

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. 2007-12, page 685.

Payroll taxes on deferred compensation. This ruling provides guidance on when a taxpayer using an accrual method of accounting incurs a liability under section 461 of the Code for payroll taxes on deferred compensation. Rev. Rul. 69-587 revoked. Rev. Rul. 96-51 amplified.

Rev. Rul. 2007-13, page 684.

Investor control and general public; taxation of variable contracts; insurance and annuities. This ruling treats the grantor of a grantor trust as the owner of a life insurance contract that is owned by the trust for purposes of determining whether a transfer of a contract (a) is a transfer for valuable consideration, and (b) if so, is a transfer to the insured within the meaning of section 101(a)(2)(B) of the Code.

Rev. Rul. 2007-15, page 687.

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 March 2007.

Notice 2007-19, page 689.

This notice provides interim rules, pending the issuance of regulations under sections 932(c) and 7654(e), concerning the statute of limitations on assessment with respect to taxpayers claiming to be *bona fide* residents of the U.S. Virgin Islands (USVI). The notice also provides a new annual information reporting requirement for U.S. citizens and resident aliens with \$75,000 or more of gross income who claim *bona fide* residency status in the USVI. Taxpayers may rely on this notice until regulations are issued.

Notice 2007-23, page 690.

Low-income housing tax credit; private activity bonds. Resident populations of the 50 states, the District of Columbia, Puerto Rico, and the insular areas are provided for purposes of determining the 2007 calendar year (1) state housing credit ceiling under section 42(h) of the Code, (2) private activity bond volume cap under section 146, and (3) private activity bond volume limit under section 142(k).

Rev. Proc. 2007-24, page 692.

Substitute tax forms and schedules. Requirements are set forth for privately designed and printed federal tax forms and conditions under which the Service will accept computer prepared and computer-generated tax forms and schedules. Rev. Proc. 2005-74 superseded.

Announcement 2007-27, page 733.

This document provides notice of a public hearing on proposed regulations (REG-103043-05, 2006-49 I.R.B. 1063) relating to the obligation of material advisors to prepare and maintain lists with respect to reportable transactions under section 6112 of the Code.

Announcement 2007-29, page 733.

This document provides notice of a public hearing on proposed regulations (REG-103038-05, 2006-49 I.R.B. 1049) relating to the disclosure of reportable transactions by taxpayers under section 6011 of the Code.

Announcement 2007-30, page 734.

This document provides notice of a public hearing on proposed regulations (REG-103039-05, 2006-49 I.R.B. 1057) relating to the disclosure of reportable transactions by material advisors under section 6111 of the Code.

(Continued on the next page)

Finding Lists begin on page ii.



ADMINISTRATIVE

Announcement 2007-32, page 734.

This document contains corrections to final regulations (T.D. 9298, 2007-6 I.R.B. 434) that governs the provisions prohibiting discrimination based on a health factor for group health plans and issuers of health insurance coverage offered in connection with a group health plan.

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 March 2007. See Rev. Rul. 2007-15, page 687.

Section 101.—Certain Death Benefits

26 CFR 1.101-1: Exclusion from gross income of proceeds of life insurance contracts payable by reason of death.
(Also § 671.)

Investor control and general public; taxation of variable contracts; insurance and annuities. This ruling treats the grantor of a grantor trust as the owner of a life insurance contract that is owned by the trust for purposes of determining whether a transfer of a contract (a) is a transfer for valuable consideration, and (b) if so, is a transfer to the insured within the meaning of section 101(a)(2)(B) of the Code.

Rev. Rul. 2007-13

ISSUE

Is the grantor who is treated for federal income tax purposes as the owner of a trust that owns a life insurance contract on the grantor's life treated as the owner of the contract for purposes of determining whether a transfer of the contract (a) is a transfer for a valuable consideration within the meaning of § 101(a)(2) of the Internal Revenue Code, and (b) if so, is a transfer to the insured within the meaning of § 101(a)(2)(B)?

FACTS

Situation 1. *TR1* and *TR2* are grantor trusts, both of which are treated as wholly owned by *G* under subpart E of Part I of subchapter J of the Internal Revenue Code. *TR2* owns a life insurance contract upon the life of *G*. *TR2* transfers the life insurance contract to *TR1* in exchange for cash.

Situation 2. The facts are the same as in Situation 1, except that *TR2* is not a grantor trust.

LAW AND ANALYSIS

Section 61 defines gross income as all income from whatever source derived, including gains derived from dealings in property.

Section 101(a)(1) provides that, except as otherwise provided in §§ 101(a)(2), 101(d), and 101(f), gross income does not include amounts received under a life insurance contract if such amounts are received by reason of the death of the insured.

Section 101(a)(2) provides, generally, that if a life insurance contract, or any interest therein, is transferred for a valuable consideration, the exclusion from gross income provided by § 101(a)(1) shall not exceed an amount equal to the sum of the actual value of the consideration and the premiums and other amounts subsequently paid by the transferee.

The term "transfer for a valuable consideration" is defined for purposes of § 101(a)(2) in § 1.101-1(b)(4) of the Income Tax Regulations as any absolute transfer for value of a right to receive all or a part of the proceeds of a life insurance policy.

Section 101(a)(2)(B) provides that § 101(a)(2) does not apply to a transfer of a life insurance contract or any interest therein to the insured, to a partner of the insured, to a partnership in which the insured is a partner, or to a corporation in which the insured is a shareholder or officer.

In Rev. Rul. 85-13, 1985-1 C.B. 184, a grantor acquired the corpus of a trust in exchange for the grantor's unsecured promissory note. The ruling concludes that the grantor is considered to have borrowed the corpus of the trust and, as a result, is treated as the owner of the trust under § 675(3). Because the grantor is treated as the owner of the trust, the grantor is deemed the owner of the trust assets for federal income tax purposes. In addition, because the grantor is therefore considered to own the purported consideration both before and after the transaction, the exchange of a promissory note for the trust assets is not recognized as a sale for federal income tax purposes.

In Situation 1, because *G* is treated as the owner of both *TR1* and *TR2* for federal income tax purposes, *G* is treated as the owner of all the assets of both trusts, including both the life insurance contract and the cash received for it, both before and after the exchange. Accordingly, in Situation 1 there has been no transfer of the contract within the meaning of § 101(a)(2).

