specified covered services and low margin covered services that produce benefits to multiple recipients, under a joint-benefit approach. Flexible grouping rules are adopted for purposes of the SCM and the SSA provisions. Temp. Treas. Reg. § 1.482-9T(b)(4) (first sentence parenthetical) and (b)(5)(iii)(B). In the view of the Treasury Department and the IRS, these provisions afford flexibility to analyze covered services in a way that does not impose inappropriate compliance burdens. Accordingly, the Treasury Department and the IRS decline to adopt a departmental approach to identification of specified covered services eligible for the SCM.

In response to public comments, however, the Treasury Department and the IRS have concluded that certain modifications

to the list of specified covered services in Announcement 2006-50 are appropriate. Several further categories will be added, and further activities will be specified within the categories. In addition, the individual categories of specified covered services will also include “other similar activities.” This reflects the conclusion of the Treasury Department and the IRS that the list of specified covered services should be structured and interpreted in a practical, common-sense manner. The changes described in this paragraph are reflected in Rev. Proc. 2007-13, which is published contemporaneously with this notice.

### § 3.04 Business Judgment Rule

In finalizing the regulations, the Treasury Department and the IRS will incorporate provisions consistent with the following interpretations of the business judgment rule.

#### (1) Applies by Reference to Controlled Group

In evaluating whether a controlled services transaction qualifies for the SCM, the temporary regulations provide that the business judgment rule should be applied by reference to “one or more trades or businesses of the *renderer, recipient, or both.*” Temp. Treas. Reg. § 1.482-9T(b)(2) (emphasis added). Commentators observed that this rule may yield incorrect results in some cases, for example, where a dedicated services subsidiary performs primarily low margin covered services or specified covered services, and few other activities. The activities performed by such an entity would potentially be ineligible for the SCM under the business judgment rule, because they would constitute the entity’s core capability.

This notice provides that taxpayers are to apply the business judgment rule by reference to one or more trades or businesses of the *controlled group*, as defined in Treas. Reg. § 1.482-1(i)(6), instead of “the *renderer, recipient, or both,*” as stated in Temp. Treas. Reg. § 1.482-9T(b)(2).

#### (2) Evaluates Contributions to Operating Profit

This notice provides that the business judgment rule in Temp. Treas. Reg. § 1.482-9T(b)(2) should take into account whether a particular activity contributes to the operating profit of one or more con-

trolled parties, as that term is defined in Treas. Reg. § 1.482-5(d)(3). For example, the activities performed by a corporate tax department should not be disqualified from the SCM, given that these activities primarily affect foreign income taxes (as defined in § 1.901-2(a)) and domestic income taxes, which are not classified as operating expenses. See Treas. Reg. § 1.482-5(d)(3).

### (3) Taxpayer's Reasonable Business Judgment

Several commentators expressed concern over how the business judgment rule would be administered. They raised questions concerning how to evidence the necessary business judgment, for example, whether an executive's representation must be preferred to the tax director's. Commentators also requested that statements from the preamble to the temporary regulations be incorporated in final regulations.

The Treasury Department and the IRS reiterate that the temporary regulations already incorporate a high threshold for application of the business judgment rule to exclude services otherwise eligible for the SCM. The exclusion is inapplicable so long as the taxpayer reasonably concludes in its business judgment that the covered services do not contribute significantly to key competitive advantages, core capabilities, or fundamental risks of success or failure in one or more trades or businesses of the controlled group.

The test is satisfied by a reasonable exercise of the taxpayer's business judgment, not a reasonable exercise of the IRS's judgment in examining the taxpayer. In the view of the Treasury Department and the IRS, the gloss in the preamble to the temporary regulations, such as that this is a business judgment preeminently within the business person's own expertise, flows directly from the regulations' specification that the matter lies in the taxpayer's reasonable business judgment. The evidence necessary to establish the taxpayer's reasonable business judgment is determined under all the facts and circumstances. No source, executive or otherwise, is generally more probative than another.

### § 3.05 Shared Services Concept Applicable to non-SCM Services

In general, commentators supported the SSA provision as a useful mechanism for allocation of costs from shared or centralized services. Commentators called into question, however, the need to restrict SSAs to covered services eligible to be analyzed under the SCM. In the view of the commentators, extending the SSA concept to all controlled services would produce accurate results and would also be consistent with the OECD *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations*, in particular, the provisions pertaining to cost contribution arrangements.

This notice confirms that taxpayers may also make allocations of arm's length charges for services ineligible for the SCM that yield a benefit to multiple members of a controlled group. In such a case, however, the flexible rules under the SCM for establishing the joint benefits and selecting the allocation key are inapplicable. Instead, the more robust analysis under the general transfer pricing rules applies for purposes of determining the appropriate arm's length charges, benefits, allocation keys, etc.

### § 3.06 Documentation Provisions

This notice clarifies that the documentation for services analyzed under the SCM, described in Temp. Treas. § 1.482-9T(b)(3)(i) (adequate books and records) need not be generated contemporaneously with the filing of the income tax return.

In addition, for tax years beginning after December 31, 2006, and on or before December 31, 2007, the written contract specified by Temp. Treas. Reg. § 1.482-9T(i)(2) need not be entered into prior to, or contemporaneous with the start of the activity or group of activities. Instead, the written contract need only be prepared prior to, or contemporaneous with the filing of the income tax return.

### § 3.07 Penalty Relief for Certain Controlled Services Transactions

During a one-year transition period, the Treasury Department and the IRS intend that taxpayers' reasonable efforts to

comply with the temporary regulations, as modified by this notice, will avoid the imposition of penalties for controlled services transactions, except for those evaluated under Treas. Reg. § 1.482-2(b), as modified by section 3.01 of this notice.

Accordingly, this notice provides that penalties, including but not limited to penalties within the meaning of section 6662(e) and (h) of the Code, will not apply to controlled services transactions (except for those evaluated under Treas. Reg. § 1.482-2(b)(3), as modified by section 3.01 of this notice), for taxable years beginning after December 31, 2006 and on or before December 31, 2007, provided that the taxpayer makes reasonable efforts to comply with documentation provisions in I.R.C. § 6001 and Treas. Reg. § 1.6662-6(d)(2)(iii).

In determining whether a taxpayer's efforts are reasonable, the Service will take into consideration that a taxpayer may not yet have all of its intercompany agreements in place and may be implementing changes to its accounting systems during this one-year transition period. If, however, the taxpayer fails to provide the Service with any transfer pricing documentation in connection with its controlled services transactions within the applicable time period, such actions will be deemed unreasonable.

This relief from penalties is intended to provide a reasonable transition period during which taxpayers may analyze the temporary and proposed regulations, execute any required contractual agreements, and prepare transfer pricing documentation for transactions subject to the regulations. This clarification does not limit the ability of the Commissioner to make section 482 allocations with respect to charges for services transactions that take place during this period or to apply penalties to controlled services transactions that are evaluated under Treas. Reg. § 1.482-2(b), as modified by section 3.01 of this notice.

## SECTION 4. REQUEST FOR COMMENTS

The Treasury Department and the IRS request further comments from interested persons on the rules announced in this notice. In addition, the revenue procedure issued contemporaneously with this notice is intended to be an evolving list of services

that are eligible for the SCM. The Treasury Department and the IRS contemplate issuing updates as appropriate, including a further revision of the revenue procedure to coincide with the end of the one-year transition period and in response to comments received on the temporary regulations. Comments are solicited on the categories and listed activities in the revenue procedure, possible additions, and other revisions. For example, comments are solicited whether warehousing and other functions that support distribution should be eligible for the SCM in light of Temp. Treas. Reg. § 1.482-9T(b)(3)(ii)(E) (reselling, distribution ineligible for SCM).

Written comments may be submitted to CC:INTL:6 (Notice 2007-5), room 4607, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20224. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:INTL:6 (Notice 2007-5) Courier's desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. Alternatively, taxpayers may submit comments electronically via the following e-mail address: *Notice.Comments@irs.counsel.treas.gov*. Please include "Notice 2007-5" in the subject line of any electronic communications.

## SECTION 5. DRAFTING INFORMATION

The principal authors of this notice are Thomas A. Vidano and Carol B. Tan of the Office of Associate Chief Counsel (International). For further information regarding this notice, contact Thomas A. Vidano or Carol B. Tan at (202) 622-5265 (not a toll-free call).

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## Cash Balance and Other Hybrid Defined Benefit Pension Plans

### Notice 2007-6

#### I. PURPOSE

This notice announces that the Service is beginning to process determination letter and examination cases in which an application for a determination letter or a plan under examination involves an

amendment to change a traditional defined benefit plan into a cash balance plan and provides related guidance. This notice also provides transitional guidance on the requirements of §§ 411(a)(13) and 411(b)(5) of the Internal Revenue Code (Code), as added by section 701(b) of the Pension Protection Act of 2006, Public Law 109-280 (PPA '06), which was enacted on August 17, 2006. This guidance generally relates to cash balance plans and other hybrid defined benefit pension plans and to amendments that convert defined benefit pension plans to hybrid defined benefit pension plans. This notice also requests comments on certain issues raised by §§ 411(a)(13) and 411(b)(5).

#### II. BACKGROUND

A defined benefit pension plan generally must satisfy the minimum vesting standards of § 411(a) and the accrual requirements of § 411(b) in order to be qualified under § 401(a). Both sections have been modified by section 701(b) of PPA '06, which added §§ 411(a)(13) and 411(b)(5) to the Code.

Section 411(a)(13)(A) provides that a plan described in § 411(a)(13)(C) is not treated as failing to meet either (i) the requirements of § 411(a)(2) (subject to a special vesting rule in § 411(a)(13)(B) with respect to benefits derived from employer contributions), or (ii) the requirements of § 411(c) or § 417(e) with respect to benefits derived from employer contributions, solely because the present value of the accrued benefit (or any portion thereof) of any participant is, under the terms of the plan, equal to the amount expressed as the balance in a hypothetical account or as an accumulated percentage of the participant's final average compensation.

A plan is described in § 411(a)(13)(C)(i) if the plan is a defined benefit plan under which the accrued benefit (or any portion thereof) of a participant is calculated as the balance of a hypothetical account maintained for the participant or as an accumulated percentage of the participant's final average compensation. Under § 411(a)(13)(C)(ii), the Secretary is to issue regulations that treat any defined benefit plan (or any portion of such a plan) that has an effect similar to a plan described in § 411(a)(13)(C)(i) as if it were described

in § 411(a)(13)(C)(i). For purposes of this notice, a plan described either in § 411(a)(13)(C)(i) or in regulations or other guidance issued pursuant to § 411(a)(13)(C)(ii) is referred to as a *statutory hybrid plan*.

Section 411(b)(1)(H)(i) provides that a defined benefit plan fails to comply with § 411(b) if, under the plan, an employee's benefit accrual is ceased, or the employee's rate of benefit accrual is reduced, because of the attainment of any age. Section 411(b)(5)(A), as added by section 701(b)(1) of PPA '06, generally provides that a plan will not be treated as failing to meet the requirements of § 411(b)(1)(H)(i) if a participant's benefit accrued to date, as determined as of any date under the terms of the plan, would be equal to or greater than that of any similarly situated, younger individual who is or could be a participant. For purposes of this notice, a participant's benefit accrued to date is referred to as the participant's *accumulated benefit*. Under § 411(b)(5)(A)(iv), for purposes of the safe harbor standard of § 411(b)(5)(A), a participant's accumulated benefit may, under the terms of the plan, be expressed as an annuity payable at normal retirement age, the balance of a hypothetical account, or the current value of the accumulated percentage of the employee's final average compensation.

Section 411(b)(5)(B) imposes several requirements on a statutory hybrid plan as a condition of satisfying § 411(b)(1)(H). First, § 411(b)(5)(B)(i) provides that a statutory hybrid plan is treated as failing to meet the requirements of § 411(b)(1)(H) if the terms of the plan provide for an interest credit (or an equivalent amount) for any plan year at a rate that is greater than a market rate of return. Second, § 411(b)(5)(B)(ii) and (iii) contain minimum benefit rules that apply if, after June 29, 2005, an amendment is adopted that converts a defined benefit plan to a statutory hybrid plan. For purposes of this notice, such an amendment is referred to as a *conversion amendment*. Third, § 411(b)(5)(B)(vi) provides a special rule for projecting variable interest crediting rates in the case of a terminating statutory hybrid plan. In addition, § 411(a)(13)(B) requires a statutory hybrid plan to provide that an employee who has completed at least 3 years of service has a nonforfeitable

right to 100 percent of the employee's accrued benefit derived from employer contributions.

Section 411(b)(5)(E) provides that a plan is not treated as failing to meet the requirements of § 411(b)(1)(H) solely because the plan provides for indexing of accrued benefits under the plan. Under § 411(b)(5)(E)(iii), indexing means, in connection with an accrued benefit, the periodic adjustment of the accrued benefit by means of the application of a recognized investment index or methodology.

Section 701(a) of PPA '06 added provisions to the Employee Retirement Income Security Act of 1974, Public Law 93-406 (ERISA) that are parallel to the above described sections of the Code that were added by section 701(b) of PPA '06. The guidance provided in this notice with respect to the Code also applies for purposes of the parallel amendments to ERISA made by PPA '06.<sup>1</sup>

Section 701(c) of PPA '06 added provisions to the Age Discrimination in Employment Act of 1967, Public Law 90-202 (ADEA), that are parallel to § 411(b)(5) of the Code. Executive Order 12067 requires all Federal departments and agencies to advise and offer to consult with the Equal Employment Opportunity Commission (EEOC) during the development of any proposed rules, regulations, policies, procedures or orders concerning equal employment opportunity. Treasury and the Service have consulted with the EEOC prior to the issuance of this notice.

The amendments made by section 701 of PPA '06 are generally effective for periods beginning on or after June 29, 2005. There are a number of special effective date rules, some of which are described in this notice. Section 701(d) of PPA '06 provides that nothing in the amendments made by section 701 should be construed to create an inference concerning the treatment of statutory hybrid plans or conversions of plans into such plans under § 411(b)(1)(H), or concerning the determination of whether a statutory hybrid plan fails to meet the requirements of § 411(a)(2), 411(c), or 417(e) as in effect

before such amendments solely because the present value of the accrued benefit (or any portion thereof) of any participant is equal to the amount expressed as the balance in a hypothetical account or as an accumulated percentage of the participant's final average compensation.

Section 702 of PPA '06 requires the Secretary to prescribe regulations for the application of the provisions of section 701 of PPA '06 in cases where the conversion of a plan to a statutory hybrid plan is made with respect to a group of employees who become employees by reason of a merger, acquisition, or similar transaction.

Proposed regulations (EE-184-86, 1988-1 C.B. 881) under §§ 411(b)(1)(H) and 411(b)(2) were published by Treasury and the Service in the Federal Register on April 11, 1988 (53 F.R. 11876), as part of a package of regulations that also included proposed regulations under §§ 410(a), 411(a)(2), 411(a)(8), and 411(c) (relating to the maximum age for participation, vesting, normal retirement age, and actuarial adjustments after normal retirement age, respectively).<sup>2</sup>

Notice 96-8, 1996-1 C.B. 359, described the application of §§ 411 and 417(e), prior to the enactment of PPA '06, to a single-sum distribution under a cash balance plan where interest credits under the plan are frontloaded (*i.e.*, where future interest credits to an employee's hypothetical account balance are not conditioned upon future service and thus accrue at the same time that the benefits attributable to a hypothetical allocation to the account accrue). Under the analysis set forth in Notice 96-8, in order to comply with §§ 411(a) and 417(e) in calculating the amount of a single-sum distribution under a cash balance plan, the balance of an employee's hypothetical account must be projected to normal retirement age and converted to an annuity under the terms of the plan, and then the employee must be paid at least the present value of the projected annuity, determined in accordance with § 417(e). Under that analysis, where a cash balance plan provides frontloaded interest credits using an interest rate that is

higher than the § 417(e) applicable interest rate, payment of a single-sum distribution equal to the current hypothetical account balance as a complete distribution of the employee's accrued benefit may result in a violation of § 417(e) or a forfeiture in violation of § 411(a). In addition, Notice 96-8 proposed a safe harbor that provided that, if frontloaded interest credits are provided under a plan at a rate no greater than the sum of identified standard indices and associated margins, no violation of § 411(a) or 417(e) would result if the employee's entire accrued benefit is distributed in the form of a single-sum distribution equal to the employee's hypothetical account balance, provided the plan uses appropriate annuity conversion factors.

On September 15, 1999, the Service's Director, Employee Plans, issued a field directive requiring that open determination letter applications and examination cases that involved the conversion of a defined benefit plan formula into a benefit formula commonly known as a cash balance formula be submitted for technical advice with respect to the conversion's effect on the qualified status of the plan (referred to in this notice as the *1999 Field Directive*). The 1999 Field Directive identified as a cash balance formula a benefit formula in a defined benefit plan by whatever name (*e.g.*, personal account plan, pension equity plan, life cycle plan, cash account plan, etc.) that, rather than expressing the accrued benefit as a life annuity commencing at normal retirement age, defines benefits for each employee by reference to a single-sum distribution amount. In Announcement 2003-1, 2003-1 C.B. 281, the Service announced that the cases that were the subject of the 1999 Field Directive would not be processed pending issuance of regulations addressing age discrimination.

### III. TRANSITIONAL GUIDANCE

This part III provides transitional guidance with respect to rules in §§ 411(a)(13) and 411(b)(5) that relate to statutory hybrid plans and the conversion of a defined benefit plan into a statutory hybrid plan. The

<sup>1</sup> Under section 101 of Reorganization Plan No. 4 of 1978 (43 F.R. 47713), the Secretary has interpretive jurisdiction over the subject matter addressed by this notice for purposes of ERISA.

<sup>2</sup> On December 11, 2002, Treasury and the Service issued proposed regulations (REG-209500-86; REG-164464-02, 2003-1 C.B. 262) regarding the age discrimination requirements of § 411(b)(1)(H) that specifically addressed cash balance plans as part of a package of regulations that also addressed § 401(a)(4) nondiscrimination cross-testing rules applicable to cash balance plans (67 F.R. 76123). The 2002 proposal was intended to replace the 1988 proposal. In Announcement 2003-22, 2003-1 C.B. 847, Treasury and the Service announced the withdrawal of the 2002 proposed regulations under § 401(a)(4), and in Announcement 2004-57, 2004-2 C.B. 15, Treasury and the Service announced the withdrawal of the 2002 proposed regulations relating to age discrimination.

transitional guidance provided in this part III applies pending the issuance of further guidance.

*A. Section 411(a)(13)(C): Definition of statutory hybrid plan.*

1. *In general.* A statutory hybrid plan described in § 411(a)(13)(C)(i) and (ii) is a plan that is either a lump sum based plan or a plan that has a similar effect to a lump sum based plan. For purposes of this notice, the term *lump sum based plan* means a defined benefit plan under the terms of which the accumulated benefit of a participant is expressed as the balance of a hypothetical account maintained for the participant or as the current value of the accumulated percentage of the participant's final average compensation, and includes a plan under which the accrued benefit under the terms of the plan is calculated as the actuarial equivalent of such a hypothetical account balance or accumulated percentage. Whether a plan is a lump sum based plan is determined based on how the accumulated benefit of a participant is expressed under the terms of the plan, and does not depend on whether the plan provides for an optional form of benefit in the form of a lump sum payment.

2. *Similar effect to a lump sum based plan.*

(i) *Treated as having a similar effect.* Except as provided below in part IIIA(2)(ii) of this notice, a plan that is not a lump sum based plan is treated as having a similar effect to a lump sum based plan if the plan provides that a participant's accrued benefit (payable at normal retirement age) is expressed as a benefit that includes automatic periodic increases through normal retirement age that results in the payment of a larger amount at normal retirement age to a similarly situated participant who is younger. This includes a plan that provides for indexing of accrued benefits within the meaning of § 411(b)(5)(E)(iii), such as a plan that expresses the accrued benefit as an indexed annuity.

(ii) *Not treated as having a similar effect.*

(I) *Plan with post-retirement adjustment.* A plan described in § 411(b)(5)(E) that solely provides for post-retirement adjustment of the amounts payable to a participant is not treated as having a similar effect to a lump sum based plan.

(II) *Variable annuity plan.* A variable annuity plan is not treated as having a similar effect to a lump sum based plan if it has an assumed interest rate used for purposes of adjustment of amounts payable to a participant that is at least five percent. For this purpose, a variable annuity plan includes any plan which provides that the amount payable is periodically adjusted by reference to the difference between the rate of return of plan assets (or specified market indices) and the assumed interest rate.

*B. Section 411(a)(13): Special rules for the application of §§ 411(a)(2), 411(c), and 417(e).*

1. *In general.* Section 411(a)(13)(A) provides special rules with respect to §§ 411(a)(2), 411(c), and 417(e) for benefits expressed as the balance of a hypothetical account maintained for a participant or as the current value of the accumulated percentage of a participant's final average compensation under a lump sum based plan. Specifically, with respect to such benefits, a lump sum based plan is not treated as failing to meet the requirements of § 411(a)(2), or the requirements of §§ 411(c) and 417(e) with respect to such benefits derived from employer contributions, solely because the present value of such benefits of any participant is, under the terms of the plan, equal to the amount expressed as the balance in the hypothetical account or as the accumulated percentage of the participant's final average compensation. Section 411(a)(13)(A) does not apply to benefits under a statutory hybrid plan that are expressed neither as the balance of a hypothetical account maintained for a participant nor as the current value of the accumulated percentage of a participant's final average compensation.

2. *Effective date.* Section 411(a)(13)(A) is effective for distributions made after August 17, 2006. The Service expects to issue regulations shortly interpreting the effective date of § 411(a)(13)(A).

3. *Section 411(d)(6) relief.* In the case of a lump sum based plan that provides for a single-sum distribution to a participant that exceeds the participant's hypothetical account balance or accumulated percentage of final average compensation, the plan may be amended to eliminate the excess for distributions made after August 17, 2006, under the rules of section 1107 of PPA '06. Because such an amend-

ment is made pursuant to section 701 of PPA '06, section 1107 of PPA '06 applies to the amendment if the amendment satisfies the requirements specified in section 1107. Thus, if the amendment is adopted on or before the last day of the first plan year beginning on or after January 1, 2009 (January 1, 2011, for a governmental plan), and the plan is operated as if such amendment were in effect as of the first date the amendment is effective, then the amendment does not violate section 411(d)(6) with respect to distributions made after the later of August 17, 2006, or the effective date of the amendment.

4. *Section 4980F.* Pursuant to this notice, in the case of an amendment described in section B(3) of this part III, a notice required under § 4980F (and the parallel provision at section 204(h) of ERISA) must be provided at least 30 days before the date the amendment is first effective. Thus, if an amendment described in section B(3) of this part III that significantly reduces the rate of future benefit accrual for purposes of § 4980F is adopted retroactively (*i.e.*, is adopted after the effective date of the amendment) as an amendment under the rules of section 1107 of PPA '06, then the notice required under § 4980F must be provided at least 30 days before the earliest date on which the plan is operated in accordance with the amendment.

5. *Vesting.* See § 411(a)(13)(B) for a special 3-year vesting schedule for statutory hybrid plans.

*C. Section 411(b)(5)(A)(iv): Scope of rule.* In applying the age discrimination test set forth in § 411(b)(5)(A)(i), a lump sum based plan may under § 411(b)(5)(A)(iv) determine the accumulated benefit of a participant as the balance of a hypothetical account or the current value of the accumulated percentage of the employee's final average compensation even if the plan defines the participant's accrued benefit as an annuity at normal retirement age that is actuarially equivalent to such balance or value.

*D. Section 411(b)(5)(B)(i): Market rate of return.*

1. *Future guidance on market rate of return.* During 2007, Treasury and the Service expect to issue guidance that addresses the market rate of return rules at § 411(b)(5)(B)(i), including the special rule regarding preservation of capital under § 411(b)(5)(B)(i)(II) and the minimum

rate of return rules in the second sentence of § 411(b)(5)(B)(i)(I). The guidance is also expected to address the extent to which § 411(d)(6) relief provided under section 1107 of PPA '06 applies to an amendment to a statutory hybrid plan that changes the plan's interest crediting rate where such amendment is adopted after August 17, 2006.

2. *Safe harbor.* Pending further guidance, a market rate of return for purposes of § 411(b)(5)(B)(i) includes the rate of interest on long-term investment grade corporate bonds (as described in § 412(b)(5)(B)(ii)(II) prior to amendment by PPA '06 for plan years beginning prior to January 1, 2008, and the third segment rate described in § 430(h)(2)(C)(iii) for subsequent plan years) or the rate of interest on 30-year Treasury securities (as described in § 417(e)(3) prior to amendment by PPA '06). In addition, a market rate of return for purposes of § 411(b)(5)(B)(i) includes the sum of any of the standard indices and the associated margin for that index as described in part IV of Notice 96-8.

3. *Certain plan termination requirements.* See § 411(b)(5)(B)(vi) for required plan terms related to termination of a statutory hybrid plan.

E. *Section 411(b)(5)(B)(ii) — (iv): Special rules for conversion amendments.*

1. *In general.* Section 411(b)(5)(B)(ii) provides that if a conversion amendment is adopted with respect to a plan after June 29, 2005, the plan is treated as failing to meet the requirements of § 411(b)(1)(H) unless the requirements of § 411(b)(5)(B)(iii) are met with respect to each individual who was a participant in the plan immediately before the adoption of the conversion amendment.

2. *Requirements of § 411(b)(5)(B)(iii).* Subject to § 411(b)(5)(B)(iv), § 411(b)(5)(B)(iii) is satisfied with respect to any participant if the accrued benefit of the participant under the terms of the plan as in effect after the conversion amendment is not less than the sum of—

(i) the participant's accrued benefit for years of service before the effective date of the conversion amendment, determined under the terms of the plan as in effect before the amendment, and

(ii) the participant's accrued benefit for years of service after the effective date of the amendment, determined under the

terms of the plan as in effect after the amendment.