In Situation 2, because *G* is treated as the owner of all the assets of *TR1* but not of *TR2* for federal income tax purposes, *G* is treated as the owner of the cash (but not the life insurance contract) before the exchange, and as the owner of the life insurance contract (but not the cash) after the exchange. Accordingly, in Situation 2 there has been a transfer of the life insurance contract for a valuable consideration within the meaning of § 101(a)(2). Nevertheless, the transfer for value limitations of § 101(a)(2) do not apply, because the transfer to *TR1* is treated as a transfer to *G*, the insured, within the meaning of § 101(a)(2)(B).

HOLDING

The grantor who is treated for federal income tax purposes as the owner of a trust that owns a life insurance contract on the grantor's life is treated as the owner of the contract for purposes of applying the transfer for value limitations of § 101(a)(2). Accordingly, in Situation 1, the transfer of a life insurance contract between two grantor trusts that are treated as wholly owned by the same grantor is not a transfer for a valuable consideration within the meaning of § 101(a)(2); in Situation 2, the transfer of a life insurance contract to a grantor trust that is treated as wholly owned by the insured is a transfer to the insured within the meaning of § 101(a)(2)(B) and is therefore excepted from the transfer for value limitations under § 101(a)(2).

DRAFTING INFORMATION

The principal author of this revenue ruling is Chris Lieu of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue ruling, con-

tact Chris Lieu at (202) 622-3970 (not a toll-free call).

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of March 2007. See Rev. Rul. 2007-15, page 687.

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 March 2007. See Rev. Rul. 2007-15, page 687.

Section 404.—Deduction for Contributions of an Employer to an Employees' Trust or Annuity Plan and Compensation Under a Deferred-Payment Plan

This revenue ruling provides guidance on when a taxpayer using an accrual method of accounting incurs a liability under section 461 for payroll taxes on deferred compensation. See Rev. Rul. 2007-12, page 685.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2007. See Rev. Rul. 2007-15, page 687.

Section 461.—General Rule for Taxable Year of Deduction

26 CFR 1.461-1: General rule for taxable year of deduction.
(Also § 404.)

Payroll taxes on deferred compensation. This ruling provides guidance on when a taxpayer using an accrual method of accounting incurs a liability under section 461 of the Code for payroll taxes on deferred compensation. Rev. Rul. 69-587 revoked. Rev. Rul. 96-51 amplified.

Rev. Rul. 2007-12

ISSUE

If the all events test and recurring item exception of § 461 of the Internal Revenue Code are otherwise met, may an accrual method taxpayer treat its Federal Insurance Contributions Act (FICA) and Federal Unemployment Tax Act (FUTA) tax liability as incurred in Year 1 if the compensation to which the tax liability relates is deferred compensation that is deductible under § 404 in Year 2?

FACTS

X, a corporation, uses an accrual method of accounting and files its federal income tax returns on a calendar year basis. As of the end of Year 1, X has a fixed liability to pay compensation for services provided by X's employees during Year 1. As of the end of Year 1, all events have occurred to establish the fact of X's liability for the taxes ("payroll taxes") owed under §§ 3111 (the employer's share of FICA taxes) and 3301 (FUTA taxes) related to the compensation, and the amount of the payroll tax liability can be determined with reasonable accuracy. X properly adopted the recurring item exception under § 1.461-5 of the Income Tax Regulations as a method of accounting with respect to the payroll taxes. X pays the payroll taxes either (1) in Year 1 or (2) before the earlier of September 15 of Year 2 or the date X files a timely (including extensions) federal income tax return for Year 1. Therefore, under § 461, the payroll taxes generally would be treated as incurred by X in Year 1. However, the compensation to which the payroll taxes relate is deferred compensation that is properly deductible under § 404 in Year 2.

LAW AND ANALYSIS

Section 404(a) provides, in relevant part, that if compensation is paid or accrued by an employer on account of any employee under a plan deferring the receipt of such compensation, and is otherwise deductible under Chapter 1, the compensation is deductible pursuant to the rules, and subject to the limitations, of § 404.

Section 404(a)(5) provides, in part, that if the plan of compensation is not

described in § 404(a)(1), (2), or (3), the compensation deductible under § 404 is deductible in the taxable year in which an amount attributable to the compensation is includible in the gross income of the employee participating in the plan. Furthermore, § 404(a)(5) provides that for purposes of § 404, any vacation pay that is treated as deferred compensation is deductible in the employer's taxable year that it is paid to the employee.

Section 1.404(b)-1T Q&A 2 provides, in part, that for purposes of § 404(a), a plan, or method or arrangement, defers the receipt of compensation or benefits to the extent it is one under which an employee receives compensation or benefits more than a brief period of time after the end of the employer's taxable year in which the services creating the right to such compensation or benefits are performed. A plan, or method or arrangement shall be presumed to be one deferring the receipt of compensation for more than a brief period of time after the end of an employer's taxable year to the extent that compensation is received after the 15th day of the 3rd calendar month after the end of the employer's taxable year in which the related services are rendered.

Section 461(a) provides that the amount of any deduction or credit must be taken for the taxable year that is the proper taxable year under the method of accounting used in computing taxable income.

Section § 1.461-1(a)(2)(i) provides that, under an accrual method of accounting, a liability is incurred, and is generally taken into account for federal income tax purposes, in the taxable year in which (1) all the events have occurred that establish the fact of the liability, (2) the amount of the liability can be determined with reasonable accuracy, and (3) economic performance has occurred with respect to the liability (the "all events test"). See also § 1.446-1(c)(1)(ii)(A).

Section 1.461-4(d)(2)(i) provides that in general, if the liability of a taxpayer arises out of the providing of services to the taxpayer by another person, economic performance occurs as the services are provided. Section 1.461-4(d)(2)(iii) provides that with respect to employee benefits which arise out of the provision of services to the taxpayer, the economic performance requirement is satisfied to the extent that any amount is otherwise deductible under § 404. Section 1.461-4(g)(6) provides

generally that, if a taxpayer is liable to pay a tax, economic performance occurs as the tax is paid to the governmental authority that imposed it.