3. *Requirements of § 411(b)(5)(B)(iv).* Under § 411(b)(5)(B)(iv), a plan must credit the accumulation account or similar account for purposes of the accrued benefit described in part III(2)(ii) of this notice with the amount of any early retirement benefit or retirement-type subsidy for the plan year in which the participant retires if, as of such time, the participant has met the age, years of service, and other requirements under the plan for entitlement to such benefit or subsidy. For this purpose, the date on which a participant retires means the annuity starting date for the participant's benefit.

4. *Effective date.* Section 411(b)(5)(B)(ii) applies to a conversion amendment that is adopted after, and takes effect after, June 29, 2005. See section 701(e)(5) of PPA '06 for a special election with respect to § 411(b)(5)(B)(ii).

F. *Safe harbor for conversions related to mergers and acquisitions.*

1. *Future guidance on conversions related to mergers and acquisitions.* In accordance with section 702 of PPA '06, the Service expects to issue regulations not later than August 17, 2007, regarding an amendment to convert a defined benefit plan into a hybrid defined benefit plan with respect to a group of employees who become employees by reason of a merger, acquisition, or similar transaction.

2. *Safe harbor.* Pending further guidance, a plan amendment described in part III(1) that is also described in part III(1) of this notice is not treated as failing to meet the requirements of § 411(b)(1)(H) if the benefit of each participant under the plan as amended is not less than the sum of:

(A) the participant's section 411(d)(6) protected benefit (as defined in § 1.411(d)-3(g)(14)) with respect to service before the effective date of the conversion amendment, determined under the terms of the plan as in effect before the amendment, and

(B) the participant's section 411(d)(6) protected benefit with respect to service on and after the effective date of the conversion amendment, determined under the terms of the plan as in effect after the amendment.

For purposes of this paragraph F(2), the benefits under clause (A) and the benefits under clause (B) of this paragraph F(2)

must each be determined in the same manner as if they were provided under separate plans that are independent of each other (e.g., without any benefit offsets).

#### IV. DETERMINATION LETTERS

In light of the enactment of section 701 of PPA '06, the Service is no longer applying the 1999 Field Directive and Announcement 2003-1 and is beginning to process the determination letters and examination cases that were the subject of such field directive and announcement (referred to as *moratorium plans* in this notice). This part IV describes certain rules that will be applied for purposes of processing moratorium plans. Qualification requirements that are not described in this part IV (e.g., the backloading rules of § 411(b)(1)(A), (B), and (C)) continue to apply.

##### A. *Age discrimination.*

1. *In general.* Except as provided in part IVA(2) of this notice, a moratorium plan will be reviewed as to whether accruals under the plan that relate to service performed by the participant after the conversion violate § 411(b)(1)(H). For this purpose, a moratorium plan will not be treated as failing to satisfy the requirements of § 411(b)(1)(H) merely because a moratorium plan that is frontloaded provides that interest credits through normal retirement age are accrued in the year of the related hypothetical allocation.

2. *Pre-6/30/05 conversions.* For purposes of processing a determination letter application for a moratorium plan, the plan will not be reviewed as to whether the conversion of the plan satisfies the requirements of § 411(b)(1)(H) if the amendment that results in the conversion was adopted prior to June 30, 2005. Therefore, determination letters issued to moratorium plans will not consider, and may not be relied on with respect to, whether such a conversion satisfies the requirements of § 411(b)(1)(H), as in effect prior to the addition of § 411(b)(5) by PPA '06, including the effect of any wearaway.

3. *Post-6/29/05 conversions.* In the case of a moratorium plan that involves a conversion of the plan to a statutory hybrid plan pursuant to an amendment that is adopted after June 29, 2005, the conversion must satisfy the requirements of

§ 411(b)(5)(B)(ii) (described in part III E of this notice).

B. *Distributions before August 18, 2006.* The Service expects to issue regulations interpreting the effective date of § 411(a)(13)(A) (described in part III B(2) of this notice). Until this guidance is issued, the Service will not process a moratorium plan that does not satisfy the requirements of Notice 96–8 with respect to distributions made before August 18, 2006.

C. *Terminating plans.* Under Title IV of ERISA, a standard termination may only occur if, when the final distribution of assets occurs, the plan is sufficient for benefit liabilities determined as of the termination date. See § 4041(b)(1)(D) of ERISA; 29 C.F.R. § 4041.8(a). The Pension Benefit Guaranty Corporation (PBGC) has informed the Service that, for purposes of Title IV of ERISA, a terminating plan with a termination date that is prior to August 18, 2006, cannot apply § 411(a)(13)(A) in determining its benefit liabilities with respect to any distributions made by the terminating plan.

## V. COMMENTS REQUESTED AND FUTURE REGULATIONS

Treasury and the Service expect to issue regulations with respect to the transitional guidance provided in this notice and the issues described in part III B(2) of this notice. These initial regulations may address some additional issues, but will not address all of the outstanding issues relating to §§ 411(a)(13) and 411(b)(5).

Comments are requested on the following additional issues. These comments will be considered in conjunction with the comments received in response to the initial regulations in developing additional guidance.

- Identification of when two or more amendments, or the coordination of two or more defined benefit plans, have the effect of a conversion into a statutory hybrid plan.
- The definition of market rate of return for purposes of § 411(b)(5)(B)(i), including the following related issues:
  - The impact of the minimum rate of return rules in the second sentence

of § 411(b)(5)(B)(i)(I) on the definition of market rate of return.

- The impact of the preservation of capital rule in § 411(b)(5)(B)(i)(II) on the definition of market rate of return.
- The application of § 411(d)(6) to an amendment to the interest crediting rate specified in a statutory hybrid plan, and the circumstances under which the § 411(d)(6) relief provided under section 1107 of PPA '06 should apply to such an amendment.
- Application of the special rules for hybrid plans in the case of a plan in which only certain participants' accrued benefits, or only a portion of a participant's accrued benefit, is determined by reference to a hypothetical account balance or an accumulated percentage of final average compensation, including plans in which the benefit payable under one plan is offset by the benefit provided under another plan.
- The application of qualification requirements other than §§ 411(b)(1)(H) and 417(e) to a defined benefit plan under which the accrued benefit is calculated as an accumulated percentage of the participant's final average compensation (commonly referred to as a pension equity plan or PEP), including the treatment of interest credited with respect to terminated vested participants.
- The definition of a recognized index or methodology for purposes of § 411(b)(5)(E) and whether there are any types of indexed plans that should not be treated as statutory hybrid plans other than those described in part III A(2)(i) above.

Written comments should be submitted by April 16, 2007. Send submissions to CC:PA:LPD:DRU (Notice 2007–6), Room 5203, Internal Revenue Service, POB 7604 Ben Franklin Station, Washington, D.C. 20044. Comments may be hand delivered to CC:PA:LPD:DRU (Notice 2007–6), Room 5203, Internal Revenue Service, 1111 Constitution Avenue,

NW, Washington, DC. Alternatively, comments may be submitted via the Internet at [notice.comments@irs.counsel.treas.gov](mailto:notice.comments@irs.counsel.treas.gov) (Notice 2007–6). All comments will be available for public inspection.

## VI. DRAFTING INFORMATION

The principal authors of this notice are Kathleen J. Herrmann of the Employee Plans, Tax Exempt and Government Entities Division and Christopher A. Crouch, Lauson C. Green, and Linda S. F. Marshall of the Office of the Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice, contact Ms. Herrmann at (202) 283–9888 and Mr. Crouch, Mr. Green, and Ms. Marshall at (202) 622–6090 (not toll-free numbers).

## In-Service Benefits Permitted to be Provided at Age 62 by a Pension Plan

### Notice 2007–8

#### I. PURPOSE

The Treasury Department and the Internal Revenue Service are considering proposing guidance under § 401(a)(36) of the Internal Revenue Code, as added by section 905 of the Pension Protection Act of 2006, Public Law 109–280, 120 Stat. 780 (PPA '06). This notice requests comments on issues presented by § 401(a)(36) of the Code with respect to defined benefit plans.

#### II. BACKGROUND

##### *In-service distributions from a pension plan*

Section 401(a) provides rules for qualified pension plans, profit-sharing plans, and stock bonus plans. Section 1.401–1(a)(2) of the Income Tax Regulations provides that a qualified pension plan (*i.e.*, a qualified defined benefit plan or money purchase pension plan) is a definite written program and arrangement that is communicated to employees and that is established and maintained by an employer to provide for the livelihood of the employees or their beneficiaries



after the retirement of such employees through the payment of benefits. Under § 1.401-1(b)(1)(i), a qualified pension plan must be established and maintained by an employer primarily to provide systematically for the payment of definitely determinable benefits for employees over a period of years, usually for life, after retirement. Following the enactment of the Employee Retirement Income Security Act of 1974 (ERISA), Public Law 93-406 (88 Stat. 829), the regulations under § 401(a) were modified to provide that § 1.401-1(b)(1)(i) continues to apply, except as otherwise provided. See § 1.401(a)-1(b)(1)(i). Accordingly, a qualified pension plan is generally not permitted to pay benefits before retirement. See also Rev. Rul. 56-693, 1956-2 C.B. 282, as modified by Rev. Rul. 60-323, 1960-2 C.B. 148.

A notice of proposed rulemaking (REG-114726-04, 2004-2 C.B. 857) under § 401(a) was published in the **Federal Register** (69 FR 65108) (the proposed regulations) on November 10, 2004. The proposed regulations would permit a qualified pension plan to make in-service distributions to a participant before normal retirement age under a *bona fide* phased retirement program. In addition, the proposed regulations would modify § 1.401(a)-1(b)(1) by permitting a qualified pension plan to make in-service distributions to a participant upon the participant's attainment of normal retirement age and by clarifying that a plan's normal retirement age cannot be set so low as to be a subterfuge for avoiding the requirements of § 401(a). On March 14, 2005, the IRS held a public hearing on the proposed regulations. Written comments responding to the proposed rulemaking were also received.

Section 401(a)(36), as added by section 905(b) of PPA '06, provides that, for plan years beginning after December 31, 2006, a pension plan does not fail to qualify under § 401(a) solely because the plan provides that a distribution may be made to an employee who has attained age 62 and who has not separated from employment at the time of the distribution.

### *Application of § 411(a) and (b) to defined benefit plans*

Section 401(a)(7) provides that a plan must satisfy the requirements of § 411.<sup>1</sup> Section 411(a) provides that a qualified plan must provide that an employee's right to his or her normal retirement benefit is nonforfeitable upon the attainment of normal retirement age, and also provides vesting requirements with respect to an employee's accrued benefit. For purposes of a defined benefit plan, § 411(a)(7) generally defines the term "accrued benefit" as an employee's accrued benefit determined under the plan and expressed in the form of an annual benefit commencing at normal retirement age. Under § 411(a)(9), the term "normal retirement benefit" is defined as the greater of the early retirement benefit under the plan or the benefit under the plan commencing at normal retirement age.

Under § 411(a), a defined benefit plan must satisfy one of the three anti-backloading rules described §§ 411(b)(1)(A), 411(b)(1)(B), and 411(b)(1)(C). These anti-backloading rules govern the minimum rate at which a participant's accrued benefit accrues. These rules are designed to ensure that the minimum vesting rules of § 411(a) are not circumvented through a plan formula under which accruals are inappropriately deferred. In addition, under § 411(b)(1)(G), a defined benefit plan is not permitted to reduce a participant's accrued benefit on account of any increase in the participant's age or service, and under § 411(b)(1)(H), a defined benefit plan is not permitted to cease a participant's benefit accrual, or reduce the rate of an employee's benefit accrual, because of the attainment of any age.

### *Section 411(d)(6) protections*

Most of the § 411 requirements outlined above protect a participant's accrued benefit. Section 411(d)(6)(A) generally provides that a plan is treated as not satisfying the requirements of § 411 if the accrued benefit of a participant is decreased by a plan amendment. In addition, § 411(d)(6)(B) provides that a plan amendment that has the effect of eliminating or

reducing an early retirement benefit or a retirement-type subsidy, or eliminating an optional form of benefit, with respect to benefits attributable to service before the amendment is treated as impermissibly reducing accrued benefits.

Sections 1.411(d)-3 and 1.411(d)-4 provide rules relating to § 411(d)(6) protected benefits. Section 1.411(d)-3(g) distinguishes among the types of benefits protected under § 411(d)(6). A § 411(d)(6) protected early retirement benefit is defined as the right to commence distribution of a retirement-type benefit at a particular date after severance from employment with the employer and before normal retirement age. Generally, under these regulations, a § 411(d)(6) protected retirement-type subsidy, such as a subsidized early retirement benefit and a subsidized qualified joint and survivor annuity, is the excess of the actuarial present value of a retirement-type benefit over the actuarial present value of the accrued benefit commencing at normal retirement age or at the actual commencement date. A plan provision that permits a participant to receive an in-service distribution is an optional form of benefit that is protected under § 411(d)(6), but is not an early retirement benefit. See §§ 1.411(d)-3(g)(6) and 1.411(d)-4, Q&A-1(a)(3), Q&A-1(b)(1), and Q&A-2(a)(1).

### III. COMMENTS REQUESTED

The Treasury Department and the Internal Revenue Service are considering issuing guidance with respect to § 401(a)(36). Comments are requested on the guidance that should be issued. In particular, comments on the following specific issues related to § 401(a)(36) and defined benefit plans are requested:

- Should in-service distribution of a benefit to a participant who has attained age 62 but who has not attained normal retirement age be limited to no greater than the benefit to which the participant would be entitled at normal retirement age, reduced in accordance with reasonable actuarial assumptions (e.g., should only unsubsidized benefits be permitted pursuant to § 401(a)(36))?

<sup>1</sup> Under § 411(e), certain plans are treated as meeting the requirements of § 411 if such plans meet the vesting requirements resulting from the application of §§ 401(a)(4) and 401(a)(7) as in effect on September 1, 1974.

- If subsidized benefits are permitted to be distributed to a participant who has attained age 62 but is still in-service and has not yet attained normal retirement age, how should the subsidized benefits be characterized for purposes of § 411?
- For example, should the subsidized benefits be treated as a subsidized early retirement benefit despite the fact that the participant has not yet separated from employment?
- If the subsidized benefits are not treated as a subsidized early retirement benefit, should the subsidized benefits be treated as a part of the participant's accrued benefit, or is there some other characterization of the subsidized benefits for purposes of § 411?
- Whether final regulations permitting in-service distributions under a *bona fide* phased retirement program should be issued, in light of the ability of plans to permit in-service distributions after age 62 pursuant to § 401(a)(36)?

Written comments should be submitted by April 16, 2007. Send submissions to CC:PA:LPD:DRU (Notice 2007-8), Room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, D.C. 20044. Comments may be hand delivered between the hours of 8 a.m. and 5 p.m., Monday through Friday, to Courier's Desk, Internal Revenue Service, Attn: CC:PA:LPD:DRU (Notice 2007-8), 1111 Constitution Avenue, NW, Washington, D.C. Alternatively, comments may be submitted via the Internet at [notice.comments@irs.counsel.treas.gov](mailto:notice.comments@irs.counsel.treas.gov) (Notice 2007-8). All comments will be available for public inspection.

#### DRAFTING INFORMATION

The principal drafter of this notice is Kathleen Herrmann of the Employee

Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, please contact the Employee Plans' taxpayer assistance telephone service at 1-877-829-5500 (a toll-free number) between the hours of 8:30 a.m. and 4:30 p.m. Eastern Time, Monday through Friday. Ms. Herrmann may be reached at (202) 283-9888 (not a toll-free number).

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*26 CFR 601.201: Rulings and determination letters. (Also Part I, Sections 846; 1.846-1.)*

## Rev. Proc. 2007-9

### SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 2006 accident year. These factors will be used for computing discounted unpaid losses under § 846 of the Internal Revenue Code. See Rev. Proc. 2003-17, 2003-1 C.B. 427, for background concerning the loss payment patterns and application of the discount factors.

### SEC. 2. SCOPE

This revenue procedure applies to any taxpayer that is required to discount its unpaid losses under § 846 for a line of business using discount factors published by the Secretary.

### SEC. 3. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under § 846 for accident year 2006. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2006, which is 3.98 percent, and by assuming all loss payments occur in the middle of the calendar year.

.02 If the groupings of individual lines of business on the annual state-

ment change, taxpayers must discount the unpaid losses on the affected lines of business in accordance with the discounting patterns that would have applied to those unpaid losses based on their classification on the 2000 annual statement. See Rev. Proc. 2003-17, 2003-1 C.B. 427, section 2, for additional background on discounting under section 846 and the use of the Secretary's tables.

.03 Section V of Notice 88-100, 1988-2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement. The tables separately provide discount factors for taxpayers who elect to use the composite method of section V of Notice 88-100. See Rev. Proc. 2002-74, 2002-2 C.B. 980.

.04 Section 2.03(4) of Rev. Proc. 2003-17 requested comments as to whether a methodology should be adopted to smooth the raw payment data and thus produce a more stable pattern of discount factors. This issue will be addressed in the new determination year, which is 2007. Accordingly, taxpayers may still submit comments that should include a reference to **Rev. Proc. 2007-9** on this issue to the following address:

CC:PA:LPD:PR (**Rev. Proc. 2007-9**), room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Comments may be hand delivered between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD (**Rev. Proc. 2007-9**), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. Alternatively, e-mail comments to [Notice.Comments@irs.counsel.treas.gov](mailto:Notice.Comments@irs.counsel.treas.gov). All comments will be available for public inspection and copying.

.05 Tables.

**Tables of Factors to be Used to Discount  
Unpaid Losses Incurred in  
Accident Year 2006**

(Interest rate: 3.98 percent)

**Accident and Health  
(Other Than Disability Income or Credit Disability Insurance)**

Taxpayers that do not use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the 2006 and later taxable years.

Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount all unpaid losses in this line of business that are outstanding at the end of the 2006 taxable year.

**Auto Physical Damage**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	89.6468	89.6468	10.3532	10.1356	97.8981
2007	99.6845	10.0377	0.3155	0.3035	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2008 and later years	0.1578	0.1578	0.1547	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2008 taxable year.

**Commercial Auto/Truck Liability/Medical**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	28.8244	28.8244	71.1756	65.9439	92.6497
2007	54.9871	26.1626	45.0129	41.8903	93.0628
2008	72.8039	17.8168	27.1961	25.3896	93.3575
2009	85.0572	12.2533	14.9428	13.9054	93.0572
2010	91.6276	6.5704	8.3724	7.7589	92.6725
2011	94.9514	3.3239	5.0486	4.6784	92.6676
2012	97.0453	2.0938	2.9547	2.7295	92.3768
2013	98.1574	1.1121	1.8426	1.7041	92.4822
2014	98.7370	0.5796	1.2630	1.1809	93.4978
2015	99.1070	0.3700	0.8930	0.8506	95.2504

### Commercial Auto/Truck Liability/Medical

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.3700	0.5230	0.5072	96.9692
2017 and later years	0.3700	0.1530	0.1501	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 97.1689 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

### Composite

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	40.9985	40.9985	59.0015	53.7593	91.1153
2007	65.8439	24.8454	34.1561	30.5639	89.4832
2008	77.5023	11.6583	22.4977	19.8923	88.4193
2009	84.6221	7.1198	15.3779	13.4239	87.2935
2010	90.2455	5.6234	9.7545	8.2239	84.3094
2011	92.2780	2.0325	7.7220	6.4788	83.8997
2012	94.3974	2.1195	5.6026	4.5754	81.6658
2013	95.2526	0.8552	4.7474	3.8854	81.8439
2014	96.2792	1.0266	3.7208	2.9933	80.4470
2015	96.4323	0.1531	3.5677	2.9562	82.8624

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.1531	3.4145	2.9177	85.4512
2017	0.1531	3.2614	2.8777	88.2363
2018	0.1531	3.1083	2.8361	91.2444
2019	0.1531	2.9551	2.7928	94.5083
2020 and later years	0.1531	2.8020	2.7478	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 88.1508 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

### Fidelity/Surety

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	38.3328	38.3328	61.6672	58.1879	94.3581
2007	58.8485	20.5156	41.1515	39.5839	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2008 and later years	20.5758	20.5758	20.1781	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2008 taxable year.

### Financial Guaranty/Mortgage Guaranty

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	4.0723	4.0723	95.9277	90.7812	94.6350
2007	40.7639	36.6916	59.2361	56.9796	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2008 and later years	29.6180	29.6180	29.0457	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2008 taxable year.

### International (Composite)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	40.9985	40.9985	59.0015	53.7593	91.1153
2007	65.8439	24.8454	34.1561	30.5639	89.4832
2008	77.5023	11.6583	22.4977	19.8923	88.4193
2009	84.6221	7.1198	15.3779	13.4239	87.2935
2010	90.2455	5.6234	9.7545	8.2239	84.3094
2011	92.2780	2.0325	7.7220	6.4788	83.8997
2012	94.3974	2.1195	5.6026	4.5754	81.6658
2013	95.2526	0.8552	4.7474	3.8854	81.8439
2014	96.2792	1.0266	3.7208	2.9933	80.4470
2015	96.4323	0.1531	3.5677	2.9562	82.8624

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.1531	3.4145	2.9177	85.4512
2017	0.1531	3.2614	2.8777	88.2363
2018	0.1531	3.1083	2.8361	91.2444
2019	0.1531	2.9551	2.7928	94.5083
2020 and later years	0.1531	2.8020	2.7478	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 88.1508 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

### Medical Malpractice — Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	7.3447	7.3447	92.6553	83.4596	90.0754
2007	29.0191	21.6744	70.9809	64.6798	91.1228
2008	53.3108	24.2917	46.6892	42.4836	90.9925
2009	69.1517	15.8409	30.8483	28.0215	90.8363
2010	82.0981	12.9464	17.9019	15.9352	89.0139
2011	86.3995	4.3014	13.6005	12.1832	89.5793
2012	89.7111	3.3116	10.2889	9.2913	90.3038
2013	92.4688	2.7577	7.5312	6.8490	90.9420
2014	94.5163	2.0475	5.4837	5.0337	91.7950
2015	95.7635	1.2471	4.2365	3.9624	93.5285

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	1.2471	2.9894	2.8483	95.2819
2017	1.2471	1.7422	1.6900	97.0008
2018 and later years	1.2471	0.4951	0.4855	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 95.9709 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

### Medical Malpractice — Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	0.8316	0.8316	99.1684	84.5630	85.2721
2007	7.4573	6.6257	92.5427	81.1723	87.7134
2008	23.5575	16.1002	76.4425	67.9856	88.9369
2009	41.0062	17.4487	58.9938	52.8989	89.6685
2010	55.5832	14.5770	44.4168	40.1400	90.3712
2011	68.9413	13.3581	31.0587	28.1163	90.5261
2012	78.2095	9.2682	21.7905	19.7844	90.7937
2013	82.8727	4.6632	17.1273	15.8167	92.3480
2014	86.3178	3.4451	13.6822	12.9332	94.5260
2015	91.0834	4.7656	8.9166	8.5884	96.3200

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016 and later years	4.7656	4.1510	4.0708	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

### Miscellaneous Casualty

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	79.7790	79.7790	20.2210	19.5491	96.6770
2007	94.9417	15.1627	5.0583	4.8656	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2008 and later years	2.5292	2.5292	2.4803	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2008 taxable year.

### Multiple Peril Lines (Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	59.7445	59.7445	40.2555	37.4341	92.9914
2007	81.0347	21.2902	18.9653	17.2142	90.7672
2008	87.3325	6.2978	12.6675	11.4775	90.6059
2009	91.0659	3.7334	8.9341	8.1273	90.9698
2010	95.1781	4.1122	4.8219	4.2575	88.2964
2011	95.7605	0.5824	4.2395	3.8331	90.4149
2012	97.0539	1.2933	2.9461	2.6668	90.5202
2013	97.6441	0.5903	2.3559	2.1711	92.1567
2014	98.7037	1.0596	1.2963	1.1770	90.8007
2015	98.6217	-0.0821	1.3783	1.3076	94.8644

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.5226	0.8558	0.8267	96.6061
2017 and later years	0.5226	0.3332	0.3267	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 96.9550 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Other (Including Credit)**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	69.1729	69.1729	30.8271	29.7431	96.4837
2007	91.2168	22.0439	8.7832	8.4487	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2008 and later years	4.3916	4.3916	4.3068	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2008 taxable year.

**Other Liability — Claims-Made**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	14.9618	14.9618	85.0382	75.3352	88.5898
2007	36.2113	21.2494	63.7887	56.6653	88.8328
2008	54.2876	18.0763	45.7124	40.4881	88.5713
2009	64.2163	9.9288	35.7837	31.9751	89.3567
2010	73.2732	9.0569	26.7268	24.0123	89.8438
2011	80.5748	7.3016	19.4252	17.5225	90.2054
2012	87.6200	7.0452	12.3800	11.0359	89.1433
2013	89.9155	2.2955	10.0845	9.1344	90.5790
2014	93.3946	3.4791	6.6054	5.9503	90.0827
2015	94.6170	1.2223	5.3830	4.9407	91.7827

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	1.2223	4.1607	3.8909	93.5158
2017	1.2223	2.9383	2.7993	95.2689
2018	1.2223	1.7160	1.6643	96.9877
2019 and later years	1.2223	0.4936	0.4841	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 94.6440 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.



**Other Liability — Occurrence**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	19.1133	19.1133	80.8867	69.7012	86.1714
2007	36.4434	17.3301	63.5566	54.8037	86.2281
2008	52.1648	15.7215	47.8352	40.9536	85.6140
2009	63.2383	11.0734	36.7617	31.2919	85.1209
2010	72.0780	8.8397	27.9220	23.5235	84.2469
2011	75.9021	3.8241	24.0979	20.5602	85.3195
2012	82.9305	7.0284	17.0695	14.2116	83.2573
2013	85.1441	2.2136	14.8559	12.5200	84.2763
2014	89.3006	4.1565	10.6994	8.7799	82.0597
2015	89.9898	0.6892	10.0102	8.4266	84.1796

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.6892	9.3210	8.0591	86.4622
2017	0.6892	8.6318	7.6771	88.9398
2018	0.6892	7.9426	7.2798	91.6560
2019	0.6892	7.2533	6.8668	94.6705
2020 and later years	0.6892	6.5641	6.4373	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 90.4497 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Private Passenger Auto Liability/Medical**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	43.1926	43.1926	56.8074	53.5261	94.2237
2007	72.2008	29.0082	27.7992	26.0766	93.8032
2008	84.5632	12.3625	15.4368	14.5083	93.9856
2009	91.9316	7.3684	8.0684	7.5722	93.8501
2010	95.8729	3.9413	4.1271	3.8546	93.3975
2011	97.7804	1.9075	2.2196	2.0629	92.9415
2012	98.7957	1.0153	1.2043	1.1098	92.1473
2013	99.2491	0.4535	0.7509	0.6915	92.0971
2014	99.5195	0.2703	0.4805	0.4434	92.2703
2015	99.6353	0.1159	0.3647	0.3429	94.0275

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.1159	0.2488	0.2384	95.8137
2017	0.1159	0.1330	0.1297	97.5849
2018 and later years	0.1159	0.0171	0.0168	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 96.3943 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Products Liability — Claims-Made**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	6.5804	6.5804	93.4196	80.2960	85.9520
2007	26.7183	20.1379	73.2817	62.9570	85.9110
2008	43.1834	16.4652	56.8166	48.6731	85.6671
2009	43.9209	0.7375	56.0791	49.8583	88.9071
2010	54.3806	10.4597	45.6194	41.1768	90.2617
2011	78.3630	23.9824	21.6370	18.3607	84.8579
2012	82.8643	4.5013	17.1357	14.5014	84.6271
2013	68.2184	-14.6459	31.7816	30.0132	94.4355
2014	79.1582	10.9399	20.8418	20.0522	96.2118
2015	89.6963	10.5381	10.3037	10.1045	98.0675

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Products Liability — Occurrence**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	9.4198	9.4198	90.5802	76.5659	84.5283
2007	20.5845	11.1647	79.4155	68.2285	85.9133
2008	36.7807	16.1962	63.2193	54.4286	86.0950
2009	55.5974	18.8167	44.4026	37.4074	84.2460
2010	66.6238	11.0263	33.3762	27.6526	82.8511
2011	77.2636	10.6399	22.7364	17.9036	78.7443
2012	79.1888	1.9251	20.8112	16.6531	80.0197
2013	83.6816	4.4928	16.3184	12.7345	78.0378
2014	85.5507	1.8691	14.4493	11.3354	78.4496
2015	85.7291	0.1784	14.2709	11.6047	81.3169

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.1784	14.0925	11.8846	84.3329
2017	0.1784	13.9141	12.1757	87.5062
2018	0.1784	13.7357	12.4784	90.8463
2019	0.1784	13.5573	12.7931	94.3632
2020 and later years	0.1784	13.3789	13.1204	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 89.8177 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Reinsurance A (Nonproportional Assumed Property)**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	25.0571	25.0571	74.9429	69.5252	92.7708
2007	52.0402	26.9831	47.9598	44.7775	93.3645
2008	82.4709	30.4307	17.5291	15.5292	88.5910
2009	85.6387	3.1678	14.3613	12.9170	89.9434
2010	92.7228	7.0840	7.2772	6.2075	85.3001
2011	91.8604	-0.8624	8.1396	7.3339	90.1015
2012	96.5016	4.6412	3.4984	2.8932	82.6989
2013	96.1872	-0.3143	3.8128	3.3288	87.3078
2014	97.6206	1.4333	2.3794	1.9998	84.0432
2015	97.8419	0.2214	2.1581	1.8536	85.8925

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	0.2214	1.9367	1.7017	87.8641
2017	0.2214	1.7154	1.5437	89.9920
2018	0.2214	1.4940	1.3794	92.3296
2019	0.2214	1.2727	1.2086	94.9667
2020 and later years	0.2214	1.0513	1.0310	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 90.9754 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Reinsurance B (Nonproportional Assumed Liability)**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	8.9223	8.9223	91.0777	76.3687	83.8500
2007	27.3618	18.4395	72.6382	60.6053	83.4344
2008	44.5758	17.2140	55.4242	45.4641	82.0294
2009	53.8781	9.3023	46.1219	37.7880	81.9307
2010	60.8896	7.0115	39.1104	32.1422	82.1834
2011	69.7327	8.8430	30.2673	24.4042	80.6288
2012	76.6292	6.8965	23.3708	18.3431	78.4871
2013	79.4030	2.7738	20.5970	16.2447	78.8690
2014	83.8936	4.4906	16.1064	12.3121	76.4422
2015	80.1707	-3.7229	19.8293	16.5983	83.7063

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

**Reinsurance B (Nonproportional Assumed Liability)**

2016	1.1805	18.6487	16.0552	86.0925
2017	1.1805	17.4682	15.4904	88.6775
2018	1.1805	16.2877	14.9031	91.4992
2019	1.1805	15.1072	14.2924	94.6071
2020 and later years	1.1805	13.9266	13.6575	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 90.3273 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Reinsurance C (Nonproportional Assumed Financial Lines)**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	17.1195	17.1195	82.8805	74.5159	89.9077
2007	46.6590	29.5395	53.3410	47.3601	88.7874
2008	67.7135	21.0545	32.2865	27.7757	86.0287
2009	78.1379	10.4244	21.8621	18.2513	83.4837
2010	89.7346	11.5967	10.2654	7.1524	69.6754
2011	92.1268	2.3921	7.8732	4.9978	63.4788
2012	89.7323	-2.3945	10.2677	7.6384	74.3925
2013	90.0460	0.3137	9.9540	7.6225	76.5774
2014	94.8867	4.8407	5.1133	2.9898	58.4711
2015	86.7041	-8.1827	13.2959	11.4527	86.1367

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	1.4277	11.8683	10.4527	88.0727
2017	1.4277	10.4406	9.4129	90.1568
2018	1.4277	9.0129	8.3317	92.4421
2019	1.4277	7.5852	7.2075	95.0203
2020 and later years	1.4277	6.1575	6.0385	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 91.0632 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**Special Property  
(Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	62.9320	62.9320	37.0680	35.7122	96.3422
2007	88.4950	25.5631	11.5050	11.0667	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

**Special Property**  
**(Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)**

2008 and later years	5.7525	5.7525	5.6413	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2008 taxable year.

**Workers' Compensation**

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2006	28.2489	28.2489	71.7511	64.2325	89.5214
2007	57.8739	29.6249	42.1261	36.5803	86.8351
2008	71.2999	13.4260	28.7001	24.3455	84.8274
2009	77.7584	6.4585	22.2416	18.7287	84.2059
2010	81.9301	4.1717	18.0699	15.2202	84.2298
2011	83.7739	1.8437	16.2261	13.9459	85.9472
2012	86.5350	2.7611	13.4650	11.6854	86.7836
2013	88.4367	1.9017	11.5633	10.2113	88.3080
2014	89.5926	1.1559	10.4074	9.4390	90.6955
2015	91.6441	2.0515	8.3559	7.7228	92.4232

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2006 accident year and that are outstanding at the end of the tax year shown.

2016	2.0515	6.3045	5.9383	94.1919
2017	2.0515	4.2530	4.0828	95.9970
2018	2.0515	2.2016	2.1534	97.8116
2019 and later years	2.0515	0.1501	0.1472	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 95.2214 percent to discount unpaid losses incurred in this line of business in 2006 and prior years and that are outstanding at the end of the 2016 taxable year.

**DRAFTING INFORMATION**

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Hossofsky at (202) 622–8435 (not a toll-free call).

26 CFR 601.201: Rulings and determination letters. (Also Part I, Sections 832, 846; 1.832–4, 1.846–1.)

**Rev. Proc. 2007–10**

**SECTION 1. PURPOSE**

This revenue procedure prescribes the salvage discount factors for the 2006 accident year. These factors must be used to

compute discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

**SEC. 2. BACKGROUND**

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including that which cannot be treated as an asset for state accounting purposes) be taken into account in computing the deduction for losses incurred. Under § 832(b)(5)(A), paid losses are to be reduced by salvage and reinsurance recovered during the taxable year. This amount is adjusted to reflect changes in discounted unpaid losses on nonlife insurance contracts and in unpaid losses on life insurance contracts. An adjustment is then made to reflect any changes in discounted estimated salvage recoverable and in reinsurance recoverable.

Pursuant to § 832(b), the amount of estimated salvage is determined on a discounted basis in accordance with procedures established by the Secretary.

**SEC. 3. SCOPE**

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

**SEC. 4. APPLICATION**

.01 The following tables present separately for each line of business the discount factors under § 832 for the 2006 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2006, which is 3.98 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. *See*

Rev. Proc. 2003-18, 2003-1 C.B. 439, for background regarding the tables.

.02 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own historical experience under § 846.

.03 Section V of Notice 88-100, 1988-2 C.B. 439, provides a composite discount factor to be used in determining the discounted unpaid losses for accident years that are not separately reported on the NAIC Annual Statement. The tables separately provide discount factors for taxpayers who elect to use the composite method. Rev. Proc. 2002-74, 2002-2 C.B. 980, clarifies that for certain insurance companies subject to tax under § 831 the composite method for discounting unpaid losses set forth in Notice 88-100, section V, 1988-2 C.B. 439, is permitted but not required. This revenue procedure further provides alternative methods for computing discounted unpaid losses that are permitted for insurance companies not using the composite method, and sets forth a procedure for insurance companies to obtain automatic consent of the Commissioner to change to one of the methods described in Rev. Proc. 2002-74.

.04 Tables.

**Tables of Factors to be Used to Discount Salvage Recoverable With Respect to Losses Incurred in Accident Year 2006**

**(Interest rate: 3.98 percent)**

**Accident and Health (Other Than Disability Income or Credit Disability Insurance)**

Taxpayers that do not use the composite method of Notice 88-100 should use 98.0675 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2006 accident year as of the end of the 2006 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 98.0675 percent to discount all salvage recoverable in this line of business as of the end of the 2006 taxable year.

**Auto Physical Damage**

Tax Year	Discount Factors (%)
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2006	97.1334
2007	96.1907

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2008 and later years	98.0675
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Taxpayers that use the composite method of Notice 88-100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2008 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Commercial Auto/Truck Liability/Medical**

Tax Year	Discount Factors (%)
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2006	92.1380
2007	91.8882
2008	91.6949
2009	92.1286
2010	92.5860
2011	92.1065
2012	93.1945
2013	94.1358
2014	94.3956
2015	96.2168

**Commercial Auto/Truck Liability/Medical**

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 and later years	98.0675
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Taxpayers that use the composite method of Notice 88-100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Composite**

Tax Year	Discount Factors (%)
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2006	92.0337
2007	90.8802
2008	90.4072
2009	89.8712
2010	88.8367
2011	88.9101
2012	88.6960
2013	88.6734
2014	88.8118
2015	90.4886

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016	92.2048
2017	93.9577
2018	95.7372
2019	97.4944
2020 and later years	98.0675

**Composite**

Taxpayers that use the composite method of Notice 88–100 should use 93.6350 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Fidelity/Surety**

Tax Year	Discount Factors (%)
2006	94.2975
2007	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2008 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2008 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Financial Guaranty/Mortgage Guaranty**

Tax Year	Discount Factors (%)
2006	95.5547
2007	96.1907

**Financial Guaranty/Mortgage Guaranty**

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2008 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2008 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**International (Composite)**

Tax Year	Discount Factors (%)
2006	92.0337
2007	90.8802
2008	90.4072
2009	89.8712
2010	88.8367
2011	88.9101
2012	88.6960
2013	88.6734
2014	88.8118
2015	90.4886

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016	92.2048
2017	93.9577
2018	95.7372

**International (Composite)**

2019	97.4944
2020 and later years	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 93.6350 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Medical Malpractice — Claims-Made**

Tax Year	Discount Factors (%)
2006	87.6804
2007	83.3538
2008	87.7437
2009	85.5621
2010	86.5072
2011	81.4476
2012	90.5680
2013	93.2658
2014	96.4532
2015	98.0675

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Medical Malpractice — Occurrence**

Tax Year	Discount Factors (%)
2006	83.9442
2007	85.0591
2008	88.4295
2009	89.8198
2010	78.2945
2011	87.5838
2012	92.3237
2013	95.1299
2014	96.7311
2015	98.0675

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Miscellaneous Casualty**

Tax Year	Discount Factors (%)
2006	96.6963
2007	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

**Miscellaneous Casualty**

2008 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2008 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Multiple Peril Lines (Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))**

Tax Year	Discount Factors (%)
2006	92.9300
2007	91.3642
2008	92.0510
2009	91.7902
2010	91.4227
2011	92.5705
2012	92.6261
2013	92.8131
2014	94.2424
2015	96.0540

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016	97.8851
2017 and later years	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 97.8836 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Other (Including Credit)**

Tax Year	Discount Factors (%)
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2006	96.8727
2007	96.1907

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2008 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2008 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Other Liability — Claims-Made**

Tax Year	Discount Factors (%)
2006	91.5341
2007	82.9787
2008	70.3678
2009	89.1316
2010	85.8677
2011	85.2144
2012	90.8949
2013	94.0739
2014	91.1910
2015	92.9193

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.



**Other Liability — Claims-Made**

2016	94.6785
2017	96.4455
2018 and later years	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 95.5684 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Other Liability — Occurrence**

Tax Year	Discount Factors (%)
2006	86.8418
2007	88.1391
2008	89.1356
2009	86.1576
2010	89.3069
2011	91.5372
2012	91.8852
2013	93.7371
2014	94.9176
2015	96.6537

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Private Passenger Auto Liability/Medical**

Tax Year	Discount Factors (%)
2006	94.7409
2007	94.5642
2008	94.3153
2009	93.5866
2010	93.3908
2011	92.4796
2012	92.4373
2013	92.5029
2014	93.5781
2015	95.3333

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016	97.0529
2017 and later years	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 97.2228 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Products Liability — Claims-Made**

Tax Year	Discount Factors (%)
2006	88.1034
2007	88.1497
2008	89.6228
2009	21.8302
2010	82.4271
2011	88.1330
2012	92.1902
2013	95.8876
2014	37.3999
2015	96.2692

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Products Liability — Occurrence**

Tax Year	Discount Factors (%)
2006	83.0564
2007	85.4302
2008	86.0203
2009	88.3994
2010	86.1113
2011	89.2324
2012	91.9553
2013	92.5997
2014	87.8074
2015	89.4589

**Products Liability — Occurrence**

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016	91.1499
2017	92.8787
2018	94.6400
2019	96.4133
2020 and later years	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 92.7786 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Reinsurance A (Nonproportional Assumed Property)**

Tax Year	Discount Factors (%)
2006	87.5637
2007	85.0097
2008	88.6909
2009	92.0150
2010	92.5920
2011	94.1411
2012	95.7082
2013	96.8174
2014	97.3356
2015	98.0675

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 and later years	98.0675
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**Reinsurance A (Nonproportional Assumed Property)**

Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Reinsurance B (Nonproportional Assumed Liability)**

Tax Year	Discount Factors (%)
2006	86.9992
2007	84.9315
2008	87.8351
2009	85.8777
2010	79.6478
2011	82.8774
2012	82.3201
2013	84.3658
2014	79.9064
2015	86.6394

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016	88.5090
2017	90.5090
2018	92.6892
2019	95.1430
2020 and later years	98.0675

Taxpayers that use the composite method of Notice 88–100 should use 91.2561 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Reinsurance C (Nonproportional Assumed Financial Lines)**

Tax Year	Discount Factors (%)
2006	86.8509
2007	87.5301
2008	90.6247
2009	88.3441
2010	91.1866
2011	85.1209
2012	87.9777
2013	94.0073
2014	95.2074
2015	96.9266

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 and later years	98.0675
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Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)**

Tax Year	Discount Factors (%)
2006	94.6724
2007	96.1907

**Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)**

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2008 and later years 98.0675

Taxpayers that use the composite method of Notice 88–100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2008 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**Workers' Compensation**

Tax Year	Discount Factors (%)
2006	87.6219
2007	88.7710
2008	89.1706
2009	89.1058
2010	88.5191
2011	89.2639
2012	89.0972
2013	89.2683
2014	90.0193
2015	91.7175

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2006 accident year.

2016 93.4488  
 2017 95.2002  
 2018 96.9195  
 2019 and later years 98.0675

**Workers' Compensation**

Taxpayers that use the composite method of Notice 88–100 should use 94.5920 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2006 and prior years.

**DRAFTING INFORMATION**

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Hossofsky at (202) 622–8435 (not a toll-free call).

*26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.*  
 (Also: Part I, §§ 482; 1.482–9T.)

**Rev. Proc. 2007–13**

**SECTION 1. PURPOSE**

This revenue procedure identifies specified covered services within the meaning of Temp. Treas. Reg. § 1.482–9T(b)(4)(i). The activities identified in this revenue procedure are support services common among taxpayers in a variety of industry sectors, and generally do not involve a significant arm’s length markup on total services costs. Services identified in this revenue procedure must meet the other conditions set forth in Temp. Treas. Reg. § 1.482–9T(b) to be evaluated under the services cost method.

**SECTION 2. BACKGROUND**

The section 482 regulations provide pricing methods for transactions between controlled parties, including transactions involving services. The existing regulations for transactions involving services were issued in 1968. Section 1.482–2(b) of the existing regulations provides a “cost safe harbor” that permits certain “non-integral” services to be priced at cost. In 2003, the Treasury Department and IRS issued proposed regulations that set forth

a simplified cost based method (SCBM) intended to preserve some benefits of the current Treas. Reg. § 1.482–2(b) cost safe harbor. A number of commentators noted that SCBM called for quantitative judgments that business people are not qualified to make by themselves. As a practical matter, taxpayers would be required to devote significant compliance resources to enlist outside consultants or otherwise to develop support for those judgments.

In 2006, the Treasury Department and the IRS issued temporary regulations that eliminated the SCBM and replaced it with the services cost method (SCM), as set forth in Temp. Treas. Reg. § 1.482–9T(b). The Treasury Department and IRS recognized that because the section 482 services regulations potentially affect a large volume of intragroup back office services that are common across many industries, it is in the interest of sound tax administration to minimize the compliance burden of such services, which would typically bear low arm’s length markups.

The SCM evaluates whether the price for covered services, as defined, is arm’s length by reference to the total services costs with no markup. Section 1.482–9T(b)(4) of the temporary regulations provides for two categories of covered services eligible for the SCM. The first category is described in Temp. Treas. Reg. § 1.482–9T(b)(4)(i) and consists of specified covered services that will be identified in this revenue procedure. These specified covered services are so identified because they constitute support services of a type common across industry sectors that generally do not involve a significant arm’s length markup on total services costs. A second category of services described in Temp. Treas. Reg. § 1.482–9T(b)(4)(ii), low margin covered services, has a median comparable arm’s length markup on total services costs of less than or equal to 7 percent. The second category is not addressed in this revenue procedure.

The Internal Revenue Service identified forty-eight activities that constitute specified covered services in a proposed revenue procedure included in Announcement 2006–50, 2006–34 I.R.B. 321, which was published in the Internal Revenue Bulletin on August 21, 2006. A number of public comments were received with

respect to the SCM in general and Announcement 2006–50.

Notice 2007–5, issued contemporaneously with this Revenue Procedure, contains clarifications concerning several provisions related to the SCM. In addition, the notice partially modifies the effective date of the temporary regulations. Subject to the exceptions described below, the effective date of the temporary regulations, insofar as they pertain to the identification of controlled services eligible to be priced at cost, is moved back one year. The provisions related to the SCM in Temp. Treas. Reg. § 1.482–9T(b) will thus apply to taxable years beginning after December 31, 2007. The only SCM provision that has immediate effect, *i.e.*, for taxable years beginning after December 31, 2006, is the business judgment rule in Temp. Treas. Reg. § 1.482–9T(b)(2).

The net effect of this modification is that, for taxable years with beginning dates from January 1, 2007 to December 31, 2007, taxpayers may apply the existing regulations in Temp. Treas. Reg. § 1.482–2(b) for purposes of identifying controlled services that are eligible to be priced on a cost basis, without a markup. For such taxable years, any services priced at cost must be “non-integral” within the meaning of existing Temp. Treas. Reg. § 1.482–2(b)(7), and they must also satisfy the SCM business judgment test in Temp. Treas. Reg. § 1.482–9T(b)(2).

Alternatively, for tax years beginning between January 1, 2007 and December 31, 2007, taxpayers may elect to apply the SCM as set forth in Temp. Treas. Reg. § 1.482–9T(b), without taking into account any of the modifications described in the previous two paragraphs.

A number of commentators stated that the list of specified covered services in Announcement 2006–50 was too narrow. In response to comments, this revenue procedure significantly broadens the existing categories and adds a number of new activities to the list of specified covered services. In addition, a provision covering “other similar activities” has been added to each category of activities.

### SECTION 3. SCOPE

The following categories of services are eligible for treatment as specified cov-

ered services under Temp. Treas. Reg. § 1.482–9T(b)(4)(i):

#### *Payroll:*

1. Compiling and posting employee time and other information needed to calculate periodic compensation to employees. Computing employees’ time worked, production, and commissions. Computing and posting wages and deductions to appropriate accounting records. Preparing paychecks, travel reimbursement and expense reimbursement.
2. Preparing payroll tax forms (such as the preparation of Forms 940, 941 and W–2 in order to comply with U.S. requirements or similar requirements under another country’s laws).
3. Administering garnishment and other wage withholding orders.
4. Other activities similar to those specified in paragraphs (1) through (3).

#### *Premiums for Unemployment,*

#### *Disability and Workers Compensation:*

5. Processing employees’ unemployment insurance premiums, disability premiums and workers compensation premiums.
6. Other activities similar to those specified in paragraph (5).

#### *Accounts Receivable:*

7. Compiling, analyzing and recording current credit data and other financial information regarding individuals or firms (including preparing reports with this information for use in decisionmaking).
8. Compiling and recording billing, accounting and other numerical data for billing purposes. Preparing billing invoices for services rendered or for delivery or shipment of goods.

9. Locating and notifying customer(s) of delinquent accounts by mail (either electronic or otherwise) or telephone to solicit payment. Receiving payment from customers and posting payment to customer accounts. If customer fails to respond, preparing statements to credit department, initiating repossession proceedings or service disconnection. Keeping records of collection activities and status of accounts.
10. Other activities similar to those specified in paragraphs (7) through (9).

#### *Accounts Payable:*

11. Compiling information and records to draw up purchase orders for procurement of materials and services.
12. Making payment to vendors and posting payment to status of accounts.
13. Other activities similar to those specified in paragraphs (11) and (12).

#### *General Administrative:*

14. Performing clerical and administrative functions such as drafting correspondence, scheduling appointments, and organizing and maintaining paper and electronic files.
15. Performing data entry through use of a keyboard or scanning device, including verifying data and preparing materials for printing.
16. Using a word processor/computer or typewriter to generate (without substantial modification) letters, reports, forms, or other material from another person’s rough draft, corrected copy, or voice recording.
17. Performing duties relating to office management systems and procedures, such as answering telephones, bookkeeping, typing, word processing, office machine operation, and filing.

- 18. Operating any of the following office machines: photocopying, scanning and facsimile machines.
- 19. Providing interoffice service/document delivery, including mail-room services, document management, and graphics, video, and website preparation.
- 20. Other activities similar to those specified in paragraphs (14) through (19).

*Corporate and Public Relations:*

- 21. Planning and executing a public relations program or corporate communication policy, including the distribution of internal and external corporate communications, but not to include specific advertising and/or marketing of a product or service.
- 22. Other activities similar to those specified in paragraph (21).

*Meeting Coordination and Travel Planning:*

- 23. Coordinating activities of staff and convention personnel to make arrangements for group meetings and conventions.
- 24. Negotiating airline, rental car, and hotel contracts.
- 25. Assisting in travel arrangements, including providing a system for reservations and ticket purchases.
- 26. Managing motor pool and fleet.
- 27. Other activities similar to those specified in paragraphs (23) through (26).

*Accounting and Auditing:*

- 28. Gathering and reviewing information in accounting records for use in preparing financial statements.

- 29. Computing, classifying, and recording numerical data to maintain accurate and complete financial records, performing any combination of calculating, posting, and verifying duties to obtain primary financial data for use in maintaining accounting records, checking the accuracy of figures, calculations, and postings pertaining to business transactions recorded by other workers; and calculating investment performance and net asset values of investments.
- 30. Consolidating legal entity financial results per country for use in statutory financial statements and tax returns and consolidating worldwide results by business area for use in management accounting.
- 31. Developing a company-wide accounting manual that prescribes accounting policies and methods to be used and providing related advice.
- 32. Performing operational and financial internal audits.
- 33. Preparing government census and related forms required by a service recipient's home country.
- 34. Preparing reports required by escheat laws required by a service recipient's home country.
- 35. Completing import/export documentation and arranging for customs payment.
- 36. Overseeing audits by customs authorities.
- 37. Other activities similar to those specified in paragraphs (28) through (36).

*Tax:*

- 38. Processing tax payments according to prescribed laws and regulations.

- 39. Gathering information from accounting records and including that information in the preparation of income, property, sales/use, VAT, excise and other tax returns.
- 40. Overseeing audits conducted by tax authorities.
- 41. Providing tax advice to businesses to ensure compliance with tax laws, including access to electronic research and tax compliance software.
- 42. Reviewing local country tax provisions for purposes of inclusion in the consolidated world-wide provision and preparation of the world-wide tax provision.
- 43. Negotiating advance pricing agreements and other local incentives that benefit the consolidated organization.
- 44. Other activities similar to those specified in paragraphs (38) through (43).

*Health, Safety, Environmental and Regulatory Affairs:*

- 45. Developing company health, safety, and environment standards, monitoring compliance with such standards, and training affected personnel.
- 46. Gathering information and preparing documentation relating to eligibility for or compliance with laws and regulations governing contracts, licenses and permits.
- 47. Gathering information, verifying data and preparing documentation relating to compliance with laws and regulations governing financial and securities institutions and financial and real estate transactions. Examining and verifying correctness of, or establishing authenticity of records.
- 48. Providing security services (e.g., executive protection or global headquarters security).