Section 1.461-5(b)(1) provides a recurring item exception to the general rule of economic performance. Under the recurring item exception, a liability is treated as incurred for a taxable year if: (i) at the end of the taxable year, all events have occurred that establish the fact of the liability and the amount can be determined with reasonable accuracy; (ii) economic performance occurs on or before the earlier of (a) the date that the taxpayer files a return (including extensions) for the taxable year, or (b) the 15th day of the 9th calendar month after the close of the taxable year; (iii) the liability is recurring in nature; and (iv) either the amount of the liability is not material or accrual of the liability in the taxable year results in better matching of the liability against the income to which it relates than would result from accrual of the liability in the taxable year in which economic performance occurs. Section 1.461-5(b)(5)(ii) provides that, in the case of a liability for taxes, the matching requirement of the recurring item exception is deemed satisfied.

Rev. Rul. 69-587, 1969-2 C.B. 108, concludes that, under the all events test of § 461, an accrual method employer generally may not deduct payroll taxes payable with respect to bonuses and vacation pay accrued but unpaid at year-end until the taxable year in which the bonuses and vacation pay are paid.

Rev. Rul. 96-51, 1996-2 C.B. 36, concludes that, under the all events test, an accrual method employer may deduct in Year 1 its otherwise deductible payroll taxes imposed on year-end wages properly accrued in Year 1 but paid in Year 2, provided the employer satisfies the requirements of the recurring item exception in § 1.461-5 with respect to those taxes. However, Rev. Rul. 96-51 does not address the application of § 404 because the year-end wages were paid before the 15th day of the 3rd calendar month after the end of Year 1.

In general, § 404 applies to compensation paid or accrued by an employer on account of any employee under a plan deferring the receipt of such compensation. An employer's liability for payroll taxes does not represent compensation paid or accrued by an employer on account of any

employee. Therefore, § 404 does not control the deductibility of an employer's liability for payroll taxes, even if the payroll tax liability relates to a deferred compensation liability subject to the deduction rules of § 404. Accordingly, § 404 does not alter the timing of the accrual of X's payroll tax liability under § 461.

HOLDING

If the all events test and recurring item exception of § 461 are otherwise met, an accrual basis taxpayer may treat its payroll tax liability as incurred in Year 1, regardless of whether the compensation to which the liability relates is deferred compensation that is deductible under § 404 in Year 2.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 96-51 is amplified. Rev. Rul. 69-587 is revoked.

APPLICATION

A change in treatment of payroll tax liabilities associated with deferred compensation 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 that wants to change its treatment of payroll taxes associated with deferred compensation to comply with this revenue ruling must obtain the consent of the Commissioner under § 446(e) and § 1.446-1(e)(2)(i).

DRAFTING INFORMATION

The principal author of this revenue ruling is Martin L. Osborne of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Osborne at (202) 622-7900 (not a toll-free call).

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 March 2007. See Rev. Rul. 2007-15, page 687.

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 March 2007. See Rev. Rul. 2007-15, page 687.

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 March 2007. See Rev. Rul. 2007-15, page 687.

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 March 2007. See Rev. Rul. 2007-15, page 687.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of March 2007. See Rev. Rul. 2007-15, page 687.

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 March 2007. See Rev. Rul. 2007-15, page 687.

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 March 2007. See Rev. Rul. 2007-15, page 687.

Section 932.—Coordination of United States and Virgin Islands Income Taxes

A notice provides interim rules concerning the statute of limitations on assessment for individuals claiming to be *bona fide* residents of the U.S. Virgin Islands. See Notice 2007-19, page 689.

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 March 2007.

Rev. Rul. 2007-15

This revenue ruling provides various prescribed rates for federal income tax purposes for March 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. Finally, 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.

REV. RUL. 2007-15 TABLE 1
Applicable Federal Rates (AFR) for March 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	5.06%	5.00%	4.97%	4.95%
110% AFR	5.58%	5.50%	5.46%	5.44%
120% AFR	6.09%	6.00%	5.96%	5.93%
130% AFR	6.61%	6.50%	6.45%	6.41%
<i>Mid-term</i>				
AFR	4.86%	4.80%	4.77%	4.75%
110% AFR	5.35%	5.28%	5.25%	5.22%
120% AFR	5.84%	5.76%	5.72%	5.69%
130% AFR	6.34%	6.24%	6.19%	6.16%
150% AFR	7.33%	7.20%	7.14%	7.09%
175% AFR	8.58%	8.40%	8.31%	8.26%
<i>Long-term</i>				
AFR	5.01%	4.95%	4.92%	4.90%
110% AFR	5.52%	5.45%	5.41%	5.39%
120% AFR	6.03%	5.94%	5.90%	5.87%
130% AFR	6.54%	6.44%	6.39%	6.36%

REV. RUL. 2007-15 TABLE 2
Adjusted AFR for March 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.58%	3.55%	3.53%	3.52%
Mid-term adjusted AFR	3.71%	3.68%	3.66%	3.65%
Long-term adjusted AFR	4.18%	4.14%	4.12%	4.10%

REV. RUL. 2007-15 TABLE 3
Rates Under Section 382 for March 2007

Adjusted federal long-term rate for the current month	4.18%
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.)	4.18%

REV. RUL. 2007-15 TABLE 4
Appropriate Percentages Under Section 42(b)(2) for March 2007

Appropriate percentage for the 70% present value low-income housing credit	8.15%
Appropriate percentage for the 30% present value low-income housing credit	3.49%

REV. RUL. 2007-15 TABLE 5
Rate Under Section 7520 for March 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	5.8%
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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 March 2007. See Rev. Rul. 2007-15, page 687.

Section 6501.—Limitations on Assessment and Collection

A notice provides interim rules concerning the statute of limitations on assessment for individuals claiming to be *bona fide* residents of the U.S. Virgin Islands. See Notice 2007-19, page 689.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2007. See Rev. Rul. 2007-15, page 687.

Section 7654.—Coordination of United States and Certain Possession Individual Income Taxes

A notice provides interim rules concerning the statute of limitations on assessment for individuals claiming to be *bona fide* residents of the U.S. Virgin Islands. See Notice 2007-19, page 689.