49. Providing common health risk management systems development, clinical services, industrial hygiene, alcohol and drug testing services (laboratory analyses done by third parties), and advice to business management on health issues.
  50. Providing guidance and support operations, integrity management support implementation, coaching, and conducting operations integrity management assessments, development and implementation of safety behavior based programs, and incident reporting and accident investigations.
  51. Providing strategies, resources, and training for effective crisis preparedness and response.
  52. Other activities similar to those specified in paragraphs (45) through (51).
- Budgeting:*
53. Compiling data for use by cost estimators in determining cost projections and in preparing budget estimates, including verifying information for completeness, accuracy, and conformance with internal procedures and regulations.
  54. Compiling data to prepare budget and accounting reports for management.
  55. Other activities similar to those specified in paragraphs (53) and (54).
- Treasury Activities:*
56. Establishing bank accounts and lock boxes for use by controlled parties, including overdraft facilities and lines of credit.
  57. Providing staff and facilities to hedge currency exposures that arise from operations in the normal course of business. This paragraph does not apply to banks (including investment banks), insurance companies, investment companies, similar entities that provide financial services to the public, and investment funds (including hedge and private equity funds).
  58. Coordinating investment activities in connection with short-term management of cash generated from operations in the normal course of business. This paragraph does not apply to related-party factoring activities, or to banks (including investment banks), insurance companies, investment companies, similar entities that provide financial services to the public, and investment funds (including hedge and private equity funds).
  59. Other activities that are ancillary to the activities specified in paragraphs (56) through (58).
- Statistical Assistance:*
60. Compiling data for use in statistical studies.
  61. Other activities similar to those specified in paragraph (60).
- Staffing and Recruiting:*
62. Providing staffing support that includes creating job announcements, determining eligibility, evaluating qualifications of candidates, conducting background checks on final candidates, verifying references, developing performance evaluation procedures and forms, and conducting exit interviews for departed employees.
  63. Coordinating with temporary employment agencies, applicants, and management throughout the recruiting process.
  64. Providing information to applicants regarding open positions, the application and recruiting process, and employment policies.
  65. Providing administrative support that includes sourcing and processing resumes, arranging interview schedules for open positions, preparing offer letters, and entering new employee information into the human resource system.
  66. Establishing and maintaining employee files relating to payroll, performance and other personnel issues.
  67. Assisting with new employee orientations and paperwork.
  68. Implementing recruiting plan and locating potential candidates by working with professional search firms, colleges, universities and professional associations. Organizing and attending job fairs and other recruitment events.
  69. Developing recruiting and marketing materials and assisting in developing and maintaining content for recruiting website.
  70. Analyzing recruiting data and review all job analysis, promotion and placement products.
  71. Posting job opening advertisements in appropriate markets through publications, journals and other media.
  72. Managing company-wide job postings and employee referral program.
  73. Administering a compensation policy, including grading and determining salary ranges for positions.
  74. Other activities similar to those specified in paragraphs (62) through (73).

*Training and Employee Development:*

75. Assisting in training of personnel including assessing development and training needs, creating and conducting internal development and training programs and communicating training opportunities to personnel.
76. Arranging for management training on employment law compliance, employer liability avoidance, interviewing, hiring, terminations, promotions, performance reviews, safety, and sexual harassment.
77. Developing and implementing plans regarding career-development and succession.
78. Developing and implementing a job evaluation process including procedures and forms.
79. Other activities similar to those specified in paragraphs (75) through (78).

*Benefits:*

80. Developing and implementing employee compensation and benefits including healthcare, life insurance, 401(k), pension, worker's compensation, unemployment, dental, profit sharing, employee incentive compensation, and employee assistance programs.
81. Providing benchmarking studies for compensation and other benefit programs.
82. Providing guidance and direction to employees regarding elections for benefits, applications for benefits and receipt of benefits (including providing assistance to employees in completing all necessary forms).
83. Arranging annual benefit enrollment meetings and employee benefit seminars.
84. Processing employee benefits inquiries and complaints, and reconciling billing issues.

85. Coordinating with hospitals, physicians, insurers, employees, and beneficiaries to facilitate proper and complete utilization of benefits for all employees.
86. Other activities similar to those specified in paragraphs (80) through (85).

*Information and Technology (IT) Services:*

87. Supporting company-wide computer systems including those used in connection with operations, accounting, manufacturing, customer service, human resources, payroll, and email.
88. Formulating guidelines with respect to the use of IT systems.
89. Maintaining and repairing IT systems.
90. Providing telecommunications facilities.
91. Providing technical assistance and training to users of computer systems and other information technology devices. Answering questions or resolving technical problems relating to computer systems and other information technology devices in person, via telephone or from remote location. Providing assistance concerning the use of computer hardware and software, including printing, installation, word processing, electronic mail, and operating systems, as well as disaster recovery back-up services.
92. Maintaining and testing existing computer databases (including implementing security measures to safeguard computer databases), but not to include analyzing user needs or developing hardware or software solutions (such as systems integration, website design, writing computer programs, modifying general applications software, or recommending the purchase of commercially available hardware or software).

93. Supporting an organization's existing local area network (LAN), wide area network (WAN), and Internet system or a segment of a network system, regular maintenance of network hardware and software, monitoring network to ensure network availability to all system users and performing necessary maintenance to support network availability, supervising other network support and client server specialists (including implementing network security measures), but not to include analyzing user needs or developing hardware or software solutions (such as systems integration, website design, writing computer programs, modifying general applications software, or recommending commercially available software).
94. Other activities similar to those specified in paragraphs (87) through (93).

*Legal Services:*

95. General legal services performed on behalf of the taxpayer by in-house legal counsel, including but not limited to, drafting, negotiating and review of contracts or agreements, legal documents, and opinions, representation and advocacy before courts, administrative agencies, arbitrators, legislatures, or other bodies, preparing advice in respect of structuring and reorganization, acquisition, and divestment transactions, and maintaining corporate books and records. Support and administrative functions associated with the above activities (legal research, secretarial, filing and document retrieval, etc.).
96. Other activities similar to those specified in paragraph (95).

*Insurance Claims Management:*

- 97. Securing insurance coverage for general, product, and worker’s compensation liability, property loss, business interruption, and other business risks.
- 98. Coordinating with third party insurers, with respect to insurance policies, including preparing claims for submission to such third party insurers.
- 99. Other activities similar to those specified in paragraphs (97) and (98).

*Purchasing:*

- 100. Planning and executing procurement of services and material pursuant to company standard for support functions.
- 101. Other activities similar to those specified in paragraph (100).

**SECTION 4. APPLICATION**

The services cost method (SCM) as set forth in Temp. Treas. Reg. § 1.482–9T(b) evaluates whether the price for covered services, as defined, is arm’s length by reference to the total services costs with no markup. Two categories of covered services are eligible for the SCM. The first category, specified covered services, is described in Temp. Treas. Reg.

§ 1.482–9T(b)(i) and is limited to services that are described in this revenue procedure. The second category, low margin covered services, is not described in this revenue procedure.

**SECTION 5. EFFECTIVE DATE**

This revenue procedure is generally effective for taxable years beginning after December 31, 2007. Taxpayers may elect to apply retroactively the provisions of Section 1.482–9T of the temporary regulations to certain taxable years. See Temp. Treas. Reg. §1.482–9T(n)(1). In the case of a valid election, this revenue procedure would also apply to the taxable years subject to such an election.

**SECTION 6. REQUEST FOR COMMENTS**

The Treasury Department and the IRS request further comments from interested persons on the listing contained in this revenue procedure. The revenue procedure is intended to be an evolving list of services that are eligible for the SCM. The Treasury Department and the IRS contemplate issuing updates as appropriate, including a further revision of the revenue procedure to coincide with the end of the one-year transition period and in response to comments received on the temporary regulations. Comments are solicited on the categories and listed activities in the revenue procedure, possible additions, and other

revisions. For example, comments are solicited whether warehousing and other functions that support distribution should be eligible for the SCM in light of Temp. Treas. Reg. §1.482–9T(b)(3)(ii)(E) (reselling, distribution ineligible for SCM).

Written comments may be submitted to CC:INTL:Br6 (Rev. Proc. 2007–13), room 4607, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20224. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:INTL:Br6 (Rev. Proc. 2007–13) Courier’s desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. Alternatively, taxpayers may submit comments electronically via the following e-mail address: *Notice.Comments@irs.counsel.treas.gov*. Please include “Rev. Proc. 2007–13” in the subject line of any electronic communications.

**SECTION 7. DRAFTING INFORMATION**

The principal authors of this revenue procedure are Thomas A. Vidano and Carol B. Tan of the Office of Associate Chief Counsel (International). For further information regarding this revenue procedure, contact Thomas A. Vidano or Carol B. Tan at (202) 435–5265 (not a toll-free call).

**Note.** This revenue procedure will be reproduced as the next revision of IRS Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S.

26 CFR 601.602: *Forms and instructions.*

(Also Part 1, Sections 220, 408, 408A, 529, 530(h), 1441, 6041, 6041A, 6042, 6043, 6044, 6045, 6047, 6049, 6050A, 6050B, 6050D, 6050E, 6050H, 6050J, 6050N, 6050P, 6050Q, 6050R, 6050S, 1.408–5, 1.408–7, 1.408A–7, 1.1441–1 through 1.1441–5, 1.6041–1, 7.6041–1, 1.6042–2, 1.6042–4, 1.6044–2, 1.6044–5, 1.6045–1, 5f.6045–1, 1.6045–2, 1.6045–4, 1.6047–1, 1.6049–4, 1.6049–6, 1.6049–7, 1.6050A–1, 1.6050B–1, 1.6050D–1, 1.6050E–1, 1.6050H–1, 1.6050H–2, 1.6050J–1T, 1.6050N–1, 1.6050P–1.)

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**Part 1  
General Information**

**Section 1.1 — Overview of Revenue Procedure 2007–15**

**1.1.1 Purpose**

The purpose of this revenue procedure is to set forth the 2006 requirements for:

- Using official Internal Revenue Service (IRS) forms to file information returns with the IRS,
- Preparing acceptable substitutes of the official IRS forms to file information returns with the IRS, and
- Using official or acceptable substitute forms to furnish information to recipients.

**1.1.2 Which Forms Are Covered?**

This revenue procedure contains specifications for these information returns:

<b>Form</b>	<b>Title</b>
1096	Annual Summary and Transmittal of U.S. Information Returns
1098	Mortgage Interest Statement
1098-C	Contributions of Motor Vehicles, Boats, and Airplanes
1098-E	Student Loan Interest Statement

<b>Form</b>	<b>Title</b>
1098-T	Tuition Statement
1099-A	Acquisition or Abandonment of Secured Property
1099-B	Proceeds From Broker and Barter Exchange Transactions
1099-C	Cancellation of Debt
1099-CAP	Changes in Corporate Control and Capital Structure
1099-DIV	Dividends and Distributions
1099-G	Certain Government Payments
1099-H	Health Coverage Tax Credit (HCTC) Advance Payments
1099-INT	Interest Income
1099-LTC	Long-Term Care and Accelerated Death Benefits
1099-MISC	Miscellaneous Income
1099-OID	Original Issue Discount
1099-PATR	Taxable Distributions Received From Cooperatives
1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)
1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
1099-S	Proceeds From Real Estate Transactions
1099-SA	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
5498	IRA Contribution Information
5498-ESA	Coverdell ESA Contribution Information
5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information
W-2G	Certain Gambling Winnings
1042-S	Foreign Person's U.S. Source Income Subject to Withholding

### 1.1.3 Scope

For purposes of this revenue procedure, a substitute form or statement is one that is not printed by the IRS. For a substitute form or statement to be acceptable to the IRS, it must conform to the official form or the specifications outlined in this revenue procedure. Do not submit any substitute forms or statements listed above to the IRS for approval. Privately printed forms may not state, "This is an IRS approved form."

Filers making payments to certain recipients during a calendar year are required by the Internal Revenue Code (the Code) to file information returns with the IRS for these payments. These filers must also provide this information to their recipients. In some cases, this also applies to payments received. See *Part 4* for specifications that apply to recipient statements (generally Copy B).

In general, section 6011 of the Code contains requirements for filers of information returns. A filer must file information returns on magnetic media, through electronic media, or on paper. A filer who is required to file 250 or more information returns of any one type during a calendar year must file those returns by magnetic media or electronic media.

Although not required, small volume filers (fewer than 250 returns during a calendar year) may file the forms on magnetic media or electronically. See the legal requirements for filing information returns (and providing a copy to a payee) in the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G and the 2006 Instructions for Form 1042-S. In addition, see

### 1.1.4 For More Information

The IRS prints and provides the forms on which various payments must be reported. Alternatively, filers may prepare substitute copies of these IRS forms and use such forms to report payments to the IRS.

- For copies of the official forms and instructions, call our toll-free number at 1–800–TAX–FORM (1–800–829–3676).
  - The IRS operates a central call site to answer questions related to information returns, penalties, and backup withholding. The hours of operation are Monday through Friday from 8:30 a.m. to 4:30 p.m., Eastern time. For your convenience, you may call the toll-free number, 1–866–455–7438. You may still use the original telephone number, 304–263–8700 (not toll-free). For TTY/TDD equipment, call 304–267–3367 (not toll-free). The call site can also be reached by email at [mccirp@irs.gov](mailto:mccirp@irs.gov).
  - For other tax information related to business returns or accounts, call 1–800–829–4933. If you have access to TTY/TDD equipment, call 1–800–829–4059 to ask tax account questions or to order forms and publications.
- 

### 1.1.5 What's New

The following changes have been made to this year's Revenue Procedure:

- Form W-2G: The American Jobs Creation Act of 2004 Section 419 (P.L. 108–357) exempted certain types of pari-mutuel winnings from withholding and reporting after October 22, 2004. See Foreign Persons in the W-2 instructions for these exemptions relating to live dog racing and horse racing.
- Form 1098-C: New boxes 6a, 6b, and 6c have been added to comply with the new reporting requirements added by the Gulf Opportunity Zone Act of 2005. New box 7 has been added to Form 1098-C to allow this form to be used as the contemporaneous written acknowledgment under section 170(f)(8) for a qualified vehicle with a claimed value of at least \$250 but not more than \$500.
- Form 1098-T: Box 3 has been revised to alert students that institutions have changed their reporting method as required under new Revenue Procedure 2005–50 which is available on page 272 of Internal Revenue Bulletin 2005–32 at [www.irs.gov/pub/irs-irbs/irb05-32.pdf](http://www.irs.gov/pub/irs-irbs/irb05-32.pdf).
- Form 1099-INT: Amendments to section 6049 have added two new items of reportable interest income. Section 1303 of the Energy Tax Incentives Act of 2005 added new section 54 that allows for a credit to holders of clean renewable energy bonds. The Gulf Opportunity Act of 2005 added new section 1400N that allows a credit to holders of Gulf bonds. Both new items are treated as interest income as required by new section 6049(d)(8) and are reported on Form 1099-INT, Interest income. Section 502 of the Tax Increase Prevention and Reconciliation Act of 2006 amended section 6049(d) and now requires the reporting of certain tax-exempt interest. New boxes will be required to meet this new reporting requirement.
- Form 1099-R: The title of box 5 has been revised to include the addition of the reporting of the basis of distributions from designated Roth accounts. The untitled box to the left of box 10 has been reserved for the reporting of the first year of the 5-year period that is one of the conditions for a qualified designated Roth account distribution. Please note that the following changes have been made to the Specific Instructions for Form 1099-R. Box 2a Taxable Amount: The reporting instructions have been changed for distributions under section 408(d)(5). The Designated Roth account distributions: Section 402, which was added by the Economic Growth and Tax Reconciliation Act of 2001, provides that a participant in a section 401(k) plan or a section 403(b) salary reduction agreement that includes a Roth contribution program may elect to make designated Roth contributions to the plan or program in lieu of elective deferrals. As a result of these changes, a new distribution code has been added to report these distributions, Code B-Designated Roth distribution.
- Form 5498: The following changes have been made to the Specific Instructions for Form 5498. Instructions for the reporting of an account closure have added to the discussion of

an IRA revocation. A caution has been added to remind filers that Form 5498 is required to be filed even after required minimum distributions or other payments have started. Section 2 of the Heroes Earned Retirement Opportunities (HERO) Act of 2006 amended section 219(f) and allows combat pay that is excluded under section 112 to be included in compensation for determining the amounts that may be contributed to both traditional and Roth IRAs. These rules will be applied retroactively to allow contributions for tax years 2004 and 2005. For the special reporting rules, see page R-13 of the 1099-R instructions.

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## Section 1.2 — General Requirements for Acceptable Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S

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### 1.2.1 Introduction

Paper substitutes for Form 1096 and Copy A of Forms 1098, 1099, 5498, W-2G, and 1042-S that totally conform to the specifications listed in this revenue procedure may be privately printed and filed as returns with the IRS. The reference to the Department of the Treasury — Internal Revenue Service should be included on all such forms.

If you are uncertain of any specification and want it clarified, you may submit a letter citing the specification, stating your understanding and interpretation of the specification, and enclosing an example of the form (if appropriate) to:

Internal Revenue Service  
Attn: Substitute Forms Program  
SE:W:CAR:MP:T:T:SP  
1111 Constitution Ave., NW  
Room 6406  
Washington, DC 20224

**Note.** Allow at least 30 days for the IRS to respond.

You may also contact the Substitute Forms Program via e-mail at [\\*taxforms@irs.gov](mailto:taxforms@irs.gov). Please enter “Substitute Forms” on the Subject Line.

Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S are subject to annual review and possible change. Therefore, filers are cautioned against overstocking supplies of privately printed substitutes. The specifications contained in this revenue procedure apply to 2006 forms only.

---

### 1.2.2 Copy A Specifications

Proposed substitutes of Copy A must be an exact replica of the official IRS form with respect to layout and content. Proposed substitutes for Copy A that do not conform to the specifications in this revenue procedure are not acceptable. Further, if you file such forms with the IRS, you may be subject to a penalty for failure to file a correct information return under section 6721 of the Code. Generally, the penalty is \$50 for each return where such failure occurs (up to \$250,000). No IRS office is authorized to allow deviations from this revenue procedure.

**Caution:** Overuse of proportional fonts may cause you to be subject to penalties and delays in processing.

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### 1.2.3 Copy B and Copy C Specifications

Copies B and Copies C of the following forms must contain the information in *Part 4* to be considered a “statement” or “official form” under the applicable provisions of the Code. The format of this information is at the discretion of the filer with the exception of the location of the tax year, form number, form name, and the information for composite Form 1099 statements as outlined under *Section 4.2*.

Copy B, of the forms below, are for the following recipients.

Form	Recipient
1098	For Payer
1098-C	For Donor
1098-E; 1099-A	For Borrower
1098-T	For Student
1099-C	For Debtor
1099-CAP	For Shareholder
1099-LTC	For Policyholder
1099-R; W-2G	Indicates that these forms may require Copy B to be attached to the federal income tax return.
1099-S	For Transferor
All other Forms 1099; 1042-S	For Recipient
5498; 5498-SA	For Participant
5498-ESA	For Beneficiary

Copy C of the following forms are:

Form	Recipient
1098-C	For Donor's Records
1099-CAP	For Corporation
1099-LTC	For Insured
1099-R	For Recipient's Records
All other Forms 1099	See <i>Section 4.4.2</i>
5498-ESA	For Trustee
W-2G	For Winner's Records

**Note.** On Copy C, Form 1099-LTC, you may reverse the locations of the policyholder's and the insured's name, street address, city, state, and ZIP code for easier mailing.

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## Section 1.3 — Definitions

### 1.3.1 Form Recipient

Form recipient means the person to whom you are required by law to furnish a copy of the official form or information statement. The form recipient may be referred to by different names on various Forms 1099 and related forms ("payer," "borrower," "student," "debtor," "policyholder," "insured," "transferor," "recipient," "participant," "donor," or, in the case of Form W-2G, the "winner"). See *Section 1.2.3*, earlier.

### 1.3.2 Filer

Filer means the person or organization required by law to file a form listed in *Section 1.1.2* with the IRS. As outlined earlier, a filer may be a payer, creditor, recipient of mortgage or student loan interest payments, educational institution, broker, barter exchange, person reporting real estate transactions, trustee or issuer of any individual retirement arrangement or medical savings account, lender who acquires an interest in secured property or who has reason to know that the property has been abandoned, or certain donees of motor vehicles, boats, and airplanes.

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**1.3.3 Substitute Form**

Substitute form means a paper substitute of Copy A of an official form listed in *Section 1.1.2* that totally conforms to the provisions in this revenue procedure.

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**1.3.4 Substitute Form Recipient Statement**

Substitute form recipient statement means a paper statement of the information reported on a form listed in *Section 1.1.2*. This statement must be furnished to a person (form recipient), as defined under the applicable provisions of the Code and the applicable regulations.

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**1.3.5 Composite Substitute Statement**

Composite substitute statement means one in which two or more required statements (for example, Forms 1099-INT and 1099-DIV) are furnished to the recipient on one document. However, each statement must be designated separately and must contain all the requisite Form 1099 information except as provided under *Section 4.2*. A composite statement may not be filed with the IRS.

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**Part 2**  
**Specifications for Substitute Forms 1096**  
**and Copies A of Forms 1098, 1099,**  
**and 5498 (All Filed with the IRS)**

**Section 2.1 — Specifications**

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**2.1.1 General Requirements**

Form identifying numbers (for example, 9191 for Form 1099-DIV) must be printed in non-reflective black carbon-based ink in print positions 15 through 19 using an OCR A font. The check boxes to the right of the form identifying numbers must be 10-point boxes. The “VOID” checkbox is in print position 25. The “CORRECTED” check box is in position 33. Measurements are made from the left edge of the paper, not including the perforated strip. See *Exhibits E* and *N*.

The substitute form must be an exact replica of the official IRS form with respect to layout and content. To determine the correct form measurements, see *Exhibits A* through *Z* at the end of this publication.

Hot wax and cold carbon spots are not permitted on any of the internal form plies. These spots are permitted on the back of a mailer top envelope ply.

Use of chemical transfer paper for Copy A is acceptable.

The Government Printing Office (GPO) symbol must be deleted.

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**2.1.2 Color and Paper Quality**

Color and paper quality for Copy A (cut sheets and continuous pinfeed forms) as specified by JCP Code 0–25, dated November 29, 1978, must be white 100% bleached chemical wood, optical character recognition (OCR) bond produced in accordance with the following specifications.

**Note.** Reclaimed fiber in any percentage is permitted provided the requirements of this standard are met.

- Acidity: Ph value, average, not less than . . . . . 4.5
- Basis Weight: 17 x 22-500 cut sheets . . . . . 18-20
- Metric equivalent—g/m<sup>2</sup> . . . . . 75

A tolerance of ±5 pct. is allowed.

• Stiffness: Average, each direction, not less than-milligrams . . . . .	50
• Tearing strength: Average, each direction, not less than-grams . . . . .	40
• Opacity: Average, not less than-percent . . . . .	82
• Thickness: Average-inch . . . . .	0.0038
• Metric equivalent-mm . . . . .	0.097
A tolerance of +0.0005 inch (0.0127 mm) is allowed. Paper cannot vary more than 0.0004 inch (0.0102 mm) from one edge to the other.	
• Porosity: Average, not less than-seconds . . . . .	10
• Finish (smoothness): Average, each side-seconds . . . . .	20-55
• For information only, the Sheffield equivalent-units . . . . .	170-100
• Dirt: Average, each side, not to exceed-parts per million . . . . .	8

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### 2.1.3 Chemical Transfer Paper

Chemical transfer paper is permitted for Copy A only if the following standards are met:

- Only chemically backed paper is acceptable for Copy A. Front and back chemically treated paper cannot be processed properly by machine.
- Carbon-coated forms are not permitted.
- Chemically transferred images must be black.

All copies must be clearly legible. Hot wax and cold carbon spots are not permitted for Copy A. Interleaved carbon should be black and must be of good quality to assure legibility on all copies and to avoid smudging. Fading must be minimized to assure legibility.

---

### 2.1.4 Printing

All print on Copy A of Forms 1098, 1099, 5498, and the print on Form 1096 above the statement, "Return this entire page to the Internal Revenue Service. Photocopies are not acceptable." must be in Flint J-6983 red OCR dropout ink or an exact match. However, the four-digit form identifying number must be in nonreflective carbon-based black ink in OCR A font.

The shaded areas of any substitute form should generally correspond to the format of the official form.

The printing for the Form 1096 statement and the following text may be in any shade or tone of black ink. Black ink should only appear on the lower part of the reverse side of Form 1096, where it will not bleed through and interfere with scanning.

**Note.** The instructions on the front and back of Form 1096, which include filing addresses, must be printed.

Separation between fields must be 0.1 inch.

Except for Form 1099-R and 1099-MISC, the numbered captions are printed as solid with no shaded background.

Other printing requirements are discussed below.

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### 2.1.5 OCR Specifications

The contractor must initiate or have a quality control program to assure OCR ink density. Readings will be made when printed on approved 20 lb. white OCR bond with a reflectance of not less than 80%. Black ink must not have a reflectance greater than 15%. These readings are based on requirements of the "Scan-Optics Series 9000" Optical Scanner using Flint J-6983 red OCR dropout ink or an exact match.

The following testers and ranges are acceptable:

- *MacBeth PCM-II*. The tested Print Contrast Signal (PCS) values when using the MacBeth PCM-II tester on the “C” scale must range from .01 minimum to .06 maximum.
- *Kidder 082A*. The tested PCS values when using the Kidder 082A tester on the Infra Red (IR) scale must range from .12 minimum to .21 maximum. White calibration disc must be 100%. Sensitivity must be set at one (1).
- *Alternative testers*. Alternative testers must be approved by the Government so that tested PCS values can be established. You may obtain approval by writing to the following address:

Commissioner of Internal Revenue  
 Attn: SE:W:CAR:MP:P:B:T  
 Business Publishing – Tax Products  
 1111 Constitution Ave., NW  
 Washington, DC 20224

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### 2.1.6 Typography

Type must be substantially identical in size and shape to the official form. All rules are either 1/2-point or 3/4-point. Rules must be identical to those on the official IRS form.