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 March 2007. See Rev. Rul. 2007-15, page 687.

Part III. Administrative, Procedural, and Miscellaneous

Statute of Limitations on Assessment Concerning Certain Individuals Filing Income Tax Returns With the U.S. Virgin Islands

Notice 2007-19

SECTION 1. PURPOSE

This notice provides interim rules under sections 932(c) and 7654(e) concerning the statute of limitations on assessment of the U.S. income tax liability (if any) of a U.S. citizen or resident alien who takes the position that he or she is a *bona fide* resident of the U.S. Virgin Islands and the U.S. filing obligations of such an individual. This notice also announces that the Treasury Department and Internal Revenue Service (IRS) intend to issue regulations under sections 932(c) and 7654(e). Finally, this notice announces that the Treasury Department and the IRS are studying the feasibility of an automatic exchange of information program with the U.S. Virgin Islands Bureau of Internal Revenue concerning income tax information of individual taxpayers. Such a program for the timely exchange of equivalent data in a form compatible with IRS systems may eliminate the reporting requirements set forth in the interim rules. Until the regulations are issued, taxpayers may rely on this notice.

SECTION 2. INTERIM RULES

Under the authority of section 7654(e), an income tax return filed with the U.S. Virgin Islands by a U.S. citizen or resident alien (USVI Form 1040) will be deemed to be a U.S. income tax return of that individual for purposes of section 6501(a), provided that the individual is a covered person. The term “covered person” means a U.S. citizen or resident alien who takes the position that he or she is a *bona fide* resident of the U.S. Virgin Islands, files USVI Form 1040 with the U.S. Virgin Islands, and has less than \$75,000 of gross income for the taxable year. For purposes of this notice, gross income means the total amount of income from whatever source derived, before any exclusions or deductions (for example, disregarding any appli-

cable U.S. Virgin Islands tax benefits authorized under section 934(b)). Gross income does not include income of the individual’s spouse.

For example, assume that C, a U.S. citizen and calendar year taxpayer who has less than \$75,000 of gross income for 2006, takes the position that he is a *bona fide* resident of the U.S. Virgin Islands and files USVI Form 1040 for 2006 on March 12, 2007 with the U.S. Virgin Islands. C does not file Form 1040, *U.S. Individual Income Tax Return* (U.S. Form 1040), with the IRS. C is a covered person. Under these circumstances, the 3-year period of limitations under section 6501(a) will expire on April 15, 2010, and the IRS will make no further assessment of income tax for A’s 2006 taxable year after that date except as otherwise authorized by section 6501.

With respect to a U.S. citizen or resident alien who takes the position that he or she is a *bona fide* resident of the U.S. Virgin Islands for a taxable year but who has gross income of \$75,000 or more (referred to as a non-covered person), a U.S. Form 1040 filed by the non-covered person with the IRS, on which the non-covered person reports no gross income and no taxable income, will be treated as an income tax return described in section 6501(a).

This notice imposes a new annual information reporting requirement under section 7654 for non-covered persons. The Treasury Department and the IRS intend to issue a new form titled *Bona Fide Residence-Based Return Position* for purposes of this new information reporting requirement. Until this form is issued, a non-covered person will meet the information reporting requirement by attaching a statement to U.S. Form 1040 reporting no gross income and no taxable income. The statement should be titled “Bona Fide Residence-Based Return Position” and must set forth the following information.

1. The non-covered person’s name, social security number, and address as reported on U.S. Form 1040.

2. A statement affirming the non-covered person’s *bona fide* residence in the U.S. Virgin Islands as defined in Treas. Reg. § 1.937-1(b) and a brief summary of the facts on which it is based.

3. An affirmation that the non-covered person has properly filed a U.S. Virgin Islands individual income tax return, a statement of the total tax liability reported on USVI Form 1040, and the amount of gross income reported on such return (adding back any applicable territorial tax benefits authorized under section 934(b)).

4. The following declaration signed and dated by the individual: “Under penalties of perjury, I declare that I have examined this statement and the accompanying attachments and to the best of my knowledge and belief, they are true, correct, and complete.”

For example, assume that on March 12, 2007, N, a U.S. citizen and calendar year taxpayer with at least \$75,000 of gross income for 2006, files U.S. Form 1040 (2006) with the IRS, taking the position that he does not have any gross income or taxable income for U.S. income tax purposes (as reported on lines 22 and 43, respectively) under section 932(c)(4). N attaches a Bona Fide Residence-Based Return Position statement. As a result of filing U.S. Form 1040, the 3-year period of limitations under section 6501(a) will expire on April 15, 2010, and the IRS will make no further assessment of income tax for N’s 2006 taxable year after that date except as otherwise authorized by section 6501.

U.S. Forms 1040 with attached Bona Fide Residence-Based Return Position statements must be filed with the Internal Revenue Service Center, P.O. Box 331 Drop Point S-607, Bensalem, PA 19020-8517. Failure to file the Bona Fide Residence-Based Position statement is subject to a penalty under section 6688. If a non-covered person and his or her spouse filed a joint USVI Form 1040, then they may file a jointly executed U.S. Form 1040 but must attach a separate Bona Fide Residence-Based Return Position statement for each spouse who is a non-covered person.

SECTION 3. EFFECTIVE DATE

This notice applies for taxable years ending on or after December 31, 2006. Taxpayers also may choose to apply this notice to a taxable year ending before

December 31, 2006 as specified in this section 3.

A non-covered person may choose to apply this notice to a taxable year ending before December 31, 2006 by filing U.S. Form 1040 with the IRS at the address provided in section 2, reporting no gross income and no taxable income for that taxable year. Although a Bona Fide Residence-Based Position statement need not be filed for a taxable year ending before December 31, 2006, the non-covered person should clearly note on the first page of U.S. Form 1040 the applicable taxable year and that U.S. Form 1040 is being filed in accordance with this notice.