**Note.** The form identifying number must be nonreflective carbon-based black ink in OCR A font.

---

### 2.1.7 Dimensions

Generally, three Forms 1098, 1099, or 5498 (Copy A) are contained on a single page, 8 inches wide (without any snap-stubs and/or pinfeed holes) by 11 inches deep.

**Exceptions.** Forms 1098-C, 1099-B, 1099-DIV, 1099-MISC, 1099-R, and 1042-S contain two documents per page.

There is a .33 inch top margin from the top of the corrected box, and a .25 inch right margin. There is a 1/32 (0.0313) inch tolerance for the right margin. If the right and top margins are properly aligned, the left margin for all forms will be correct. All margins must be free of print. See *Exhibits A* through *Z* in this publication for the correct form measurements.

These measurements are constant for all Forms 1098, 1099, and 5498. These measurements are shown only once in this publication, on Form 1098 (Exhibit B). Exceptions to these measurements are shown on the rest of the exhibits.

The depth of the individual trim size of each form on a page must be 32/3 inches, the same depth as the official form.

**Exceptions.** The depth of Forms 1098-C, 1099-B, 1099-DIV, 1099-MISC, 1099-R, and 1042-S is 5 1/2 inches.

---

### 2.1.8 Perforation

Copy A (three per page; two per page for Forms 1098-C, 1099-B, 1099-DIV, 1099-MISC, 1099-R, and 1042-S) of privately printed continuous substitute forms must be perforated at each 11” page depth. No perforations are allowed between the 32/3” forms (5 1/2” for Forms 1098-C, 1099-B, 1099-DIV, 1099-MISC, or 1099-R) on a single copy page of Copy A.

The words “Do Not Cut or Separate Forms on This Page” must be printed in red dropout ink (as required by form specifications) between the three forms (two for Forms 1098-C, 1099-B, 1099-DIV, 1099-MISC, or 1099-R).

**Note.** Perforations are required between all the other individual copies (Copies B and C, and Copies 1 and 2 for Forms 1099-R and 1099-MISC, and Copy D for Forms 1098-C, 1099-LTC and 1099-R) in the set.

---

### 2.1.9 What To Include

You must include the OMB Number on Copies A and Form 1096 in the same location as on the official form.



The words “For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G” must be printed on Copy A; “For more information and the Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G” must be printed on Form 1096.

A postal indicia may be used if it meets the following criteria:

- It is printed in the OCR ink color prescribed for the form, and
- No part of the indicia is within one print position of the scannable area.

The printer’s symbol (GPO) must not be printed on substitute Copy A. Instead, the employer identification number (EIN) of the forms printer must be entered in the bottom margin on the face of each individual form of Copy A, or on the bottom margin on the back of each Form 1096.

The Catalog Number (Cat. No.) shown on the 2006 forms is used for IRS distribution purposes and need not be printed on any substitute forms.

The form must not contain the statement “IRS approved” or any similar statement.

---

## **Section 2.2 — Instructions for Preparing Paper Forms That Will Be Filed with the IRS**

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### **2.2.1 Recipient Information**

The form recipient’s name, street address, city, state, ZIP code, and telephone number (if required) should be typed or machine printed in black ink in the same format as shown on the official IRS form. The city, state, and ZIP code must be on the same line.

The following rules apply to the form recipient’s name(s):

- The name of the appropriate form recipient must be shown on the first or second name line in the area provided for the form recipient’s name.
- No descriptive information or other name may precede the form recipient’s name.
- Only one form recipient’s name may appear on the first name line of the form.
- If the multiple recipients’ names are required on the form, enter on the first name line the recipient name that corresponds to the recipient taxpayer identification number (TIN) shown on the form. Place the other form recipients’ names on the second name line (only 2 name lines are allowable).

Because certain states require that trust accounts be provided in a different format, generally filers should provide information returns reflecting payments to trust accounts with the:

- Trust’s employer identification number (EIN) in the recipient’s TIN area,
- Trust’s name on the recipient’s first name line, and
- Name of the trustee on the recipient’s second name line.

Although handwritten forms will be accepted, the IRS prefers that filers type or machine print data entries. Also, filers should insert data in the middle of blocks well separated from other printing and guidelines, and take measures to guarantee clear, dark black, sharp images. Carbon copies and photocopies are not acceptable.

---

### **2.2.2 Account Number Box**

Use the account number box on all Forms 1098, 1099, 5498, and W-2G for an account number designation when required by the official IRS form. The account number is required if you have multiple accounts for a recipient for whom you are filing more than one information return of the same type. Additionally, the IRS encourages you to include the recipients’ account number on paper forms if your system of records uses the account number rather than the name or TIN for identification purposes. Also, the IRS will include the account number in future notices to you about backup withholding. If you use window envelopes and a reduced rate

to mail statements to recipients, be sure the account number does not appear in the window. Otherwise, the Postal Service may not accept them for mailing.

**Exception.** Form 1098-T can have third party provider information.

---

### 2.2.3 Specifications and Restrictions

Machine-printed forms should be printed using a 6 lines/inch option, and should be printed in 10 pitch pica (10 print positions per inch) or 12 pitch elite (12 print positions per inch). Proportional spaced fonts are unacceptable.

Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single sheet before they are filed with the IRS. The size specified does not include pin feed holes. Pin feed holes must not be present on forms filed with the IRS.

Do not:

- Use a felt tip marker. The machine used to “read” paper forms generally cannot read this ink type.
- Use dollar signs (\$), ampersands (&), asterisks (\*), commas (,), or other special characters in the numbered money boxes.

**Exception.** Use decimal points to indicate dollars and cents (for example, 2000.00 is acceptable).

- Use apostrophes (’), asterisks (\*), or other special characters on the payee name line.
  - Fold Forms 1096, 1098, 1099, or 5498 mailed to the IRS. Mail these forms flat in an appropriately sized envelope or box. Folded documents cannot be readily moved through the machine used in IRS processing.
  - Staple Forms 1096 to the transmitted returns. Any staple holes near the return code number may impair the IRS’s ability to machine scan the type of documents.
  - Type other information on Copy A.
  - Cut or separate the individual forms on the sheet of forms of Copy A (except Forms W-2G).
- 

### 2.2.4 Where To File

Mail completed paper forms to the IRS service center shown in the Instructions for Form 1096 and in the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G. Specific information needed to complete the forms mentioned in this revenue procedure are given in the specific form instructions. A chart is included in the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G giving a quick guide to which form must be filed to report a particular payment.

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## Part 3 Specifications for Substitute Form W-2G (Filed with the IRS)

### Section 3.1 — General

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#### 3.1.1 Purpose

The following specifications give the format requirements for substitute Form W-2G (Copy A only), which is filed with the IRS.

A filer may use a substitute Form W-2G to file with the IRS (referred to as “substitute Copy A”). The substitute form must be an exact replica of the official form with respect to layout and content.

---

## Section 3.2 — Specifications for Copy A of Form W-2G

### 3.2.1 Substitute Form W-2G (Copy A)

You must follow these specifications when printing substitute Copy A of the Form W-2G.

Item	Substitute Form W-2G (Copy A)
Paper Color and Quality	Paper for Copy A must be white chemical wood bond, or equivalent, 20 pound (basis 17 x 22-500), plus or minus 5 percent. The paper must consist substantially of bleached chemical wood pulp. It must be free from unbleached or ground wood pulp or post-consumer recycled paper. It also must be suitably sized to accept ink without feathering.
Ink Color and Quality	All printing must be in a high quality non gloss black ink.
Typography	The type must be substantially identical in size and shape to the official form. All rules on the document are either 1/2 point (.007 inch), 1 point (0.015 inch), or 3 point (0.045). Vertical rules must be parallel to the left edge of the document, horizontal rules to the top edge.
Dimensions	The official form is 8 inches wide x 3 2/3 inches deep, exclusive of a 2/3 inch snap stub on the left side of the form. Any substitute Copy A must be the same dimensions. The snap feature is not required on substitutes. All margins must be free of print. The top and right margins must be 1/4 inch plus or minus .0313. If the top and right margins are properly aligned, the left margin for all forms will be correct. If the substitute forms are in continuous or strip form, they must be burst and stripped to conform to the size specified for a single form.
Hot Wax and Cold Carbon Spots	Hot wax and cold carbon spots are not permitted on any of the internal form plies. These spots are permitted on the back of a mailer top envelope ply. Interleaved carbons, if used, should be black and of good quality to avoid smudging.
Printer's Symbol	The Government Printing Office (GPO) symbol must not be printed on substitute Forms W-2G. Instead, the employer identification number (EIN) of the forms printer must be printed in the bottom margin on the face of each individual Copy A on a sheet. The form must not contain the statement "IRS approved" or any similar statement.
Catalog Number	The Catalog Number (Cat. No.) shown on Form W-2G is used for IRS distribution purposes and need not be printed on any substitute forms.

## Part 4 Substitute Statements to Form Recipients and Form Recipient Copies

### Section 4.1 — Specifications

#### 4.1.1 Introduction

If you do not use the official IRS form to furnish statements to recipients, you must furnish an acceptable substitute statement. To be acceptable, your substitute statement must comply with the rules in this section. If you are furnishing a substitute form, see Regulations sections 1.6042-4, 1.6044-5, 1.6049-6, and 1.6050N-1 to determine how the following statements

must be provided to recipients for most Forms 1099-DIV and 1099-INT, all Forms 1099-OID and 1099-PATR, and Form 1099-MISC or 1099-S for royalties. Generally, information returns may be furnished electronically with the consent of the recipient. See Section 4.5.1.

**Note.** A trustee of a grantor-type trust may choose to file Forms 1099 and furnish a statement to the grantor under Regulations sections 1.671-4(b)(2)(iii) and (b)(3)(ii). The statement required by those regulations is not subject to the requirements outlined in this section.

#### 4.1.2 Substitute Statements to Recipients for Certain Forms 1099-INT and 1099-DIV, and for Forms 1099-OID and 1099-PATR

The rules in this section apply to Form 1099-INT (except for interest reportable under section 6041), 1099-DIV (except for section 404(k) dividends), 1099-OID, and 1099-PATR only. You may furnish form recipients with Copy B of the official Form 1099 or a substitute Form 1099 (form recipient statement) if it contains the same language as the official IRS form (such as aggregate amounts paid to the form recipient, any backup withholding, the name, address, and TIN of the person making the return, and any other information required by the official form). Except for state income tax withholding information, information not required by the official form should not be included on the substitute form.

You may enter a total of the individual accounts listed on the form only if they have been paid by the same payer. For example, if you are listing interest paid on several accounts by one financial institution on Form 1099-INT, you may also enter the total interest amount. You may also enter a date next to the corrected box if that box is checked.

A substitute form recipient statement for Forms 1099-INT, 1099-DIV, 1099-OID, or 1099-PATR must comply with the following requirements:

(1) Box captions and numbers that are applicable must be clearly identified, using the same wording and numbering as on the official form.

**Note.** For Form 1099-INT, if box 3 is not on your substitute form, you may drop “not included in box 3” from the box 1 caption.

(2) The form recipient statement (Copy B) must contain all applicable form recipient instructions provided on the front and back of the official IRS form. You may provide those instructions on a separate sheet of paper.

(3) The form recipient statement must contain the following in bold and conspicuous type: **This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.**

(4) The box caption “**Federal income tax withheld**” must be in boldface type on the form recipient statement.

(5) The form recipient statement must contain the Office of Management and Budget (OMB) number as shown on the official IRS form. See *Part 5*.

(6) The form recipient statement must contain the tax year (for example, 2006), form number (for example, Form 1099-INT), and form name (for example, Interest Income) of the official IRS Form 1099. This information must be displayed prominently together in one area of the statement. For example, the tax year, form number, and form name could be shown in the upper right part of the statement. Each copy must be appropriately labeled (such as Copy B, For Recipient). See *Section 4.4* for applicable labels and arrangement of assembly of forms.

**Note.** Do not include the words “Substitute for” or “In lieu of” on the form recipient statement.

(7) Layout and format of the form is at the discretion of the filer. However, the IRS encourages the use of boxes so that the statement has the appearance of a form and can be easily distinguished from other non-tax statements.

(8) Each recipient statement of Forms 1099-DIV, 1099-INT, 1099-OID, and 1099-PATR must include the direct access telephone number of an individual who can answer questions about the statement. Include that telephone number conspicuously anywhere on the recipient statement.

(9) Until new regulations are issued, the IRS will not assess penalties for use of a logo (for example, the name of the payer in any typeface, font, or style, and/or a symbolic icon) or slogan on a recipient statement if the logo or slogan is used by the payer in the ordinary course

of its trade or business. In addition, use of the logo or slogan must not make it less likely for a reasonable payee to recognize the importance of the statement for tax reporting purposes.

(10) A mutual fund family may state separately on one document (for example, one piece of paper) the dividend income earned by a recipient from each fund within the family of funds as required by Form 1099-DIV. However, each fund and its earnings must be stated separately. The form must contain an instruction to the recipient that each fund's dividends and name, not the name of the mutual fund family, must be reported on the recipient's tax return. The form cannot contain an aggregate total of all funds. In addition, a mutual fund family may furnish a single statement (as a single filer) for Forms 1099-INT, 1099-DIV, and 1099-OID information. Each fund and its earnings must be stated separately. The form must contain an instruction to the recipient that each fund's earnings and name, not the name of the mutual fund family, must be reported on the recipient's tax return. The form cannot contain an aggregate total of all funds.

#### 4.1.3 Substitute Statements to Recipients for Certain Forms 1098, 1099, 5498, and W-2G

Statements to form recipients for Forms 1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-G, 1099-H, 1099-LTC, 1099-MISC, 1099-Q, 1099-R, 1099-S, 1099-SA, 5498, 5498-ESA, 5498-SA, W-2G, 1099-DIV (only for section 404(k) dividends reportable under section 6047), and 1099-INT (only for interest of \$600 or more made in the course of a trade or business reportable under section 6041) can be copies of the official forms or an acceptable substitute.

**Caution.** The IRS does not require a donee to use Form 1098-C as the written acknowledgment for contributions of motor vehicles, boats, and airplanes. However, if you choose to use copies of Form 1098-C or an acceptable substitute as the written acknowledgment, then you must follow the requirements of this section 4.1.3.

To be acceptable, a substitute form recipient statement must meet the following requirements.

(1) The tax year, form number, and form name must be the same as the official form and must be displayed prominently together in one area on the statement. For example, they may be shown in the upper right part of the statement.

(2) The filer's and the form recipient's identifying information required on the official IRS form must be included.

(3) Each substitute recipient statement for Forms W-2G, 1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-CAP, 1099-DIV, 1099-G (excluding state and local income tax refunds), 1099-H, 1099-INT, 1099-LTC, 1099-MISC (excluding fishing boat proceeds), 1099-OID, 1099-PATR, 1099-Q, and 1099-S must include the direct access telephone number of an individual who can answer questions about the statement. Include the telephone number conspicuously anywhere on the recipient statement. Although not required, payers reporting on Forms 1099-C, 1099-R, 1099-SA, 5498, 5498-ESA, and 5498-SA are encouraged to furnish telephone numbers.

(4) All applicable money amounts and information, including box numbers, required to be reported to the form recipient must be titled on the form recipient statement in substantially the same manner as those on the official IRS form. The box caption "Federal income tax withheld" must be in boldface type on the form recipient statement.

**Exception.** If you are reporting a payment as "Other income" in box 3 of Form 1099-MISC, you may substitute appropriate language for the box title. For example, for payments of accrued wages and leave to a beneficiary of a deceased employee, you might change the title of box 3 to "Beneficiary payments" or something similar.

**Note.** You cannot make this change on Copy A.

**Note.** If federal income tax is withheld and shown on Form 1099-R or W-2G, Copy B and Copy C must be furnished to the recipient. If federal income tax is not withheld, only Copy C of Form 1099-R and W-2G must be furnished. However, for Form 1099-R, instructions similar to those on the back of the official Copy B and Copy C of Form 1099-R must be furnished to the recipient. For convenience, you may choose to provide both Copies B and C of Form 1099-R to the recipient.

(5) You must provide appropriate instructions to the form recipient similar to those on the official IRS form, to aid in the proper reporting on the form recipient's income tax return. For payments reported on Forms 1099-B, and 1099-CAP, the requirement to include instructions substantially similar to those on the official IRS form may be satisfied by providing form recipients with a single set of instructions for all Forms 1099-B and 1099-CAP statements required to be furnished in a calendar year.

(6) If you use carbonless sets to produce recipient statements, the quality of each copy in the set must meet the following standards:

- All copies must be clearly legible,
- All copies must be able to be photocopied, and
- Fading must not diminish legibility and the ability to photocopy.

In general, black chemical transfer inks are preferred, but other colors are permitted if the above standards are met. Hot wax and cold carbon spots are not permitted on any of the internal form plies. The back of a mailer top envelope ply may contain these spots.

(7) A mutual fund family may state separately on one document (for example, one piece of paper) the Form 1099-B information for a recipient from each fund as required by Form 1099-B. However, the gross proceeds, etc., from each transaction within a fund must be stated separately. The form must contain an instruction to the recipient that each fund's (not the mutual fund family's) name and amount must be reported on the recipient's tax return. The form cannot contain an aggregate total of all funds.

(8) You may use a Uniform Settlement Statement (under the Real Estate Settlement Procedures Act of 1974 (RESPA)) for Form 1099-S. The Uniform Settlement Statement is acceptable as the written statement to the transferor if you include the legend for Form 1099-S in *Section 4.3.2* and indicate which information on the Uniform Settlement Statement is being reported to the IRS on Form 1099-S.

(9) For reporting state income tax withholding and state payments, you may add an additional box(es) to recipient copies as appropriate.

**Note.** You cannot make this change on Copy A.

(10) On Copy C of Form 1099-LTC, you may reverse the location of the policyholder's and the insured's name, street address, city, state, and ZIP code for easier mailing.

(11) If an institution insurer uses a third party service provider to file Form 1098-T, then in addition to the institution or insurers name, address, and telephone number, the same information may be included for the third party service provider in the space provided on the form.

(12) Logos are permitted on substitute recipient statements for the forms listed in this section (*Section 4.1.3*).

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## Section 4.2 — Composite Statements

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### 4.2.1 Composite Substitute Statements for Certain Forms 1099-INT, 1099-DIV, 1099-MISC, and 1099-S, and for Forms 1099-OID and 1099-PATR

A composite form recipient statement is permitted for reportable payments of interest, dividends, original issue discount, patronage dividends, and royalties (Forms 1099-INT (except for interest reportable under section 6041), 1099-DIV (except for section 404(k) dividends), 1099-MISC or 1099-S (for royalties only), 1099-OID, or 1099-PATR) when one payer is reporting more than one of these payments during a calendar year to the same form recipient. Generally, do not include any other Form 1099 information (for example, 1098 or 1099-A) on a composite statement with the information required on the forms listed in the preceding sentence.

**Exception.** A filer may include Form 1099-B information on a composite form with the forms listed above.

Although the composite form recipient statement may be on one sheet, the format of the composite form recipient statement must satisfy the following requirements in addition to the requirements listed earlier in *Section 4.1.2*.

- All information pertaining to a particular type of payment must be located and blocked together on the form and separate from any information covering other types of payments

included on the form. For example, if you are reporting interest and dividends, the Form 1099-INT information must be presented separately from the Form 1099-DIV information.

- The composite form recipient statement must prominently display the tax year, form number, and form name of the official IRS form together in one area at the beginning of each appropriate block of information.
- Any information required by the official IRS forms that would otherwise be repeated in each information block is required to be listed only once in the first information block on the composite form. For example, there is no requirement to report the name of the filer in each information block. This rule does not apply to any money amounts (for example, federal income tax withheld) or to any other information that applies to money amounts.
- A composite statement is an acceptable substitute only if the type of payment and the recipient's tax obligation with respect to the payment are as clear as if each required statement were furnished separately on an official form.

#### 4.2.2 Composite Substitute Statements to Recipients for Forms Specified in Section 4.1.3

A composite form recipient statement for the forms specified in *Section 4.1.3* is permitted when one filer is reporting more than one type of payment during a calendar year to the same form recipient. A composite statement is not allowed for a combination of forms listed in *Section 4.1.3* and forms listed in *Section 4.1.2*.

##### Exceptions:

- Substitute payments in lieu of dividends reported in Box 8 of Form 1099-MISC may be reported on a composite substitute statement with Form 1099-DIV.
- Form 1099-B information may be reported on a composite form with the forms specified in *Section 4.1.2* as described in *Section 4.2.1*.
- Forms 1099-A and 1099-C transactions, if related, may be combined on Form 1099-C.
- Royalties reported on Form 1099-MISC or 1099-S may be reported on a composite form only with the forms specified in *Section 4.1.2*.

Although the composite form recipient statement may be on one sheet, the format of the composite form recipient statement must satisfy the requirements listed in *Section 4.2.1* as well as the requirements in *Section 4.1.3*. A composite statement of Forms 1098 and 1099-INT (for interest reportable under section 6049) is not allowed.

## Section 4.3 — Required Legends

#### 4.3.1 Required Legends for Forms 1098

Form 1098 recipient statements (Copy B) must contain the following legends:

- Form 1098—
  - (1) “The information in boxes 1, 2, and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.”
  - (2) “**Caution.** The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.”
- Form 1098-C:
  - Copy B — “In order to take a deduction of more than \$500 for this for contribution, you must attach this copy to your federal tax return.”
  - Copy C — “This information is being furnished to the Internal Revenue Service unless box 7 is checked.”
- Form 1098-E — “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction

may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for student loan interest.”

- Form 1098-T — “This is important tax information and is being furnished to the Internal Revenue Service.”
- 

#### 4.3.2 Required Legends for Forms 1099 and W-2G

- Forms 1099-A, 1099-C, and 1099-CAP:  
Copy B — “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.”
  - Forms 1099-B, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, and 1099-Q:  
Copy B — “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.”
  - Forms 1099-H:  
Copy B — “This is important tax information and is being furnished to the Internal Revenue Service.”
  - Form 1099-LTC:  
Copy B — “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.”  
Copy C — “Copy C is provided to you for information only. Only the policyholder is required to report this information on a tax return.”
  - Form 1099-R:  
Copy B — “Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.”  
Copy C — “This information is being furnished to the Internal Revenue Service.”
  - Form 1099-S:  
Copy B — “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.”
  - Form 1099-SA:  
Copy B — “This information is being furnished to the Internal Revenue Service.”
  - Form W-2G:  
Copy B — “This information is being furnished to the Internal Revenue Service. Report this income on your federal tax return. If this form shows federal income tax withheld in box 2, attach this copy to your return.”  
Copy C — “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.”
- 

#### 4.3.3 Required Legends for Form 5498

Form 5498 recipient statements (Copy B) must contain the following legends:

- Form 5498 — “This information is being furnished to the Internal Revenue Service.”  
**Note.** If you do not furnish another statement to the participant because no contributions were made for the year, the statement of the fair market value and any required minimum distribution, of the account must contain this legend and a designation of which information is being furnished to the IRS.



- Form 5498-ESA — “The information in boxes 1 and 2 is being furnished to the Internal Revenue Service.”
  - Form 5498-SA — “The information in boxes 1 through 6 is being furnished to the Internal Revenue Service.”
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## Section 4.4 — Miscellaneous Instructions for Copies B, C, D, 1, and 2

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### 4.4.1 Copies

Copies B, C, and in some cases, D, 1, and 2 are included in the official assembly for the convenience of the filer. You are not legally required to include all these copies with the privately printed substitute forms. Furnishing Copies B and, in some cases, C will satisfy the legal requirement to provide statements of information to form recipients.

**Note.** If an amount of federal income tax withheld is shown on Form 1099-R or W-2G, Copy B (to be attached to the tax return) and Copy C must be furnished to the recipient. Copy D (Forms 1099-R and W-2G) may be used for filer records. Only Copy A should be filed with the IRS.

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### 4.4.2 Arrangement of Assembly

Copy A (“For Internal Revenue Service Center”) of all forms must be on top. The rest of the assembly must be arranged, from top to bottom, as follows.

- Form 1098 — Copy B “For Payer”; Copy C “For Recipient.”
  - Form 1098-C — Copy B “For Donor”; Copy C “For Donor’s Records”; Copy D “For Donee.”
  - Form 1098-E — Copy B “For Borrower”; Copy C “For Recipient.”
  - Form 1098-T — Copy B “For Student”; Copy C “For Filer.”
  - Form 1099-A — Copy B “For Borrower”; Copy C “For Lender.”
  - Forms 1099-B, 1099-DIV, 1099-G, 1099-H, 1099-INT, 1099-OID, 1099-PATR, 1099-Q, and 1099-SA — Copy B “For Recipient”; Copy C “For Payer.”
  - Form 1099-C — Copy B “For Debtor”; Copy C “For Creditor.”
  - Form 1099-CAP — Copy B “For Shareholder”; Copy C “For Corporation.”
  - Form 1099-LTC — Copy B “For Policyholder”; Copy C “For Insured”; and Copy D “For Payer.”
  - Form 1099-MISC — Copy 1 “For State Tax Department”; Copy B “For Recipient”; Copy 2 “To be filed with recipient’s state income tax return, when required”; and Copy C “For Payer.”
  - Form 1099-R — Copy 1 “For State, City, or Local Tax Department”; Copy B “Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return”; Copy C “For Recipient’s Records”; Copy 2 “File this copy with your state, city, or local income tax return, when required”; Copy D “For Payer.”
  - Form 1099-S — Copy B “For Transferor”; Copy C “For Filer.”
  - Form 5498 — Copy B “For Participant”; Copy C “For Trustee or Issuer.”
  - Form 5498-ESA — Copy B “For Beneficiary”; Copy C “For Trustee.”
  - Form 5498-SA — Copy B “For Participant”; Copy C “For Trustee.”
  - Form W-2G — Copy 1 “For State Tax Department”; Copy B “Report this income on your federal tax return. If this form shows federal income tax withheld in box 2, attach this copy to your return”; Copy C “For Winner’s Records”; Copy 2 “Attach this copy to your state income tax return, if required.”; Copy D “For Payer.”
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### 4.4.3 Perforations

Perforations are required between forms on all copies except Copy A to make separating the forms easier. (Copy A of Form W-2G may be perforated.)

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## Section 4.5 — Electronic Delivery of Form 1099 and Form 5498 Payee Statements

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### 4.5.1 Electronic Recipient Statements

If you are required to furnish a written statement (Copy B or an acceptable substitute) to a recipient, then you may furnish the statement electronically instead of on paper. This includes furnishing the statement to recipients of Forms 1098, 1098-E, 1098-T, 1099-A, B, C, CAP, DIV, H, INT, G, LTC, MISC, OID, PATR, Q, R, S, SA, 5498, 5498-ESA, and 5498-SA. It also includes Form W-2G (except for horse and dog racing, jai alai, sweepstakes, wagering pools, and lotteries).

**Note.** Until further guidance is issued, you can not furnish Form 1098-C electronically.

If you meet the requirements listed below, you are treated as furnishing the statement timely.

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### *Consent*

The recipient must consent in the affirmative and not have withdrawn the consent before the statement is furnished. The consent by the recipient must be made electronically in a way that shows that he or she can access the statement in the electronic format in which it will be furnished.

You must notify the recipient of any hardware or software changes prior to furnishing the statement. A new consent to receive the statement electronically is required after the new hardware or software is put into service.

Prior to furnishing the statements electronically, you must provide the recipient a statement with the following statements prominently displayed:

- If the recipient does not consent to receive the statement electronically, a paper copy will be provided.
  - The scope and duration of the consent. For example, whether the consent applies to every year the statement is furnished or only for the January 31 immediately following the date of the consent.
  - How to obtain a paper copy after giving consent.
  - How to withdraw the consent. The consent may be withdrawn at any time by furnishing the withdrawal in writing (electronically or on paper) to the person whose name appears on the statement. Confirmation of the withdrawal also will be in writing (electronically or on paper).
  - Notice of termination. The notice must state under what conditions the statements will no longer be furnished to the recipient.
  - Procedures to update the recipient's information.
  - A description of the hardware and software required to access, print and retain a statement, and a date the statement will no longer be available on the website.
- 

### *Format, Posting, and Notification*

Additionally, you must:

- Ensure the electronic format contains all the required information and complies with the guidelines in this document.
- Post, on or before the January 31 due date, the applicable statement on a website accessible to the recipient through October 15 of that year.
- Inform the recipient, electronically or by mail, of the posting and how to access and print the statement.

For more information, see Regulations section 31.6051-1. For electronic furnishing of Forms 1098-E and 1098-T, see Regulations section 1.6050S-2. For electronic furnishing of Forms 1099-R, 1099-SA, 1099-Q, 5498, 5498-ESA, and 5498-SA, see Notice 2004-10, 2004-6 I.R.B. 433.

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**Part 5**  
**Additional Instructions for Substitute**  
**Forms 1098, 1099, 5498, W-2G, and 1042-S**

**Section 5.1 — Paper Substitutes for Form 1042-S**

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**5.1.1 Paper Substitutes**

Paper substitutes of Copy A for Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, that totally conform to the specifications contained in this procedure may be privately printed without prior approval from the Internal Revenue Service. Proposed substitutes not conforming to these specifications must be submitted for consideration.

**Note.** Copies B, C, D, and E of Form 1042-S may contain multiple income entries for the same recipient, that is multiple rows of the top boxes 1-8 of the form.

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**5.1.2 Time Frame For Submission of Form 1042-S**

The request should be submitted by November 15 of the year prior to the year the form is to be used. This is to allow the Service adequate time to respond and the submitter adequate time to make any corrections. These requests should contain a copy of the proposed form, the need for the specific deviation(s), and the number of information returns to be printed.

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**5.1.3 Revisions**

Form 1042-S is subject to annual review and possible change. Withholding agents and form suppliers are cautioned against overstocking supplies of the privately printed substitutes.

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**5.1.4 Obtaining Copies**

Copies of the official form for the reporting year may be obtained from most Service offices. The Service provides only cut sheets (no carbon interleaves) of these forms. Continuous fan-fold/pin-fed forms are not provided.

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**5.1.5 Instructions For Withholding Agents**

Instructions for withholding agents:

- Only original copies may be filed with the Service. Carbon copies and reproductions are not acceptable.
  - The term "Recipient's U.S. TIN" for an individual means the social security number (SSN) or IRS individual taxpayer identification number (ITIN), consisting of nine digits separated by hyphens as follows: 000-00-0000. For all other recipients, the term means employer identification number (EIN) or qualified intermediary employer identification number (QI-EIN). The QI-EIN designation includes a withholding foreign partnership employer identification number (WP-EIN) and a withholding foreign trust employer identification number (WT-EIN). The EIN and QI-EIN consist of nine digits separated by a hyphen as follows: 00-0000000. The taxpayer identification number (TIN) must be in one of these formats.
  - Withholding agents are requested to type or machine print whenever possible, provide quality data entries on the forms (that is, use black ribbon and insert data in the middle of blocks well separated from other printing and guidelines), and take other measures to guarantee a clear, sharp image. Withholding agents are not required, however, to acquire special equipment solely for the purpose of preparing these forms.
  - The "VOID," "CORRECTED," and "PRO-RATA BASIS REPORTING" boxes must be printed at the top center of the form under the title and checked, if applicable.
  - Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single form before they are filed with the Service. The dimensions are found below. Computer cards are acceptable provided they meet all requirements regarding layout, content, and size.
-

**5.1.6 Substitute Form 1042-S  
Format Requirements**

Property	Substitute Form 1042-S Format Requirements
Printing	Privately printed substitute Forms 1042-S must be exact replicas of the official forms with respect to layout and content. Only the dimensions of the substitute form may differ. The Government Printing Office (GPO) symbol must be deleted. The exact dimensions are found below.
Box Entries	Only one item of income may be represented on the copy submitted to the Service (Copy A). Multiple income items may be shown on copies provided to recipients or retained by withholding agent. All boxes appearing on the official form must be present on the substitute form, with appropriate captions.
Color and Quality of Ink	All printing must be in high quality non-gloss black ink. Bar codes should be free from picks and voids.
Typography	Type must be substantially identical in size and shape to corresponding type on the official form. All rules on the document are either 1 point (0.015”) or 3 point (0.045”). Vertical rules must be parallel to the left edge of the document; horizontal rules must be parallel to the top edge.
Carbons	Carbonized forms or “spot carbons” are not permissible. Interleaved carbons, if used, must be of good quality to preclude smudging and should be black.
Assembly	If all five parts are present, the parts of the assembly shall be arranged from top to bottom as follows: Copy A (Original) “for Internal Revenue Service,” Copies B, C, and D “for Recipient,” and Copy E “for Withholding Agent.”
Color Quality of Paper	<ul style="list-style-type: none"> <li>• Paper for Copy A must be white chemical wood bond, or equivalent, 20 pound (basis 17 x 22–500), plus or minus 5 percent; or offset book paper, 50 pound (basis 25 x 38–500). No optical brighteners may be added to the pulp or paper during manufacture. The paper must consist of principally bleach chemical wood pulp or recycled printed paper. It also must be suitably sized to accept ink without feathering.</li> <li>• Copies B, C, D (for Recipient), and E (For Withholding Agent) are provided in the official assembly solely for the convenience of the withholding agent. Withholding agents may choose the format, design, color, and quality of the paper used for these copies.</li> </ul>

Property	Substitute Form 1042-S Format Requirements
Dimensions	<ul style="list-style-type: none"> <li>• The official form is 8 inches wide x 5½ inches deep, exclusive of a ½ inch snap stub on the left side of the form. The snap feature is not required on substitutes.</li> <li>• The width of a substitute Copy A must be a minimum of 7 inches and a maximum of 8 inches, although adherence to the size of the official form is preferred. If the width of substitute Copy A is reduced from that of the official form, the width of each field on the substitute form must be reduced proportionately. The left margin must be ½ inch and free of all printing other than that shown on the official form.</li> <li>• The depth of a substitute Copy A must be a minimum of 5⅙ inches and a maximum of 5½ inches.</li> </ul>
Other Copies	Copies B, C, and D must be furnished for the convenience of payees who must send a copy of the form with other federal and state returns they file. Copy E may be used as a withholding agent's record/copy.

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## Section 5.2 — OMB Requirements for All Forms in This Revenue Procedure

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### 5.2.1 OMB Requirements

The Paperwork Reduction Act (the Act) of 1995 (Public Law 104–13) requires that:

- OMB approves all IRS tax forms that are subject to the Act. Each IRS form contains (in or near the upper right corner) the OMB approval number, if any. (The official OMB numbers may be found on the official IRS printed forms and are also shown on the forms in the exhibits in *Part 6*.)
- Each IRS form (or its instructions) states:
  - (1) Why the IRS needs the information,
  - (2) How it will be used, and
  - (3) Whether or not the information is required to be furnished to the IRS.

This information must be provided to any users of official or substitute IRS forms or instructions.

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### 5.2.2 Substitute Form Requirements

The OMB requirements for substitute IRS forms are:

- Any substitute form or substitute statement to a recipient must show the OMB number as it appears on the official IRS form.
  - For Copy A, the OMB number must appear exactly as shown on the official IRS form.
  - For any copy other than Copy A, the OMB number must use one of the following formats.
    - (1) OMB No. XXXX-XXXX (preferred) or
    - (2) OMB # XXXX-XXXX (acceptable).
- 

### 5.2.3 Required Explanation to Users

All substitute forms (Copy A only) must state “For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.” (or “For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.” for Copy A of Form 1042-S).

If no instructions are provided to users of your forms, you must furnish them with the exact text of the Privacy Act and Paperwork Reduction Act Notice.

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## Section 5.3 — Reproducible Copies of Forms

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### 5.3.1 Introduction

You can order official IRS forms and publications 24 hours a day, 7 days a week, by calling 1-800-TAX-FORM (1-800-829-3676). Other ways to get federal tax material include:

- The Internet.
- CD-ROM.
- GPO Superintendent of Documents Bookstores.

**Note.** Several IRS forms are provided electronically on the IRS home page and on the Federal Tax Forms CD-ROM, but Copy A of Forms 1096, the 1098 series, 1099 series, and 5498 series cannot be used for filing with the IRS when printed from a conventional printer. These forms contain drop-out ink requirements as described in Part 2 of this publication.

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### 5.3.2 Internet

You can download tax materials from the Internet by visiting the IRS web site at [www.irs.gov](http://www.irs.gov).

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### 5.3.3 IRS Federal Tax Forms CD-ROM

The IRS also offers an alternative to downloading electronic files and provides current and prior-year access to tax forms and instructions through its *Federal Tax Forms CD-ROM*. The CD, Pub. 1796, *Federal Tax Products on CD-ROM*, will be available for the upcoming filing season. You may buy the CD-ROM on the Internet at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) or by calling 1-877-CDFORMS (1-877-233-6767).

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### 5.3.4 GPO Supt. of Documents Bookstores

The Government Printing Office (GPO) Superintendent of Documents Bookstores also sell individual copies of tax forms, instructions, and publications.

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## Section 5.4 — Effect on Other Revenue Procedures

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### 5.4.1 Other Revenue Procedures

Revenue Procedure 2005-69, 2005-2 C.B. 864, which provides rules and specifications for private printing of 2005 substitute forms and statements to recipients, is superseded.

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## Part 6 Exhibits

## Section 6.1 — Exhibits of Forms in the Revenue Procedure

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### 6.1.1 Purpose

Exhibits A through Z illustrate some of the specifications that were discussed earlier in this revenue procedure. The dimensions apply to the actual size forms, but the exhibits have been reduced in size.

Generally, the illustrated dimensions apply to all like forms. For example, Exhibit B shows 11.00" from the top edge to the bottom edge of Form 1098 and .85" between the bottom rule of the top form and the top rule of the second form on the page. These dimensions apply to all forms that are printed three to a page.

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## 6.1.2 Guidelines

Keep in mind the following guidelines when printing substitute forms.

- Closely follow the specifications to avoid delays in processing the forms.
  - Always use the specifications as outlined in this revenue procedure and illustrated in the exhibits.
  - Do not add the text line “Do Not Cut or Separate Forms on This Page” to the bottom form. This will cause inconsistency with the specifications.
-

# Exhibit A

Do Not Staple 6969

Form **1096**

Department of the Treasury  
Internal Revenue Service

**Annual Summary and Transmittal of  
U.S. Information Returns**

OMB No. 1545-0108

**2006**

FILER'S name

Street address (including room or suite number)

City, state, and ZIP code

Name of person to contact	Telephone number ( )	<p><b>For Official Use Only</b></p>
Email address	Fax number ( )	

1 Employer identification number  
1.40"

2 Social security number  
1.40"

3 Total number of forms  
1.20"

4 Federal income tax withheld  
1.40"

5 Total amount reported with this Form 1096  
1.90"

Enter an "X" in only one box below to indicate the type of form being filed. If this is your final return, enter an "X" here

W-2G 32	1098 81	1098-C 78	1098-E 84	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73	1099-DIV 91	1099-G 86	1099-H 71	1099-INT 92	1099-LTC 93
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-MISC 95	1099-OID 96	1099-PATR 97	1099-Q 31	1099-R 98	1099-S 75	1099-SA 94	5498 28	5498-ESA 72	5498-SA 27				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

**Return this entire page to the Internal Revenue Service. Photocopies are not acceptable.**

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶

Title ▶

Date ▶

**Instructions**

**Purpose of form.** Use this form to transmit paper Forms 1099, 1098, 5498, and W-2G to the Internal Revenue Service. Do not use Form 1096 to transmit electronically or magnetically. For magnetic media, see Form 4804, Transmittal of Information Returns Reported Magnetically; for electronic submissions, see Pub. 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically or Magnetically.

**Who must file.** The name, address, and TIN of the filer on this form must be the same as those you enter in the upper left area of Forms 1099, 1098, 5498, or W-2G. A filer includes a payer; a recipient of mortgage interest payments (including points) or student loan interest; an educational institution; a broker; a barter exchange; a creditor; a person reporting real estate transactions; a trustee or issuer of any individual retirement arrangement, a Coverdell ESA, an HSA, an Archer MSA (including a Medicare Advantage MSA); certain corporations; certain donees of motor vehicles, boats, and airplanes; and a lender who acquires an interest in secured property or who has reason to know that the property has been abandoned.

**Preadressed Form 1096.** If you received a preaddressed Form 1096 from the IRS with Package 1099, use it to transmit paper Forms 1099, 1098, 5498, and W-2G to the Internal Revenue Service. If any of the preprinted information is incorrect, make corrections on the form.

If you are not using a preaddressed form, enter the filer's name, address (including room, suite, or other unit number), and TIN in the spaces provided on the form.

**11.0" When to file.** File Form 1096 as follows.

- With Forms 1099, 1098, or W-2G, file by February 28, 2007.
- With Forms 5498, 5498-ESA, or 5498-SA, file by May 31, 2007.

**Where To File**

Except for Form 1098-C, send all information returns filed on paper with Form 1096 to the following:

<b>If your principal business, office or agency, or legal residence in the case of an individual, is located in</b>	<b>Use the following Internal Revenue Service Center address</b>
Alabama, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, West Virginia	Austin, TX 73301
Alaska, California, Colorado, District of Columbia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming	Kansas City, MO 64999

For more information and the Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G. Cat. No. 144000 Form **1096** (Rev. 7-2006)



# Exhibit B

8181 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0901 <b>2006</b> Form 1098	<b>Mortgage Interest Statement</b>
RECIPIENT'S/LENDER'S name, address, and telephone number			
RECIPIENT'S federal identification no.	PAYER'S social security number	1 Mortgage interest received from payer(s)/borrower(s) \$	<b>Copy A</b> For <b>Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>
PAYER'S/BORROWER'S name		2 Points paid on purchase of principal residence \$	
Street address (including apt. no.)		3 Refund of overpaid interest \$	
City, state, and ZIP code		4	
Account number (see instructions)			
Form 1098    Cat. No. 14402K    Department of the Treasury - Internal Revenue Service		<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>	
8181 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0901 <b>2006</b> Form 1098	<b>Mortgage Interest Statement</b>
RECIPIENT'S/LENDER'S name, address, and telephone number			
RECIPIENT'S federal identification no.	PAYER'S social security number	1 Mortgage interest received from payer(s)/borrower(s) \$	<b>Copy A</b> For <b>Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>
PAYER'S/BORROWER'S name		2 Points paid on purchase of principal residence \$	
Street address (including apt. no.)		3 Refund of overpaid interest \$	
City, state, and ZIP code		4	
Account number (see instructions)			
Form 1098    Cat. No. 14402K    Department of the Treasury - Internal Revenue Service		<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>	
8181 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0901 <b>2006</b> Form 1098	<b>Mortgage Interest Statement</b>
RECIPIENT'S/LENDER'S name, address, and telephone number			
RECIPIENT'S federal identification no.	PAYER'S social security number	1 Mortgage interest received from payer(s)/borrower(s) \$	<b>Copy A</b> For <b>Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>
PAYER'S/BORROWER'S name		2 Points paid on purchase of principal residence \$	
Street address (including apt. no.)		3 Refund of overpaid interest \$	
City, state, and ZIP code		4	
Account number (see instructions)			
Form 1098    Cat. No. 14402K    Department of the Treasury - Internal Revenue Service		<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>	

# Exhibit C

7878 <input type="checkbox"/> CORRECTED		OMB No. 1545-1959	<b>2006</b> Form 1098-C	<b>Contributions of Motor Vehicles, Boats, and Airplanes</b>
DONOR'S name, street address, city, state, ZIP code, and telephone no.		1 Date of contribution		
DONOR'S federal identification number		2 Make, model, and year of vehicle		<b>Copy A</b>  For Internal Revenue Service Center File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
DONOR'S identification number		3 Vehicle or other identification number		
DONOR'S name		4a <input type="checkbox"/> Donee certifies that vehicle was sold in arm's length transaction to unrelated party		
Street address (including apt. no.)		4b Date of sale		
City, state, and ZIP code		4c Gross proceeds from sale (see instructions) \$		
5a <input type="checkbox"/> Donee certifies that vehicle will not be transferred for money, other property, or services before completion of material improvements or significant intervening use		5b <input type="checkbox"/> Donee certifies that vehicle is to be transferred to a needy individual for significantly below fair market value in furtherance of donee's charitable purpose		
5c Donee certifies the following detailed description of material improvements or significant intervening use and duration of use		6a Did you provide goods or services in exchange for the vehicle? . . . . . ► Yes <input type="checkbox"/> No <input type="checkbox"/>		
6b Value of goods and services provided in exchange for the vehicle \$		6c Describe the goods and services, if any, that were provided. If this box is checked, donee certifies that the goods and services consisted solely of intangible religious benefits . . . . . ► <input type="checkbox"/>		
7 Under the law, the donor may not claim a deduction of more than \$500 for this vehicle if this box is checked . . . . . ► <input type="checkbox"/>				

Form 1098-C

Cat. No. 39732R

Department of the Treasury - Internal Revenue Service

# Exhibit D

8484       VOID       CORRECTED

RECIPIENT'S/LENDER'S name, address, and telephone number		OMB No. 1545-1576  <b>2006</b>  Form 1098-E	<b>Student Loan Interest Statement</b>
RECIPIENT'S federal identification no.	BORROWER'S social security number	1 Student loan interest received by lender ←\$————— 2.80"————→	
BORROWER'S name		<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
Street address (including apt. no.)			
City, state, and ZIP code			
Account number (see instructions)			
		2 Check if box 1 includes loan origination fees and/or capitalized interest . . . . . <input type="checkbox"/>	

Form **1098-E**      Cat. No. 25088U      Department of the Treasury - Internal Revenue Service  
**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**

8484       VOID       CORRECTED

RECIPIENT'S/LENDER'S name, address, and telephone number		OMB No. 1545-1576  <b>2006</b>  Form 1098-E	<b>Student Loan Interest Statement</b>
RECIPIENT'S federal identification no.	BORROWER'S social security number	1 Student loan interest received by lender \$	
BORROWER'S name		<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
Street address (including apt. no.)			
City, state, and ZIP code			
Account number (see instructions)			
		2 Check if box 1 includes loan origination fees and/or capitalized interest . . . . . <input type="checkbox"/>	

Form **1098-E**      Cat. No. 25088U      Department of the Treasury - Internal Revenue Service  
**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**

8484       VOID       CORRECTED

RECIPIENT'S/LENDER'S name, address, and telephone number		OMB No. 1545-1576  <b>2006</b>  Form 1098-E	<b>Student Loan Interest Statement</b>
RECIPIENT'S federal identification no.	BORROWER'S social security number	1 Student loan interest received by lender \$	
BORROWER'S name		<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
Street address (including apt. no.)			
City, state, and ZIP code			
Account number (see instructions)			
		2 Check if box 1 includes loan origination fees and/or capitalized interest . . . . . <input type="checkbox"/>	

Form **1098-E**      Cat. No. 25088U      Department of the Treasury - Internal Revenue Service

# Exhibit E

33" <span style="float: right;">6.25"</span> 8383 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1574 <div style="text-align: center; font-size: 2em; font-weight: bold;">2006</div> Form 1098-T <div style="text-align: right; font-weight: bold;">Tuition Statement</div>	
FILER'S name, street address, city, state, ZIP code, and telephone number \$ 1 Payments received for qualified tuition and related expenses \$ 2 Amounts billed for qualified tuition and related expenses		3 Check if you have changed your reporting method for 2006 <input type="checkbox"/>	
FILER'S federal identification no.	STUDENT'S social security number	4 Adjustments made for a prior year \$	5 Scholarships or grants \$
STUDENT'S name ← 3.40" →		7 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2007 <input type="checkbox"/>	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	10 Ins. contract reimb./refund \$
City, state, and ZIP code		9 Check if a graduate student . . . <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input type="checkbox"/>	Form 1098-T Cat. No. 25087J Department of the Treasury - Internal Revenue Service	

**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**

33" <span style="float: right;">6.25"</span> 8383 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1574 <div style="text-align: center; font-size: 2em; font-weight: bold;">2006</div> Form 1098-T <div style="text-align: right; font-weight: bold;">Tuition Statement</div>	
FILER'S name, street address, city, state, ZIP code, and telephone number \$ 1 Payments received for qualified tuition and related expenses \$ 2 Amounts billed for qualified tuition and related expenses		3 Check if you have changed your reporting method for 2006 <input type="checkbox"/>	
FILER'S federal identification no.	STUDENT'S social security number	4 Adjustments made for a prior year \$	5 Scholarships or grants \$
STUDENT'S name ← 3.40" →		7 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2007 <input type="checkbox"/>	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	10 Ins. contract reimb./refund \$
City, state, and ZIP code		9 Check if a graduate student . . . <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input type="checkbox"/>	Form 1098-T Cat. No. 25087J Department of the Treasury - Internal Revenue Service	

**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**

33" <span style="float: right;">6.25"</span> 8383 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1574 <div style="text-align: center; font-size: 2em; font-weight: bold;">2006</div> Form 1098-T <div style="text-align: right; font-weight: bold;">Tuition Statement</div>	
FILER'S name, street address, city, state, ZIP code, and telephone number \$ 1 Payments received for qualified tuition and related expenses \$ 2 Amounts billed for qualified tuition and related expenses		3 Check if you have changed your reporting method for 2006 <input type="checkbox"/>	
FILER'S federal identification no.	STUDENT'S social security number	4 Adjustments made for a prior year \$	5 Scholarships or grants \$
STUDENT'S name ← 3.40" →		7 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2007 <input type="checkbox"/>	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	10 Ins. contract reimb./refund \$
City, state, and ZIP code		9 Check if a graduate student . . . <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input type="checkbox"/>	Form 1098-T Cat. No. 25087J Department of the Treasury - Internal Revenue Service	

**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**

# Exhibit F

8080 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED			OMB No. 1545-0877  <b>2006</b> Form 1099-A	<b>Acquisition or Abandonment of Secured Property</b>	
LENDER'S name, street address, city, state, ZIP code, and telephone no.				<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
LENDER'S federal identification number	BORROWER'S identification number	1 Date of lender's acquisition or knowledge of abandonment	2 Balance of principal outstanding \$		
BORROWER'S name			4 Fair market value of property \$		
Street address (including apt. no.)		5 Was borrower personally liable for repayment of the debt? <input type="checkbox"/> Yes <input type="checkbox"/> No			
City, state, and ZIP code		6 Description of property			
Account number (see instructions)					
Form 1099-A		Cat. No. 14412G		Department of the Treasury - Internal Revenue Service	
<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>					

  

8080 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED			OMB No. 1545-0877  <b>2006</b> Form 1099-A	<b>Acquisition or Abandonment of Secured Property</b>	
LENDER'S name, street address, city, state, ZIP code, and telephone no.				<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
LENDER'S federal identification number	BORROWER'S identification number	1 Date of lender's acquisition or knowledge of abandonment	2 Balance of principal outstanding \$		
BORROWER'S name			4 Fair market value of property \$		
Street address (including apt. no.)		5 Was borrower personally liable for repayment of the debt? <input type="checkbox"/> Yes <input type="checkbox"/> No			
City, state, and ZIP code		6 Description of property			
Account number (see instructions)					
Form 1099-A		Cat. No. 14412G		Department of the Treasury - Internal Revenue Service	
<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>					

  