For example, assume that on March 16, 2007, J, a U.S. citizen and calendar year taxpayer with at least \$75,000 of gross income for taxable year 2003, files U.S. Form 1040 with the IRS, taking the position that for taxable year 2003 she does not have any gross income or taxable income for U.S. income tax purposes under section 932(c)(4). J clearly marks U.S. Form 1040 as applying to her taxable year ending December 31, 2003 and as being filed in accordance with Notice 2007-19. Under these circumstances, the 3-year period of limitations under section 6501(a) for taxable year 2003 will expire on March 16, 2010, and the IRS will make no further assessment of income tax for J's 2003 taxable year after that date except as otherwise authorized by section 6501.

A covered person may choose to apply this notice to a taxable year ending before December 31, 2006 by providing documentation upon examination that establishes to the satisfaction of the Commissioner that the taxpayer is a covered person. Because the USVI Form 1040 filed with the U.S. Virgin Islands is deemed to be a covered person's U.S. Form 1040, the covered person's statute of limitations under section 6501(a) will begin to run on the date USVI Form 1040 is filed with the U.S. Virgin Islands.

SECTION 4. PAPERWORK REDUCTION ACT

The collection of information contained in this notice has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-2063.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collection of information in this notice is in section 2. This information is required to determine if a taxpayer satisfies the requirements of *bona fide* residence in the U.S. Virgin Islands under section 937(a). The information will be used to determine if a taxpayer satisfies his or her U.S. income tax filing requirements. The collection of information is voluntary. The likely respondents are individuals.

The estimated total annual reporting burden is 42,500 hours.

The estimated annual burden per respondent varies from 4 to 6 hours, depending on individual circumstances, with an estimated average of 5 hours. The estimated number of respondents is 8,500.

The estimated frequency of responses: annually.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

SECTION 5. DRAFTING INFORMATION

The principal author of this notice is J. David Varley of the Office of Associate Chief Counsel (International). For further information regarding this notice, contact Mr. Varley at (202) 435-5262 (not a toll-free call).

2007 Calendar Year Resident Population Estimates

Notice 2007-23

This notice informs (1) state and local housing credit agencies that allocate low-income housing tax credits under § 42 of the Internal Revenue Code and (2) states and other issuers of tax-exempt private activity bonds under § 141, of the proper population figures to be used for calculating the 2007 calendar year population-based component of the state housing credit ceiling (Credit Ceiling)

under § 42(h)(3)(C)(ii), the 2007 calendar year volume cap (Volume Cap) under § 146, and the 2007 volume limit (Volume Limit) under § 142(k)(5).

The population figures both for the population-based component of the Credit Ceiling and for the Volume Cap are determined by reference to § 146(j). That section provides generally that determinations of population for any calendar year are made on the basis of the most recent census estimate of the resident population of a state (or issuing authority) released by the U.S. Census Bureau before the beginning of such calendar year. Section 142(k)(5) provides that the Volume Limit is based on the State population.

The population-based component of the Credit Ceiling and the Volume Cap are adjusted for inflation pursuant to §§ 42(h)(3)(H) and 146(d)(2), respectively. The adjustments for the 2007 calendar year were published in Rev. Proc. 2006-53, 2006-48 I.R.B. 996. Section 3.08 of Rev. Proc. 2006-53 provides that, for calendar year 2007, the amounts used under § 42(h)(3)(C)(ii) to calculate the Credit Ceiling is the greater of \$1.95 multiplied by the State population (see the resident population figures provided below) or \$2,275,000. Further, section 3.16 of Rev. Proc. 2006-53 provides that the amounts used under § 146(d)(1) to calculate the Volume Cap for calendar year 2007 is the greater of \$85 multiplied by the State population (see the resident population figures provided below) or \$256,235,000.

The proper population figures for calculating the Credit Ceiling, the Volume Cap, and the Volume Limit for the 2007 calendar year are the estimates of the resident population of the 50 states, the District of Columbia, and Puerto Rico released by the U.S. Census Bureau on December 22, 2006, in Press Release CB06-187. The proper population figures for calculating the Credit Ceiling, the Volume Cap, and the Volume Limit for the 2007 calendar year for the insular areas (American Samoa, Guam, Northern Mariana Islands, and U.S. Virgin Islands) are the figures released electronically by the U.S. Census Bureau on July 17, 2003, and referenced in Census Bureau Tip Sheet TP03-16, dated August 8, 2003. For convenience, these estimates are reprinted below.

Resident Population Figures

Alabama	4,599,030
Alaska	670,053
American Samoa	57,794
Arizona	6,166,318
Arkansas	2,810,872
California	36,457,549
Colorado	4,753,377
Connecticut	3,504,809
Delaware	853,476
D.C.	581,530
Florida	18,089,888
Georgia	9,363,941
Guam	171,019
Hawai	1,285,498
Idaho	1,466,465
Illinois	12,831,970
Indiana	6,313,520
Iowa	2,982,085
Kansas	2,764,075
Kentucky	4,206,074
Louisiana	4,287,768
Maine	1,321,574
Maryland	5,615,727
Massachusetts	6,437,193
Michigan	10,095,643
Minnesota	5,167,101
Mississippi	2,910,540
Missouri	5,842,713
Montana	944,632
Nebraska	1,768,331
Nevada	2,495,529
New Hampshire	1,314,895
New Jersey	8,724,560
New Mexico	1,954,599
New York	19,306,183
North Carolina	8,856,505
North Dakota	635,867
Northern Mariana Islands	82,459
Ohio	11,478,006
Oklahoma	3,579,212
Oregon	3,700,758

Pennsylvania	12,440,621
Puerto Rico	3,927,776
Rhode Island	1,067,610
South Carolina	4,321,249
South Dakota	781,919
Tennessee	6,038,803
Texas	23,507,783
U.S. Virgin Islands	108,605
Utah	2,550,063
Vermont	623,908
Virginia	7,642,884
Washington	6,395,798
West Virginia	1,818,470
Wisconsin	5,556,506
Wyoming	515,004

The principal authors of this notice are Christopher J. Wilson, Office of the Associate Chief Counsel (Passthroughs and Special Industries) and Timothy L. Jones, Office of the Division Counsel/Associate Chief Counsel (Tax-Exempt and Government Entities). For further information regarding this notice, contact Mr. Wilson at (202) 622-3040 (not a toll-free call).