8080 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED			OMB No. 1545-0877  <b>2006</b> Form 1099-A	<b>Acquisition or Abandonment of Secured Property</b>	
LENDER'S name, street address, city, state, ZIP code, and telephone no.				<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
LENDER'S federal identification number	BORROWER'S identification number	1 Date of lender's acquisition or knowledge of abandonment	2 Balance of principal outstanding \$		
BORROWER'S name			4 Fair market value of property \$		
Street address (including apt. no.)		5 Was borrower personally liable for repayment of the debt? <input type="checkbox"/> Yes <input type="checkbox"/> No			
City, state, and ZIP code		6 Description of property			
Account number (see instructions)					
Form 1099-A		Cat. No. 14412G		Department of the Treasury - Internal Revenue Service	

# Exhibit G

7979  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1a Date of sale or exchange	OMB No. 1545-0715	<b>2006</b> Form <b>1099-B</b>	<b>Proceeds From Broker and Barter Exchange Transactions</b>
		1b CUSIP no.			
		2 Stocks, bonds, etc.	Reported to IRS } <input type="checkbox"/> Gross proceeds <input type="checkbox"/> Gross proceeds less commissions and option premiums	1.90*	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Bartering	4 Federal income tax withheld	<b>Copy A For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
		\$	\$ 3.90*		
RECIPIENT'S name		5 No. of shares exchanged	6 Classes of stock exchanged		
		1.40*	1.40*		
Street address (including apt. no.)		7 Description			
City, state, and ZIP code		8 Profit or (loss) realized in 2006	9 Unrealized profit or (loss) on open contracts—12/31/2005		
		\$	\$		
CORPORATION'S name		10 Unrealized profit or (loss) on open contracts—12/31/2006	11 Aggregate profit or (loss)		
		\$	\$		
Account number (see instructions)	2nd TIN not.	12 Check the box if recipient cannot take a loss on their tax return based on the amount in box 2 . . . . . <input type="checkbox"/>			
2.80*	<input type="checkbox"/>	4.15*			

Form **1099-B** .60\* Cat. No. 14411V Department of the Treasury - Internal Revenue Service

7979  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1a Date of sale or exchange	OMB No. 1545-0715	<b>2006</b> Form <b>1099-B</b>	<b>Proceeds From Broker and Barter Exchange Transactions</b>
		1b CUSIP no.			
		2 Stocks, bonds, etc.	Reported to IRS } <input type="checkbox"/> Gross proceeds <input type="checkbox"/> Gross proceeds less commissions and option premiums		
PAYER'S federal identification number	RECIPIENT'S identification number	3 Bartering	4 Federal income tax withheld	<b>Copy A For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
		\$	\$		
RECIPIENT'S name		5 No. of shares exchanged	6 Classes of stock exchanged		
Street address (including apt. no.)		7 Description			
City, state, and ZIP code		8 Profit or (loss) realized in 2006	9 Unrealized profit or (loss) on open contracts—12/31/2005		
		\$	\$		
CORPORATION'S name		10 Unrealized profit or (loss) on open contracts—12/31/2006	11 Aggregate profit or (loss)		
		\$	\$		
Account number (see instructions)	2nd TIN not.	12 Check the box if recipient cannot take a loss on their tax return based on the amount in box 2 . . . . . <input type="checkbox"/>			
	<input type="checkbox"/>				

Form **1099-B** Cat. No. 14411V Department of the Treasury - Internal Revenue Service

# Exhibit H

8585  VOID  CORRECTED

CREDITOR'S name, street address, city, state, and ZIP code		OMB No. 1545-1424		<b>2006</b> Form 1099-C	<b>Cancellation of Debt</b>
CREDITOR'S federal identification number	DEBTOR'S identification number	1 Date canceled	2 Amount of debt canceled		
DEBTOR'S name		3 Interest if included in box 2	4	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
Street address (including apt. no.)		5 Debt description			
City, state, and ZIP code		6 Check for bankruptcy <input type="checkbox"/>			
Account number (see instructions)		7 Fair market value of property \$			

Form 1099-C Cat. No. 26280W Department of the Treasury - Internal Revenue Service  
**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**

8585  VOID  CORRECTED

CREDITOR'S name, street address, city, state, and ZIP code		OMB No. 1545-1424		<b>2006</b> Form 1099-C	<b>Cancellation of Debt</b>
CREDITOR'S federal identification number	DEBTOR'S identification number	1 Date canceled	2 Amount of debt canceled		
DEBTOR'S name		3 Interest if included in box 2	4	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
Street address (including apt. no.)		5 Debt description			
City, state, and ZIP code		6 Check for bankruptcy <input type="checkbox"/>			
Account number (see instructions)		7 Fair market value of property \$			

Form 1099-C Cat. No. 26280W Department of the Treasury - Internal Revenue Service  
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8585  VOID  CORRECTED

CREDITOR'S name, street address, city, state, and ZIP code		OMB No. 1545-1424		<b>2006</b> Form 1099-C	<b>Cancellation of Debt</b>
CREDITOR'S federal identification number	DEBTOR'S identification number	1 Date canceled	2 Amount of debt canceled		
DEBTOR'S name		3 Interest if included in box 2	4	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
Street address (including apt. no.)		5 Debt description			
City, state, and ZIP code		6 Check for bankruptcy <input type="checkbox"/>			
Account number (see instructions)		7 Fair market value of property \$			

Form 1099-C Cat. No. 26280W Department of the Treasury - Internal Revenue Service

# Exhibit I

7373 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1814 <b>2006</b> Form 1099-CAP		<b>Changes in Corporate Control and Capital Structure</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
CORPORATION'S name, street address, city, state, ZIP code, and telephone no.		1 Date of sale or exchange	4 Classes of stock exchanged	
		2 Aggregate amount received \$ 1.40"	3 No. of shares exchanged	
		5	6 Check the box if this shareholder cannot claim a loss based on the amount in box 2 . . . . . <input type="checkbox"/>	
CORPORATION'S federal identification no.	SHAREHOLDER'S identification no.			
SHAREHOLDER'S name				
Street address (including apt. no.)				
City, state, and ZIP code				
Account number (see instructions)				
Form <b>1099-CAP</b>		Cat. No. 35115M	Department of the Treasury - Internal Revenue Service	
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7373 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1814 <b>2006</b> Form 1099-CAP		<b>Changes in Corporate Control and Capital Structure</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
CORPORATION'S name, street address, city, state, ZIP code, and telephone no.		1 Date of sale or exchange	4 Classes of stock exchanged	
		2 Aggregate amount received \$	3 No. of shares exchanged	
		5	6 Check the box if this shareholder cannot claim a loss based on the amount in box 2 . . . . . <input type="checkbox"/>	
CORPORATION'S federal identification no.	SHAREHOLDER'S identification no.			
SHAREHOLDER'S name				
Street address (including apt. no.)				
City, state, and ZIP code				
Account number (see instructions)				
Form <b>1099-CAP</b>		Cat. No. 35115M	Department of the Treasury - Internal Revenue Service	
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7373 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1814 <b>2006</b> Form 1099-CAP		<b>Changes in Corporate Control and Capital Structure</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
CORPORATION'S name, street address, city, state, ZIP code, and telephone no.		1 Date of sale or exchange	4 Classes of stock exchanged	
		2 Aggregate amount received \$	3 No. of shares exchanged	
		5	6 Check the box if this shareholder cannot claim a loss based on the amount in box 2 . . . . . <input type="checkbox"/>	
CORPORATION'S federal identification no.	SHAREHOLDER'S identification no.			
SHAREHOLDER'S name				
Street address (including apt. no.)				
City, state, and ZIP code				
Account number (see instructions)				
Form <b>1099-CAP</b>		Cat. No. 35115M	Department of the Treasury - Internal Revenue Service	



# Exhibit J

9191  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1a Total ordinary dividends	OMB No. 1545-0110  <b>2006</b> Form 1099-DIV		<b>Dividends and Distributions</b>
		1b Qualified dividends			
		\$	← 1.40* →		
		2a Total capital gain distr.	2b Unrecap. Sec. 1250 gain		
		\$	\$		
PAYER'S federal identification number	RECIPIENT'S identification number				
RECIPIENT'S name		2c Section 1202 gain	2d Collectibles (28%) gain	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b>  For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
		\$	\$		
Street address (including apt. no.)		3 Nondividend distributions	4 Federal income tax withheld		
		\$	\$		
City, state, and ZIP code		5 Investment expenses			
		\$			
Account number (see instructions)	2nd TIN not.	6 Foreign tax paid	7 Foreign country or U.S. possession		
	<input type="checkbox"/>	\$	\$		
		8 Cash liquidation distributions	9 Noncash liquidation distributions		
		\$	\$		

← 2.80\* →      ← 4.50\* →

Form 1099-DIV      Cat. No. 14415N      Department of the Treasury - Internal Revenue Service  
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9191  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1a Total ordinary dividends	OMB No. 1545-0110  <b>2006</b> Form 1099-DIV		<b>Dividends and Distributions</b>
		1b Qualified dividends			
		\$	← 1.40* →		
		2a Total capital gain distr.	2b Unrecap. Sec. 1250 gain		
		\$	\$		
PAYER'S federal identification number	RECIPIENT'S identification number				
RECIPIENT'S name		2c Section 1202 gain	2d Collectibles (28%) gain	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b>  For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
		\$	\$		
Street address (including apt. no.)		3 Nondividend distributions	4 Federal income tax withheld		
		\$	\$		
City, state, and ZIP code		5 Investment expenses			
		\$			
Account number (see instructions)	2nd TIN not.	6 Foreign tax paid	7 Foreign country or U.S. possession		
	<input type="checkbox"/>	\$	\$		
		8 Cash liquidation distributions	9 Noncash liquidation distributions		
		\$	\$		

Form 1099-DIV      Cat. No. 14415N      Department of the Treasury - Internal Revenue Service

# Exhibit K

8686 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Unemployment compensation \$ <span style="border: 1px solid black; padding: 2px;">1.40</span> 2 State or local income tax refunds, credits, or offsets \$	OMB No. 1545-0120  <div style="font-size: 2em; font-weight: bold; text-align: center;">2006</div> Form 1099-G	Certain Government Payments  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYER'S federal identification number	RECIPIENT'S identification number	3 Box 2 amount is for tax year	4 Federal income tax withheld \$	
RECIPIENT'S name		5 ATAA payments \$	6 Taxable grants \$	
Street address (including apt. no.)		7 Agriculture payments \$	8 Check if box 2 is trade or business income <input type="checkbox"/>	
City, state, and ZIP code		Account number (see instructions)		

Form 1099-G      Cat. No. 14438M      Department of the Treasury - Internal Revenue Service

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8686 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Unemployment compensation \$ 2 State or local income tax refunds, credits, or offsets \$	OMB No. 1545-0120  <div style="font-size: 2em; font-weight: bold; text-align: center;">2006</div> Form 1099-G	Certain Government Payments  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYER'S federal identification number	RECIPIENT'S identification number	3 Box 2 amount is for tax year	4 Federal income tax withheld \$	
RECIPIENT'S name		5 ATAA payments \$	6 Taxable grants \$	
Street address (including apt. no.)		7 Agriculture payments \$	8 Check if box 2 is trade or business income <input type="checkbox"/>	
City, state, and ZIP code		Account number (see instructions)		

Form 1099-G      Cat. No. 14438M      Department of the Treasury - Internal Revenue Service

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8686 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Unemployment compensation \$ 2 State or local income tax refunds, credits, or offsets \$	OMB No. 1545-0120  <div style="font-size: 2em; font-weight: bold; text-align: center;">2006</div> Form 1099-G	Certain Government Payments  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PAYER'S federal identification number	RECIPIENT'S identification number	3 Box 2 amount is for tax year	4 Federal income tax withheld \$	
RECIPIENT'S name		5 ATAA payments \$	6 Taxable grants \$	
Street address (including apt. no.)		7 Agriculture payments \$	8 Check if box 2 is trade or business income <input type="checkbox"/>	
City, state, and ZIP code		Account number (see instructions)		

Form 1099-G      Cat. No. 14438M      Department of the Treasury - Internal Revenue Service

# Exhibit L

7171  VOID  CORRECTED

ISSUER'S/PROVIDER'S name, street address, city, state, ZIP code, and telephone no.		1 Amount of HCTC advance payments \$	OMB No. 1545-1813 <b>2006</b> Form 1099-H	<b>Health Coverage Tax Credit (HCTC) Advance Payments</b>
		2 No. of mos. HCTC advance payments received		
ISSUER'S/PROVIDER'S federal identification no.	RECIPIENT'S identification number	3 Jan. \$	9 July \$	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		4 Feb. \$	10 Aug. \$	
Street address (including apt. no.)		5 Mar. \$	11 Sept. \$	
		6 Apr. \$	12 Oct. \$	
City, state, and ZIP code		7 May \$	13 Nov. \$	
		8 June \$	14 Dec. \$	

Form 1099-H Cat. No. 34912D Department of the Treasury - Internal Revenue Service

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7171  VOID  CORRECTED

ISSUER'S/PROVIDER'S name, street address, city, state, ZIP code, and telephone no.		1 Amount of HCTC advance payments \$	OMB No. 1545-1813 <b>2006</b> Form 1099-H	<b>Health Coverage Tax Credit (HCTC) Advance Payments</b>
		2 No. of mos. HCTC advance payments received		
ISSUER'S/PROVIDER'S federal identification no.	RECIPIENT'S identification number	3 Jan. \$	9 July \$	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		4 Feb. \$	10 Aug. \$	
Street address (including apt. no.)		5 Mar. \$	11 Sept. \$	
		6 Apr. \$	12 Oct. \$	
City, state, and ZIP code		7 May \$	13 Nov. \$	
		8 June \$	14 Dec. \$	

Form 1099-H Cat. No. 34912D Department of the Treasury - Internal Revenue Service

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7171  VOID  CORRECTED

ISSUER'S/PROVIDER'S name, street address, city, state, ZIP code, and telephone no.		1 Amount of HCTC advance payments \$	OMB No. 1545-1813 <b>2006</b> Form 1099-H	<b>Health Coverage Tax Credit (HCTC) Advance Payments</b>
		2 No. of mos. HCTC advance payments received		
ISSUER'S/PROVIDER'S federal identification no.	RECIPIENT'S identification number	3 Jan. \$	9 July \$	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		4 Feb. \$	10 Aug. \$	
Street address (including apt. no.)		5 Mar. \$	11 Sept. \$	
		6 Apr. \$	12 Oct. \$	
City, state, and ZIP code		7 May \$	13 Nov. \$	
		8 June \$	14 Dec. \$	

Form 1099-H Cat. No. 34912D Department of the Treasury - Internal Revenue Service

# Exhibit M

9292     VOID     CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		Payer's RTN (optional)		OMB No. 1545-0112	
		1 Interest income		<b>2006</b> Interest Income	
		\$			
2 Early withdrawal penalty		\$		Form 1099-INT	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Interest on U.S. Savings Bonds and Treas. obligations		<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		4 Federal income tax withheld	5 Investment expenses		
Street address (including apt. no.)		\$ ← 1.40" →	\$		
City, state, and ZIP code		6 Foreign tax paid	7 Foreign country or U.S. possession		
Account number (see instructions)		\$	\$		
2nd TIN not.		8 Tax-exempt interest	9 Specified private activity bond interest		
← 2.80" →		\$	\$ ← 4.15" →		

Form 1099-INT    ← .60"    Cat. No. 14410K    Department of the Treasury - Internal Revenue Service

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9292     VOID     CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		Payer's RTN (optional)		OMB No. 1545-0112	
		1 Interest income		<b>2006</b> Interest Income	
		\$			
2 Early withdrawal penalty		\$		Form 1099-INT	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Interest on U.S. Savings Bonds and Treas. obligations		<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		4 Federal income tax withheld	5 Investment expenses		
Street address (including apt. no.)		\$	\$		
City, state, and ZIP code		6 Foreign tax paid	7 Foreign country or U.S. possession		
Account number (see instructions)		\$	\$		
2nd TIN not.		8 Tax-exempt interest	9 Specified private activity bond interest		
		\$	\$		

Form 1099-INT    Cat. No. 14410K    Department of the Treasury - Internal Revenue Service

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9292     VOID     CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		Payer's RTN (optional)		OMB No. 1545-0112	
		1 Interest income		<b>2006</b> Interest Income	
		\$			
2 Early withdrawal penalty		\$		Form 1099-INT	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Interest on U.S. Savings Bonds and Treas. obligations		<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		4 Federal income tax withheld	5 Investment expenses		
Street address (including apt. no.)		\$	\$		
City, state, and ZIP code		6 Foreign tax paid	7 Foreign country or U.S. possession		
Account number (see instructions)		\$	\$		
2nd TIN not.		8 Tax-exempt interest	9 Specified private activity bond interest		
		\$	\$		

Form 1099-INT    Cat. No. 14410K    Department of the Treasury - Internal Revenue Service

# Exhibit N

9393  VOID  CORRECTED 4.50"

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Gross long-term care benefits paid	<div style="font-size: 2em; font-weight: bold;">2006</div>	OMB No. 1545-1519  Form 1099-LTC	<b>Long-Term Care and Accelerated Death Benefits</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		\$			
PAYER'S federal identification number	POLICYHOLDER'S identification number	3 Check one: <input type="checkbox"/> Per diem <input type="checkbox"/> Reimbursed amount	INSURED'S social security no.		
POLICYHOLDER'S name		INSURED'S name			
Street address (including apt. no.)		Street address (including apt. no.)			
City, state, and ZIP code		City, state, and ZIP code			
Account number (see instructions)	4 Qualified contract <input type="checkbox"/> (optional)	5 Check, if applicable: <input type="checkbox"/> Chronically ill <input type="checkbox"/> Terminally ill	Date certified		

Form 1099-LTC      Cat. No. 23021Z      Department of the Treasury - Internal Revenue Service

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9393  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Gross long-term care benefits paid	<div style="font-size: 2em; font-weight: bold;">2006</div>	OMB No. 1545-1519  Form 1099-LTC	<b>Long-Term Care and Accelerated Death Benefits</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		\$			
PAYER'S federal identification number	POLICYHOLDER'S identification number	3 Check one: <input type="checkbox"/> Per diem <input type="checkbox"/> Reimbursed amount	INSURED'S social security no.		
POLICYHOLDER'S name		INSURED'S name			
Street address (including apt. no.)		Street address (including apt. no.)			
City, state, and ZIP code		City, state, and ZIP code			
Account number (see instructions)	4 Qualified contract <input type="checkbox"/> (optional)	5 Check, if applicable: <input type="checkbox"/> Chronically ill <input type="checkbox"/> Terminally ill	Date certified		

Form 1099-LTC      Cat. No. 23021Z      Department of the Treasury - Internal Revenue Service

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9393  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Gross long-term care benefits paid	<div style="font-size: 2em; font-weight: bold;">2006</div>	OMB No. 1545-1519  Form 1099-LTC	<b>Long-Term Care and Accelerated Death Benefits</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		\$			
PAYER'S federal identification number	POLICYHOLDER'S identification number	3 Check one: <input type="checkbox"/> Per diem <input type="checkbox"/> Reimbursed amount	INSURED'S social security no.		
POLICYHOLDER'S name		INSURED'S name			
Street address (including apt. no.)		Street address (including apt. no.)			
City, state, and ZIP code		City, state, and ZIP code			
Account number (see instructions)	4 Qualified contract <input type="checkbox"/> (optional)	5 Check, if applicable: <input type="checkbox"/> Chronically ill <input type="checkbox"/> Terminally ill	Date certified		

Form 1099-LTC      Cat. No. 23021Z      Department of the Treasury - Internal Revenue Service

# Exhibit O

9595 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		.3125		.50"	
PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents \$		OMB No. 1545-0115 <b>2006</b> Form 1099-MISC	
PAYER'S federal identification number		2 Royalties \$		<b>Miscellaneous Income</b>	
RECIPIENT'S identification number		3 Other income \$			
RECIPIENT'S name		4 Federal income tax withheld \$		<b>Copy A</b> <b>For Internal Revenue Service Center</b>	
Street address (including apt. no.)		5 Fishing boat proceeds \$			
City, state, and ZIP code		6 Medical and health care payments \$		<b>File with Form 1096.</b>	
Account number (see instructions)		7 Nonemployee compensation \$			
15a Section 409A deferrals \$		8 Substitute payments in lieu of dividends or interest \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
15b Section 409A income \$		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$			
16 State tax withheld \$		10 Crop insurance proceeds \$		<b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
17 State/Payer's state no.		11 \$			
18 State income \$		12 \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
13 Excess golden parachute payments \$		14 Gross proceeds paid to an attorney \$			
14 Gross proceeds paid to an attorney \$		15 \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
15 \$		16 State tax withheld \$			
16 State tax withheld \$		17 State/Payer's state no.		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
17 State/Payer's state no.		18 State income \$			
18 State income \$		18 State income \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
18 State income \$		18 State income \$			
Form 1099-MISC		Cat. No. 14425J		Department of the Treasury - Internal Revenue Service	
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9595 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		.3125		.50"	
PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents \$		OMB No. 1545-0115 <b>2006</b> Form 1099-MISC	
PAYER'S federal identification number		2 Royalties \$		<b>Miscellaneous Income</b>	
RECIPIENT'S identification number		3 Other income \$			
RECIPIENT'S name		4 Federal income tax withheld \$		<b>Copy A</b> <b>For Internal Revenue Service Center</b>	
Street address (including apt. no.)		5 Fishing boat proceeds \$			
City, state, and ZIP code		6 Medical and health care payments \$		<b>File with Form 1096.</b>	
Account number (see instructions)		7 Nonemployee compensation \$			
15a Section 409A deferrals \$		8 Substitute payments in lieu of dividends or interest \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
15b Section 409A income \$		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$			
16 State tax withheld \$		10 Crop insurance proceeds \$		<b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
17 State/Payer's state no.		11 \$			
18 State income \$		12 \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
13 Excess golden parachute payments \$		14 Gross proceeds paid to an attorney \$			
14 Gross proceeds paid to an attorney \$		15 \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
15 \$		16 State tax withheld \$			
16 State tax withheld \$		17 State/Payer's state no.		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
17 State/Payer's state no.		18 State income \$			
18 State income \$		18 State income \$		<b>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
18 State income \$		18 State income \$			
Form 1099-MISC		Cat. No. 14425J		Department of the Treasury - Internal Revenue Service	

# Exhibit P

9696  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Original issue discount for 2006 \$ 1.40*	OMB No. 1545-0117 <b>2006</b> Form 1099-OID	<b>Original Issue Discount</b>	
PAYER'S federal identification number	RECIPIENT'S identification number	2 Other periodic interest \$	3 Early withdrawal penalty \$		<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		4 Federal income tax withheld \$			
Street address (including apt. no.)		5 Description			
City, state, and ZIP code		6 Original issue discount on U.S. Treasury obligations \$			
Account number (see instructions)		7 Investment expenses \$			
2nd TIN not. <input type="checkbox"/>		4.15*			

Form 1099-OID Cat. No. 14421R Department of the Treasury - Internal Revenue Service

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9696  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Original issue discount for 2006 \$	OMB No. 1545-0117 <b>2006</b> Form 1099-OID	<b>Original Issue Discount</b>	
PAYER'S federal identification number	RECIPIENT'S identification number	2 Other periodic interest \$	3 Early withdrawal penalty \$		<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		4 Federal income tax withheld \$			
Street address (including apt. no.)		5 Description			
City, state, and ZIP code		6 Original issue discount on U.S. Treasury obligations \$			
Account number (see instructions)		7 Investment expenses \$			
2nd TIN not. <input type="checkbox"/>					

Form 1099-OID Cat. No. 14421R Department of the Treasury - Internal Revenue Service

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9696  VOID  CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Original issue discount for 2006 \$	OMB No. 1545-0117 <b>2006</b> Form 1099-OID	<b>Original Issue Discount</b>	
PAYER'S federal identification number	RECIPIENT'S identification number	2 Other periodic interest \$	3 Early withdrawal penalty \$		<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		4 Federal income tax withheld \$			
Street address (including apt. no.)		5 Description			
City, state, and ZIP code		6 Original issue discount on U.S. Treasury obligations \$			
Account number (see instructions)		7 Investment expenses \$			
2nd TIN not. <input type="checkbox"/>					

Form 1099-OID Cat. No. 14421R Department of the Treasury - Internal Revenue Service

# Exhibit Q

9797     VOID     CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Patronage dividends	OMB No. 1545-0118  <b>2006</b>  Form 1099-PATR
		2 Nonpatronage distributions	
		3 Per-unit retain allocations	
		\$	\$
PAYER'S federal identification number		RECIPIENT'S identification number	4 Federal income tax withheld
			\$
RECIPIENT'S name		5 Redemption of nonqualified notices and retain allocations	6 Domestic production activities deduction
		\$	\$
Street address (including apt. no.)			7 Investment credit
			\$
City, state, and ZIP code		8 Work opportunity credit	9 Patron's AMT adjustment
		\$	\$
Account number (see instructions)	2nd TIN not.	10 Other credits and deductions	
← 2.80" →	<input type="checkbox"/>	→ 4.15" →	

**Taxable  
Distributions  
Received From  
Cooperatives**

**Copy A  
For  
Internal Revenue  
Service Center  
File with Form 1096.**  
For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Form 1099-PATR    Cat. No. 14435F    Department of the Treasury - Internal Revenue Service

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9797     VOID     CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Patronage dividends	OMB No. 1545-0118  <b>2006</b>  Form 1099-PATR
		2 Nonpatronage distributions	
		3 Per-unit retain allocations	
		\$	\$
PAYER'S federal identification number		RECIPIENT'S identification number	4 Federal income tax withheld
			\$
RECIPIENT'S name		5 Redemption of nonqualified notices and retain allocations	6 Domestic production activities deduction
		\$	\$
Street address (including apt. no.)			7 Investment credit
			\$
City, state, and ZIP code		8 Work opportunity credit	9 Patron's AMT adjustment
		\$	\$
Account number (see instructions)	2nd TIN not.	10 Other credits and deductions	
	<input type="checkbox"/>		

**Taxable  
Distributions  
Received From  
Cooperatives**

**Copy A  
For  
Internal Revenue  
Service Center  
File with Form 1096.**  
For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Form 1099-PATR    Cat. No. 14435F    Department of the Treasury - Internal Revenue Service

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9797     VOID     CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Patronage dividends	OMB No. 1545-0118  <b>2006</b>  Form 1099-PATR
		2 Nonpatronage distributions	
		3 Per-unit retain allocations	
		\$	\$
PAYER'S federal identification number		RECIPIENT'S identification number	4 Federal income tax withheld
			\$
RECIPIENT'S name		5 Redemption of nonqualified notices and retain allocations	6 Domestic production activities deduction
		\$	\$
Street address (including apt. no.)			7 Investment credit
			\$
City, state, and ZIP code		8 Work opportunity credit	9 Patron's AMT adjustment
		\$	\$
Account number (see instructions)	2nd TIN not.	10 Other credits and deductions	
	<input type="checkbox"/>		

**Taxable  
Distributions  
Received From  
Cooperatives**

**Copy A  
For  
Internal Revenue  
Service Center  
File with Form 1096.**  
For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Form 1099-PATR    Cat. No. 14435F    Department of the Treasury - Internal Revenue Service



# Exhibit R

← 4.5" →

3131  VOID  CORRECTED

PAYER'S/TRUSTEE'S name, street address, city, state, ZIP code, and telephone number  2.83"		1 Gross distribution \$	OMB No. 1545-1760  <b>2006</b>  Form 1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)
		2 Earnings \$		
PAYER'S/TRUSTEE'S federal identification no.	RECIPIENT'S social security number	3 Basis \$	4 Trustee-to-trustee transfer 1.4"	Copy A For Internal Revenue Service Center File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		5 Check one: • Qualified tuition program— Private <input type="checkbox"/> or State <input type="checkbox"/> • Coverdell ESA <input type="checkbox"/>		
Street address (including apt. no.)		6 Check if the recipient is not the designated beneficiary <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

Form 1099-Q      Cat. No. 32223J      Department of the Treasury - Internal Revenue Service  
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3131  VOID  CORRECTED

PAYER'S/TRUSTEE'S name, street address, city, state, ZIP code, and telephone number		1 Gross distribution \$	OMB No. 1545-1760  <b>2006</b>  Form 1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)
		2 Earnings \$		
PAYER'S/TRUSTEE'S federal identification no.	RECIPIENT'S social security number	3 Basis \$	4 Trustee-to-trustee transfer <input type="checkbox"/>	Copy A For Internal Revenue Service Center File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		5 Check one: • Qualified tuition program— Private <input type="checkbox"/> or State <input type="checkbox"/> • Coverdell ESA <input type="checkbox"/>		
Street address (including apt. no.)		6 Check if the recipient is not the designated beneficiary <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

Form 1099-Q      Cat. No. 32223J      Department of the Treasury - Internal Revenue Service  
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3131  VOID  CORRECTED

PAYER'S/TRUSTEE'S name, street address, city, state, ZIP code, and telephone number		1 Gross distribution \$	OMB No. 1545-1760  <b>2006</b>  Form 1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)
		2 Earnings \$		
PAYER'S/TRUSTEE'S federal identification no.	RECIPIENT'S social security number	3 Basis \$	4 Trustee-to-trustee transfer <input type="checkbox"/>	Copy A For Internal Revenue Service Center File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S name		5 Check one: • Qualified tuition program— Private <input type="checkbox"/> or State <input type="checkbox"/> • Coverdell ESA <input type="checkbox"/>		
Street address (including apt. no.)		6 Check if the recipient is not the designated beneficiary <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

Form 1099-Q      Cat. No. 32223J      Department of the Treasury - Internal Revenue Service

# Exhibit S

9898

5.50"

4.50"

1.00"

.45"

VOID     CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1	Gross distribution	OMB No. 1545-0119
		\$		
		2a	Taxable amount	Form 1099-R
		\$		
		2b	Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>
		\$		
PAYER'S federal identification number	RECIPIENT'S identification number	3	Capital gain (included in box 2a)	4
		\$		Federal income tax withheld
		5	Employee contributions / Designated Roth contributions or insurance premiums	6
		\$		Net unrealized appreciation in employer's securities
		7	Distribution code(s)	8
		IRA/SEP/SIMPLE <input type="checkbox"/>	Other	%
		9a	Your percentage of total distribution	9b
		%		Total employee contributions
		10	State tax withheld	11
		\$		State/Payer's state no.
		13	Local tax withheld	12
		\$		State distribution
		14	Name of locality	15
		\$		Local distribution
		15	Local distribution	15
		\$		Local distribution

Form 1099-R    Cat. No. 14438Q    Department of the Treasury — Internal Revenue Service

2006

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

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9898

.45"

VOID     CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1	Gross distribution	OMB No. 1545-0119
		\$		
		2a	Taxable amount	Form 1099-R
		\$		
		2b	Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>
		\$		
PAYER'S federal identification number	RECIPIENT'S identification number	3	Capital gain (included in box 2a)	4
		\$		Federal income tax withheld
		5	Employee contributions / Designated Roth contributions or insurance premiums	6
		\$		Net unrealized appreciation in employer's securities
		7	Distribution code(s)	8
		IRA/SEP/SIMPLE <input type="checkbox"/>	Other	%
		9a	Your percentage of total distribution	9b
		%		Total employee contributions
		10	State tax withheld	11
		\$		State/Payer's state no.
		13	Local tax withheld	12
		\$		State distribution
		14	Name of locality	15
		\$		Local distribution
		15	Local distribution	15
		\$		Local distribution

Form 1099-R    Cat. No. 14438Q    Department of the Treasury — Internal Revenue Service

2006

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

# Exhibit T

7575       VOID       CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone no.		1 Date of closing	OMB No. 1545-0997	<div style="font-size: 2em; font-weight: bold;">2006</div> <div style="font-weight: bold;">Form 1099-S</div>	<b>Proceeds From Real Estate Transactions</b>
		2 Gross proceeds	$\longleftrightarrow$ 1.40" $\longleftrightarrow$		
FILER'S federal identification number	TRANSFEROR'S identification number	3 Address or legal description (including city, state, and ZIP code)		$\longleftrightarrow$ 1.10" $\longleftrightarrow$	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
TRANSFEROR'S name					
Street address (including apt. no.)		4 Check here if the transferor received or will receive property or services as part of the consideration. <input type="checkbox"/>			
City, state, and ZIP code					
Account or escrow number (see instructions)		5 Buyer's part of real estate tax			
		\$			

Form **1099-S**      Cat. No. 64292E      Department of the Treasury - Internal Revenue Service

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7575       VOID       CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone no.		1 Date of closing	OMB No. 1545-0997	<div style="font-size: 2em; font-weight: bold;">2006</div> <div style="font-weight: bold;">Form 1099-S</div>	<b>Proceeds From Real Estate Transactions</b>
		2 Gross proceeds	$\longleftrightarrow$ 1.40" $\longleftrightarrow$		
FILER'S federal identification number	TRANSFEROR'S identification number	3 Address or legal description (including city, state, and ZIP code)		$\longleftrightarrow$ 1.10" $\longleftrightarrow$	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
TRANSFEROR'S name					
Street address (including apt. no.)		4 Check here if the transferor received or will receive property or services as part of the consideration. <input type="checkbox"/>			
City, state, and ZIP code					
Account or escrow number (see instructions)		5 Buyer's part of real estate tax			
		\$			

Form **1099-S**      Cat. No. 64292E      Department of the Treasury - Internal Revenue Service

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7575       VOID       CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone no.		1 Date of closing	OMB No. 1545-0997	<div style="font-size: 2em; font-weight: bold;">2006</div> <div style="font-weight: bold;">Form 1099-S</div>	<b>Proceeds From Real Estate Transactions</b>
		2 Gross proceeds	$\longleftrightarrow$ 1.40" $\longleftrightarrow$		
FILER'S federal identification number	TRANSFEROR'S identification number	3 Address or legal description (including city, state, and ZIP code)		$\longleftrightarrow$ 1.10" $\longleftrightarrow$	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
TRANSFEROR'S name					
Street address (including apt. no.)		4 Check here if the transferor received or will receive property or services as part of the consideration. <input type="checkbox"/>			
City, state, and ZIP code					
Account or escrow number (see instructions)		5 Buyer's part of real estate tax			
		\$			

Form **1099-S**      Cat. No. 64292E      Department of the Treasury - Internal Revenue Service

# Exhibit U

9494       VOID       CORRECTED

TRUSTEE'S/PAYER'S name, street address, city, state, and ZIP code		<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b style="font-size: 24pt;">2006</b>  <small>Form 1099-SA</small> </div>		<b>Distributions From an HSA, Archer MSA, or Medicare Advantage MSA</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> <small>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</small>
PAYER'S federal identification number	RECIPIENT'S identification number	1 Gross distribution \$	2 Earnings on excess cont. \$	
RECIPIENT'S name		3 Distribution code	4 FMV on date of death \$	
Street address (including apt. no.)		5 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

Form 1099-SA      Cat. No. 38471D      Department of the Treasury - Internal Revenue Service

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9494       VOID       CORRECTED

TRUSTEE'S/PAYER'S name, street address, city, state, and ZIP code		<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b style="font-size: 24pt;">2006</b>  <small>Form 1099-SA</small> </div>		<b>Distributions From an HSA, Archer MSA, or Medicare Advantage MSA</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> <small>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</small>
PAYER'S federal identification number	RECIPIENT'S identification number	1 Gross distribution \$	2 Earnings on excess cont. \$	
RECIPIENT'S name		3 Distribution code	4 FMV on date of death \$	
Street address (including apt. no.)		5 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

Form 1099-SA      Cat. No. 38471D      Department of the Treasury - Internal Revenue Service

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9494       VOID       CORRECTED

TRUSTEE'S/PAYER'S name, street address, city, state, and ZIP code		<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b style="font-size: 24pt;">2006</b>  <small>Form 1099-SA</small> </div>		<b>Distributions From an HSA, Archer MSA, or Medicare Advantage MSA</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> <small>For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</small>
PAYER'S federal identification number	RECIPIENT'S identification number	1 Gross distribution \$	2 Earnings on excess cont. \$	
RECIPIENT'S name		3 Distribution code	4 FMV on date of death \$	
Street address (including apt. no.)		5 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

Form 1099-SA      Cat. No. 38471D      Department of the Treasury - Internal Revenue Service

# Exhibit V

2828       VOID       CORRECTED

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10) \$	OMB No. 1545-0747  <div style="font-size: 2em; font-weight: bold;">2006</div> Form 5498	<b>IRA Contribution Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		2 Rollover contributions \$		
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	3 Roth IRA conversion amount \$	4 Recharacterized contributions \$	
PARTICIPANT'S name		5 Fair market value of account \$	6 Life insurance cost included in box 1 \$	
Street address (including apt. no.)		7 IRA      SEP      SIMPLE      Roth IRA <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
City, state, and ZIP code		8 SEP contributions \$	9 SIMPLE contributions \$	
Account number (see instructions)		10 Roth IRA contributions \$	11 Check if RMD for 2007 <input type="checkbox"/>	

Form 5498      Cat. No. 50010C      Department of the Treasury - Internal Revenue Service

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2828       VOID       CORRECTED

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10) \$	OMB No. 1545-0747  <div style="font-size: 2em; font-weight: bold;">2006</div> Form 5498	<b>IRA Contribution Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		2 Rollover contributions \$		
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	3 Roth IRA conversion amount \$	4 Recharacterized contributions \$	
PARTICIPANT'S name		5 Fair market value of account \$	6 Life insurance cost included in box 1 \$	
Street address (including apt. no.)		7 IRA      SEP      SIMPLE      Roth IRA <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
City, state, and ZIP code		8 SEP contributions \$	9 SIMPLE contributions \$	
Account number (see instructions)		10 Roth IRA contributions \$	11 Check if RMD for 2007 <input type="checkbox"/>	

Form 5498      Cat. No. 50010C      Department of the Treasury - Internal Revenue Service

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2828       VOID       CORRECTED

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10) \$	OMB No. 1545-0747  <div style="font-size: 2em; font-weight: bold;">2006</div> Form 5498	<b>IRA Contribution Information</b>  <b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		2 Rollover contributions \$		
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	3 Roth IRA conversion amount \$	4 Recharacterized contributions \$	
PARTICIPANT'S name		5 Fair market value of account \$	6 Life insurance cost included in box 1 \$	
Street address (including apt. no.)		7 IRA      SEP      SIMPLE      Roth IRA <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
City, state, and ZIP code		8 SEP contributions \$	9 SIMPLE contributions \$	
Account number (see instructions)		10 Roth IRA contributions \$	11 Check if RMD for 2007 <input type="checkbox"/>	

Form 5498      Cat. No. 50010C      Department of the Treasury - Internal Revenue Service

# Exhibit W

7272 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED								
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 Coverdell ESA contributions	OMB No. 1545-1815		<b>2006</b>			<b>Coverdell ESA Contribution Information</b>
3.40"		\$	Form 5498-ESA					
TRUSTEE'S/ISSUER'S federal identification no.		BENEFICIARY'S social security number						<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
BENEFICIARY'S name				1.40"				
Street address (including apt. no.)								
City, state, and ZIP code								
Account number (see instructions)								
.45"								
Form 5498-ESA		Cat. No. 34011J		Department of the Treasury - Internal Revenue Service				
<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>								
7272 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED								
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 Coverdell ESA contributions	OMB No. 1545-1815		<b>2006</b>			<b>Coverdell ESA Contribution Information</b>
		\$	Form 5498-ESA					
TRUSTEE'S/ISSUER'S federal identification no.		BENEFICIARY'S social security number						<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
BENEFICIARY'S name								
Street address (including apt. no.)								
City, state, and ZIP code								
Account number (see instructions)								
Form 5498-ESA		Cat. No. 34011J		Department of the Treasury - Internal Revenue Service				
<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>								
7272 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED								
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 Coverdell ESA contributions	OMB No. 1545-1815		<b>2006</b>			<b>Coverdell ESA Contribution Information</b>
		\$	Form 5498-ESA					
TRUSTEE'S/ISSUER'S federal identification no.		BENEFICIARY'S social security number						<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
BENEFICIARY'S name								
Street address (including apt. no.)								
City, state, and ZIP code								
Account number (see instructions)								
Form 5498-ESA		Cat. No. 34011J		Department of the Treasury - Internal Revenue Service				

# Exhibit X

2727  VOID  CORRECTED

TRUSTEE'S name, street address, city, state, and ZIP code		1 Employee or self-employed person's Archer MSA contributions made in 2006 and 2007 for 2006 \$	OMB No. 1545-1518 <b>2006</b> Form 5498-SA	<b>HSA, Archer MSA, or Medicare Advantage MSA Information</b>
		2 Total contributions made in 2006 \$		
TRUSTEE'S federal identification number	PARTICIPANT'S social security number	3 Total HSA or Archer MSA contributions made in 2007 for 2006 \$		<b>Copy A For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PARTICIPANT'S name		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.)		6 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

Form 5498-SA Cat. No. 38467V Department of the Treasury - Internal Revenue Service

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2727  VOID  CORRECTED

TRUSTEE'S name, street address, city, state, and ZIP code		1 Employee or self-employed person's Archer MSA contributions made in 2006 and 2007 for 2006 \$	OMB No. 1545-1518 <b>2006</b> Form 5498-SA	<b>HSA, Archer MSA, or Medicare Advantage MSA Information</b>
		2 Total contributions made in 2006 \$		
TRUSTEE'S federal identification number	PARTICIPANT'S social security number	3 Total HSA or Archer MSA contributions made in 2007 for 2006 \$		<b>Copy A For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PARTICIPANT'S name		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.)		6 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

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2727  VOID  CORRECTED

TRUSTEE'S name, street address, city, state, and ZIP code		1 Employee or self-employed person's Archer MSA contributions made in 2006 and 2007 for 2006 \$	OMB No. 1545-1518 <b>2006</b> Form 5498-SA	<b>HSA, Archer MSA, or Medicare Advantage MSA Information</b>
		2 Total contributions made in 2006 \$		
TRUSTEE'S federal identification number	PARTICIPANT'S social security number	3 Total HSA or Archer MSA contributions made in 2007 for 2006 \$		<b>Copy A For Internal Revenue Service Center</b> File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PARTICIPANT'S name		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.)		6 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City, state, and ZIP code				
Account number (see instructions)				

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# Exhibit Y

3232		<input type="checkbox"/> CORRECTED		OMB No. 1545-0238	
PAYER'S name Street address City, state, and ZIP code Federal identification number      Telephone number		1 Gross winnings 3 Type of wager 5 Transaction 7 Winnings from identical wagers	2 Federal income tax withheld 4 Date won 6 Race 8 Cashier	<b>2006</b> <b>Form W-2G</b> <b>Certain Gambling Winnings</b>	
WINNER'S name Street address (including apt. no.) City, state, and ZIP code		9 Winner's taxpayer identification no. 11 First I.D. 13 State/Payer's state identification no.	10 Window 12 Second I.D. 14 State income tax withheld	For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments. Signature ►		Date ►		File with Form 1096. <b>Copy A</b> <b>For Internal Revenue Service Center</b>	
Form <b>W-2G</b>		Cat. No. 10138V		Department of the Treasury - Internal Revenue Service	

  

3232		<input type="checkbox"/> CORRECTED		OMB No. 1545-0238	
PAYER'S name Street address City, state, and ZIP code Federal identification number      Telephone number		1 Gross winnings 3 Type of wager 5 Transaction 7 Winnings from identical wagers	2 Federal income tax withheld 4 Date won 6 Race 8 Cashier	<b>2006</b> <b>Form W-2G</b> <b>Certain Gambling Winnings</b>	
WINNER'S name Street address (including apt. no.) City, state, and ZIP code		9 Winner's taxpayer identification no. 11 First I.D. 13 State/Payer's state identification no.	10 Window 12 Second I.D. 14 State income tax withheld	For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments. Signature ►		Date ►		File with Form 1096. <b>Copy A</b> <b>For Internal Revenue Service Center</b>	
Form <b>W-2G</b>		Cat. No. 10138V		Department of the Treasury - Internal Revenue Service	

  

3232		<input type="checkbox"/> CORRECTED		OMB No. 1545-0238	
PAYER'S name Street address City, state, and ZIP code Federal identification number      Telephone number		1 Gross winnings 3 Type of wager 5 Transaction 7 Winnings from identical wagers	2 Federal income tax withheld 4 Date won 6 Race 8 Cashier	<b>2006</b> <b>Form W-2G</b> <b>Certain Gambling Winnings</b>	
WINNER'S name Street address (including apt. no.) City, state, and ZIP code		9 Winner's taxpayer identification no. 11 First I.D. 13 State/Payer's state identification no.	10 Window 12 Second I.D. 14 State income tax withheld	For Privacy Act and Paperwork Reduction Act Notice, see the <b>2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments. Signature ►		Date ►		File with Form 1096. <b>Copy A</b> <b>For Internal Revenue Service Center</b>	
Form <b>W-2G</b>		Cat. No. 10138V		Department of the Treasury - Internal Revenue Service	



# Exhibit Z

Form <b>1042-S</b>		<b>Foreign Person's U.S. Source Income</b>				<b>2006</b>		OMB No. 1545-0096	
Department of the Treasury Internal Revenue Service		<input type="checkbox"/> <b>AMENDED</b>		<input type="checkbox"/> <b>PRO-RATA BASIS REPORTING</b>		<b>Copy A</b> for Internal Revenue Service			
<b>1</b> Income code	<b>2</b> Gross income	<b>3</b> Withholding allowances	<b>4</b> Net income	<b>5</b> Tax rate	<b>6</b> Exemption code	<b>7</b> U.S. Federal tax withheld	<b>8</b> Amount repaid to recipient		
<b>9</b> Withholding agent's EIN ▶ <input type="checkbox"/> EIN <input type="checkbox"/> QI-EIN				<b>14</b> Recipient's U.S. TIN, if any ▶ <input type="checkbox"/> SSN or ITIN <input type="checkbox"/> EIN <input type="checkbox"/> QI-EIN					
<b>10a</b> WITHHOLDING AGENT'S name <input type="checkbox"/> Check here if nominee				<b>15</b> Recipient's country of residence for tax purposes		<b>16</b> Country code			
<b>10b</b> Address (number and street)				<b>17</b> NONQUALIFIED INTERMEDIARY'S (NQI's)/ FLOW-THROUGH ENTITY'S name				<b>18</b> Country code	
<b>10c</b> Additional address line (room or suite no.)				<b>19a</b> NQI's/Flow-through entity's address (number and street)					
<b>10d</b> City or town, province or state, and country		<b>10e</b> ZIP code or foreign postal code		<b>19b</b> Additional address line (room or suite no.)					
<b>11</b> Recipient's account number (optional)			<b>12</b> Recipient code			<b>19c</b> City or town, province or state, and country		<b>19d</b> ZIP code or foreign postal code	
<b>13a</b> RECIPIENT'S name				<b>20</b> NQI's/Flow-through entity's TIN, if any ▶					
<b>13b</b> Address (number and street)				<b>21</b> PAYER'S name and TIN (if different from withholding agent's)					
<b>13c</b> Additional address line (room or suite no.)				<b>22</b> State income tax withheld		<b>23</b> Payer's state tax no.		<b>24</b> Name of state	
<b>13d</b> City or town, province or state, and country		<b>13e</b> ZIP code or foreign postal code		<b>22</b> State income tax withheld		<b>23</b> Payer's state tax no.		<b>24</b> Name of state	

For Privacy Act and Paperwork Reduction Act Notice, see page 15 of the separate instructions. Cat. No. 11386R Form **1042-S** (2006)

Form <b>1042-S</b>		<b>Foreign Person's U.S. Source Income</b>				<b>2006</b>		OMB No. 1545-0096	
Department of the Treasury Internal Revenue Service		<input type="checkbox"/> <b>AMENDED</b>		<input type="checkbox"/> <b>PRO-RATA BASIS REPORTING</b>		<b>Copy A</b> for Internal Revenue Service			
<b>1</b> Income code	<b>2</b> Gross income	<b>3</b> Withholding allowances	<b>4</b> Net income	<b>5</b> Tax rate	<b>6</b> Exemption code	<b>7</b> U.S. Federal tax withheld	<b>8</b> Amount repaid to recipient		
<b>9</b> Withholding agent's EIN ▶ <input type="checkbox"/> EIN <input type="checkbox"/> QI-EIN				<b>14</b> Recipient's U.S. TIN, if any ▶ <input type="checkbox"/> SSN or ITIN <input type="checkbox"/> EIN <input type="checkbox"/> QI-EIN					
<b>10a</b> WITHHOLDING AGENT'S name <input type="checkbox"/> Check here if nominee				<b>15</b> Recipient's country of residence for tax purposes		<b>16</b> Country code			
<b>10b</b> Address (number and street)				<b>17</b> NONQUALIFIED INTERMEDIARY'S (NQI's)/ FLOW-THROUGH ENTITY'S name				<b>18</b> Country code	
<b>10c</b> Additional address line (room or suite no.)				<b>19a</b> NQI's/Flow-through entity's address (number and street)					
<b>10d</b> City or town, province or state, and country		<b>10e</b> ZIP code or foreign postal code		<b>19b</b> Additional address line (room or suite no.)					
<b>11</b> Recipient's account number (optional)			<b>12</b> Recipient code			<b>19c</b> City or town, province or state, and country		<b>19d</b> ZIP code or foreign postal code	
<b>13a</b> RECIPIENT'S name				<b>20</b> NQI's/Flow-through entity's TIN, if any ▶					
<b>13b</b> Address (number and street)				<b>21</b> PAYER'S name and TIN (if different from withholding agent's)					
<b>13c</b> Additional address line (room or suite no.)				<b>22</b> State income tax withheld		<b>23</b> Payer's state tax no.		<b>24</b> Name of state	
<b>13d</b> City or town, province or state, and country		<b>13e</b> ZIP code or foreign postal code		<b>22</b> State income tax withheld		<b>23</b> Payer's state tax no.		<b>24</b> Name of state	

For Privacy Act and Paperwork Reduction Act Notice, see page 15 of the separate instructions. Cat. No. 11386R Form **1042-S** (2006)

# Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance

of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

# Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.  
Acq.—Acquiescence.  
B—Individual.  
BE—Beneficiary.  
BK—Bank.  
B.T.A.—Board of Tax Appeals.  
C—Individual.  
C.B.—Cumulative Bulletin.  
CFR—Code of Federal Regulations.  
CI—City.  
COOP—Cooperative.  
Ct.D.—Court Decision.  
CY—County.  
D—Decedent.  
DC—Dummy Corporation.  
DE—Donee.  
Del. Order—Delegation Order.  
DISC—Domestic International Sales Corporation.  
DR—Donor.  
E—Estate.  
EE—Employee.  
E.O.—Executive Order.

ER—Employer.  
ERISA—Employee Retirement Income Security Act.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FICA—Federal Insurance Contributions Act.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
F.R.—Federal Register.  
FUTA—Federal Unemployment Tax Act.  
FX—Foreign corporation.  
G.C.M.—Chief Counsel’s Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
I.R.B.—Internal Revenue Bulletin.  
LE—Lessee.  
LP—Limited Partner.  
LR—Lessor.  
M—Minor.  
Nonacq.—Nonacquiescence.  
O—Organization.  
P—Parent Corporation.  
PHC—Personal Holding Company.  
PO—Possession of the U.S.  
PR—Partner.

PRS—Partnership.  
PTE—Prohibited Transaction Exemption.  
Pub. L.—Public Law.  
REIT—Real Estate Investment Trust.  
Rev. Proc.—Revenue Procedure.  
Rev. Rul.—Revenue Ruling.  
S—Subsidiary.  
S.P.R.—Statement of Procedural Rules.  
Stat.—Statutes at Large.  
T—Target Corporation.  
T.C.—Tax Court.  
T.D.—Treasury Decision.  
TFE—Transferee.  
TFR—Transferor.  
T.I.R.—Technical Information Release.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
U.S.C.—United States Code.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.

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<sup>1</sup> A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2006–27 through 2006–52 is in Internal Revenue Bulletin 2006–52, dated December 26, 2006.

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