NOTE: This revenue procedure will be reproduced as the next revision of IRS Publication 1167, General Rules and Specifications for Substitute Forms and Schedules.

Rev. Proc. 2007-24

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Part 1 Introduction to Substitute Forms

Section 1.1 – Overview of Revenue Procedure 2007–24

1.1.1 Purpose

The purpose of this revenue procedure is to provide guidelines and general requirements for the development, printing, and approval of substitute tax forms. Approval will be based on these guidelines. After review and approval, submitted forms will be accepted as substitutes for official IRS forms.

1.1.2 Unique Forms

Certain unique specialized forms require the use of other additional publications to supplement this publication. See Part 4.

1.1.3 Scope

The IRS accepts quality substitute tax forms that are consistent with the official forms and do not have an adverse impact on our processing. The IRS Substitute Forms Unit administers the formal acceptance and processing of these forms nationwide. While this program deals primarily with paper documents, it also reviews for approval other processing and filing forms such as those used in electronic filing.

Only those substitute forms that comply fully with the requirements are acceptable. This revenue procedure is updated as required to reflect pertinent tax year form changes and to meet processing and/or legislative requirements.

1.1.4 Forms Covered by This Revenue Procedure

The following types of forms are covered by this revenue procedure:

- IRS tax forms and their related schedules,
- Worksheets as they appear in instruction packages,
- Applications for permission to file returns electronically and forms used as required documentation for electronically filed returns,
- Powers of Attorney,
- Over-the-counter estimated tax payment vouchers, and
- Forms and schedules relating to partnerships, exempt organizations, and employee plans.

1.1.5 Forms Not Covered by This Revenue Procedure

The following types of forms are not covered by this revenue procedure:

- W-2 and W-3 (see Publication 1141 for information on these forms),
- W-2c and W-3c (see Publication 1223 for information on these forms),
- 941 and Schedule B (Form 941) (see Publication 4436 for information on these forms),
- 1096, 1098 series, 1099 series, 5498 series, W-2G, and 1042-S (see Publication 1179 for information on these forms),
- Federal Tax Deposit (FTD) coupons, which may not be reproduced,
- Forms 1040-ES (OCR) and 1041-ES (OCR), which may not be reproduced,
- Forms 5500, 5500-EZ, and associated schedules (see the Department of Labor website at www.dol.gov for information on these forms),
- Forms 8717 and 8905, bar-coded forms requiring separate approval,
- Requests for information or documentation initiated by the IRS,
- Forms used internally by the IRS,

- State tax forms,
- Forms developed outside the IRS, and
- General Instructions and Specific Instructions (not reviewed by the Substitute Forms Program Unit).

Section 1.2 – IRS Contacts

1.2.1 Where To Send Substitute Forms

Send your substitute forms for approval to the following offices (do not send forms with taxpayer data):

Form	Office and Address
BSA Forms (FINCEN Family and TD F 90-22 Family other than TD F 90-22.1)	IRS Computing Center BSA Compliance Branch P.O. Box 32063 Detroit, MI 48232-0063
5500, 5500-EZ, and Schedules A through E, G, H, I, P, R, SSA, and T for Form 5500	Check EFAST information at the Department of Labor’s website at www.efast.dol.gov
8717 and 8905	Joanna.H.Weber@irs.gov
All others (except W-2, W-2c, W-3, W-3c, 941, Schedule B (Form 941), 1096, 1098, 1099, 5498, W-2G, and 1042-S)	Internal Revenue Service Attn: Substitute Forms Program SE:W:CAR:MP:T:T:SP 1111 Constitution Avenue, NW Room 6406 Washington, DC 20224

In addition, the Substitute Forms Program Unit can be contacted via email at *taxforms@irs.gov (the asterisk must be included in the address). Please enter “Substitute Forms” on the subject line.

For questions about Forms W-2 and W-3, refer to IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3. For Forms W-2c and W-3c, refer to IRS Publication 1223, General Rules and Specifications for Substitute Forms W-2c and W-3c. For Forms 941 and Schedule B (Form 941), refer to IRS Publication 4436, General Rules and Specifications for Substitute Form 941 and Schedule B (Form 941). For Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S, refer to IRS Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S.

Section 1.3 – What’s New

1.3.1 What’s New

The following changes have been made to the Revenue Procedure for tax year 2006.

- We combined Sections 4.1 and 4.2 in order to reduce duplication.
 - Because Forms 8717 and 8905 now contain bar coding, substitutes of these forms must be forwarded to Joanna.H.Weber@irs.gov.
 - The Exhibits section has been changed and updated.
-

Section 1.4 – Definitions

1.4.1 Substitute Form

A tax form (or related schedule) that differs in any way from the official version and is intended to replace the form that is printed and distributed by the IRS. This term also covers those approved substitute forms exhibited in this revenue procedure.

1.4.2 Printed/Preprinted Form

A form produced using conventional printing processes, or a printed form which has been reproduced by photocopying or a similar process.

1.4.3 Preprinted Pin-Fed Form

A printed form that has marginal perforations for use with automated and high-speed printing equipment.

1.4.4 Computer Prepared Substitute Form

A preprinted form in which the taxpayer's tax entry information has been inserted by a computer, computer printer, or other computer-type equipment such as word processing equipment.

1.4.5 Computer Generated Substitute Tax Return or Form

A tax return or form that is entirely designed and printed using a computer printer such as a laser printer, etc., on plain white paper. This return or form must conform to the physical layout of the corresponding IRS form, although the typeface may differ. The text should match the text on the officially printed form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis.

Exception. All jurats (perjury statements) must be reproduced verbatim.

1.4.6 Manually Prepared Form

A preprinted reproduced form in which the taxpayer's tax entry information is entered by an individual using a pen, pencil, typewriter, or other non-automated equipment.

1.4.7 Graphics

Parts of a printed tax form that are not tax amount entries or required text. Examples of graphics are line numbers, captions, shadings, special indicators, borders, rules, and strokes created by typesetting, photographics, photocomposition, etc.

1.4.8 Acceptable Reproduced Form

A legible photocopy of an original form.

1.4.9 Supporting Statement (Supplemental Schedule)

A document providing detailed information to support a line entry on an official or approved substitute form and filed with (attached to) a tax return.

Note. A supporting statement is not a tax form and does not take the place of an official form.

**1.4.10
Specific Form Terms**

The following specific terms are used throughout this revenue procedure in reference to all substitute forms: format, sequence, line reference, item caption, and data entry field.

**1.4.11
Format**

The overall physical arrangement and general layout of a substitute form.

**1.4.12
Sequence**

Sequence is an integral part of the total format requirement. The substitute form should show the same numeric and logical placement order of data, as shown on the official form.

**1.4.13
Line Reference**

The line numbers, letters, or alphanumerics used to identify each captioned line on an official form. These line references are printed to the immediate left of each caption and/or data entry field.

**1.4.14
Item Caption**

The text on each line of a form, which identifies the data required.

**1.4.15
Data Entry Field**

Designated areas for the entry of data such as dollar amounts, quantities, responses and checkboxes.

**1.4.16
Advance Draft**

A draft version of a new or revised form may be posted to the IRS website for information purposes. Substitute forms may be submitted based on these advance drafts, but any company that receives forms approval based on these early drafts is responsible for monitoring and revising forms to mirror any revisions in the final forms provided by the IRS.

Section 1.5 – Agreement

**1.5.1
Important Stipulation
of This Revenue Procedure**

Any person or company who uses substitute forms and makes all or part of the changes specified in this revenue procedure agrees to the following stipulations.

- The IRS presumes that any required changes are made in accordance with these procedures and will not be disruptive to the processing of the tax return.
 - Should any of the changes be disruptive to the IRS's processing of the tax return, the person or company agrees to accept the determination of the IRS as to whether the form may continue to be filed.
 - The person or company agrees to work with the IRS in correcting noted deficiencies. Notification of deficiencies may be made by any combination of fax, letter, email, or phone contact and may include the return of unacceptable forms for the re-submission of acceptable forms.
-

Part 2

General Guidelines for Submissions and Approvals

Section 2.1 – General Specifications for Approval

2.1.1 Overview

If you produce any tax forms using IRS guidelines on permitted changes, you can generate your own substitutes without further approval. If your changes are more extensive, you must get IRS approval before using substitute forms. More extensive changes can include the use of typefaces and sizes other than those found on the official form and the condensing of line item descriptions to save space.

2.1.2 Email Submissions

The Substitute Forms Program now accepts substitute forms submissions via email. The email address is *taxforms@irs.gov (the asterisk must be included in the address). Please include “PDF Submissions” on the subject line.

Follow these guidelines.

- Your submission should include all the forms you wish to submit in one attached pdf file. **Do not email each form individually.**
- An approval check sheet listing the forms you are submitting should always be included in the pdf file along with the forms.
- Small (fewer than 15 forms), rather than large, submissions should expedite processing. The optimal submission should contain 15 forms.
- Emailing pdf submissions will not expedite review and approval. The pdf submissions will be assigned a control number and put in queue along with mailed-in paper submissions.
- Optimize pdf files before submitting.
- The maximum allowable email attachment is 2.5 megabytes.
- The Substitute Forms Unit accepts zip files.
- To alleviate delays during the peak time of September through December, submit advance draft forms as early as possible.

If the guidelines are not followed, you may need to resubmit.

In addition to submitting forms via email, you may continue to send your submissions to:

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

2.1.3 Expediting the Process

Follow these basic guidelines for expediting the process.

- Always include a check sheet for the Substitute Forms Unit's response.
 - Follow Publication 1167 for general substitute form guidelines. Follow the specialized publications produced by the Substitute Forms Unit for other specific forms.
 - To spread out the workload, send in draft versions of substitute forms when they are posted.
Note. Be sure to make any changes to approved drafts before releasing final versions.
-

2.1.4 Schedules

Schedules are considered to be an integral part of a complete tax return. A schedule may be included as part of a form or printed separately.

2.1.5 Examples of Schedules That Must Be Submitted with the Return

Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, is an example of this situation. Its Schedules A through U have pages numbered as part of the basic return. For Form 706 to be approved, the entire form including Schedules A through U must be submitted.

2.1.6 Examples of Schedules That Can Be Submitted Separately

However, Schedules 1, 2, and 3 of Form 1040A are examples of schedules that can be submitted separately. Although printed by the IRS as a supplement to Form 1040A, none of these schedules are required to be filed with Form 1040A. These schedules may be separated from Form 1040A and submitted as substitute forms.

2.1.7 Use and Distribution of Unapproved Forms

The IRS is continuing a program to identify and contact tax return preparers, forms developers, and software publishers who use or distribute unapproved forms that do not conform to this revenue procedure. The use of unapproved forms hinders the processing of the returns.

Section 2.2 – Highlights of Permitted Changes and Requirements

2.2.1 Methods of Reproducing Internal Revenue Service Forms

Official IRS tax forms are supplied by the IRS. These forms may be provided in the taxpayer's tax package or over-the-counter. Forms can also be picked up at many IRS offices, post offices, or libraries, and are available on CD-ROM and online at www.irs.gov.

There are methods of reproducing IRS printed tax forms suitable for use as substitutes without prior approval.

- You can photocopy most tax forms and use them instead of the official ones. The entire substitute form, including entries, must be legible.
 - You can reproduce any current tax form as cut sheets, snap sets, and marginally punched, pin-fed forms as long as you use an official IRS version as the master copy.
 - You can reproduce a form that requires a signature as a valid substitute form. Many tax forms (including returns) have a taxpayer signature requirement as part of the form layout. The jurat/perjury statement/signature line areas must be retained and worded exactly as on the official form. The requirement for a signature, by itself, does not prohibit a tax form from being properly computer-generated.
-

Section 2.3 – Vouchers

2.3.1 Overview

All payment vouchers (Forms 940-V, 940-EZ(V), 941-V, 943-V, 945-V, 1040-V, and 2290-V) must be reproduced in conjunction with their forms. Substitute vouchers must be the same size as the officially printed vouchers. Vouchers that are prepared for printing on a laser printer may include a scan line.

2.3.2 Scan Line Specifications

	NNNNNNNNN	AA	AAAA	NN	N	NNNNNN	NNN
<i>Item:</i>	A	B	C	D	E	F	G
A.	Social Security Number/Employer Identification Number (SSN/EIN) has 9 numeric spaces.						
B.	Check Digits have 2 alpha spaces.						
C.	Name Control has 4 alphanumeric spaces.						
D.	Master File Tax (MFT) Code has 2 numeric spaces (see below).						
E.	Taxpayer Identification Number (TIN) Type has 1 numeric space (see below).						
F.	Tax Period has 6 numeric spaces in year/month format (YYYYMM).						
G.	Transaction Code has 3 numeric spaces.						

2.3.3 MFT Code

Code Number for Forms:

- 1040 family – 30;
 - 940/940-EZ – 10;
 - 941 – 01;
 - 943 – 11;
 - 945 – 16; and
 - 2290 – 60.
-

2.3.4 TIN Type

Type Number for:

- Form 1040 family – 0; and
 - Forms 940, 940-EZ, 941, 943, 945, and 2290 – 2.
-

2.3.5 Voucher Size

The voucher size must be exactly 8.0" x 3.25" (Forms 1040-ES and 1041-ES must be 7.625" x 3.0"). The document scan line must be vertically positioned 0.25 inches from the bottom of the scan line to the bottom of the voucher. The last character on the right of the scan line must be placed 3.5 inches from the right leading edge of the document. The minimum required horizontal clear space between characters is .014 inches. The line to be scanned must have a clear band 0.25 inches in height from top to bottom of the scan line, and from border to border of the document. "Clear band" means no printing except for dropout ink.

2.3.6 Print and Paper Weight

Vouchers must be imaged in black ink using OCR A, OCR B, or Courier 10. These fonts may not be mixed in the scan line. The horizontal character pitch is 10 CPI. The preferred paper weight is 20 to 24 pound OCR bond.

**2.3.7
Specifications for Software
Developers**

Certain vouchers may be reproduced for use in the IRS lockbox system. These include the 1040-V, 1040-ES, the 940 family, and 2290 vouchers. Software developers must follow these specific guidelines to produce scannable vouchers strictly for lockbox purposes. Also see Exhibit C.

- The total depth must be 3.25 inches.
- The scan line must be .5 inches from the bottom edge and 1.75 inches from the left edge of the voucher and left-justified.
- Software developers vouchers must be 8.5 inches wide (instead of 8 inches with a cut line). Therefore, no vertical cut line is required.
- Scan line positioning must be exact.
- Do not use the over-the-counter format voucher and add the scan line to it.
- All scanned data must be in 12-point OCR A font.
- The 4-digit NACTP ID code should be placed under the payment indicator arrow.
- Windowed envelopes must not display the scan line in order to avoid disclosure and privacy issues.

Note. All software developers must ensure that their software uses OCR A font so taxpayers will be able to print the vouchers in the correct font.

**2.3.8
Specific Line Positions**

Follow these line specifications for entering taxpayer data in the lockbox vouchers.

	Start Row	Start Column	Width	End Column
Line Specifications for Taxpayer Data:				
Taxpayer Name	56	6	36	41
Taxpayer Address, Apt.	57	6	36	41
Taxpayer City, State, ZIP	58	6	36	41
Line Specifications for Mail To Data:				
Mail Address	57	43	38	80
Mail City, State, ZIP	58	43	38	80
Line Specifications for:				
Scan Line	63	26	n/a	n/a

**2.3.9
How to Get Approval**

To receive approval, please send 50 voucher samples yearly, by December 8, for testing to the following address.

Internal Revenue Service
Attn: Doris Bethea, C5-163
5000 Ellin Rd.
Lanham, MD 20706

For further information, contact Doris Bethea, Doris.E.Bethea@irs.gov, at 202-283-0218.

Section 2.4 – Restrictions on Changes

2.4.1 What You Cannot Do to Forms Suitable for Substitute Tax Forms

You cannot, without prior IRS approval, change any IRS tax form or use your own (non-approved) versions including graphics, unless specifically permitted by this revenue procedure.

You cannot adjust any of the graphics on Forms 1040, 1040A, and 1040EZ (except in those areas specified in Part 5 of this revenue procedure) without prior approval from the IRS Substitute Forms Unit.

You cannot use your own preprinted label on tax returns filed with the IRS unless you fully comply with the criteria specified in Section 3.6.3 on the use of pre-addressed IRS labels.

Section 2.5 – Guidelines for Obtaining IRS Approval

2.5.1 Basic Requirements

Preparers who submit substitute privately designed, privately printed, computer generated, or computer prepared tax forms must develop these substitutes using the guidelines established in this part. These forms, unless excepted by the revenue procedure, must be approved by the IRS before being filed.

2.5.2 Conditional Approval Based on Advanced Drafts

The IRS cannot grant final approval of your substitute form until the official form has been published. However, the IRS posts advance draft forms in the “Tax Professionals” area of its website at:

www.irs.gov/taxpros/lists/0,,id=97782,00.html

We encourage submission of proposed substitutes of these advance draft forms and will grant conditional approval based solely on these early drafts. These advance drafts are subject to significant change before forms are finalized. If these advance drafts are used as the basis for your substitute forms, you will be responsible for subsequently updating your final forms to agree with the final official version. These revisions need not be submitted for further approval.

Note. Approval of forms based on advance drafts will not be granted after the final version of an official form is published.

2.5.3 Submission Procedures

Follow these general guidelines when submitting substitute forms for approval.

- Any alteration of forms must be within the limits acceptable to the IRS. It is possible that, from one filing period to another, a change in law or a change in internal need (processing, audit, compliance, etc.) may change the allowable limits for the alteration of the official form.

- When specific approval of any substitute form (other than those specified in Part 1, Section 1.2 – IRS Contacts) is desired, a sample of the proposed substitute form should be forwarded for consideration via email or by letter to the Substitute Forms Unit at the address shown in Section 1.2.
 - Schedules and forms (for example, Forms 3468, 4136, etc.) that can be used with more than one type of return (for example, 1040, 1041, 1120, etc.) should be submitted only once for approval, regardless of the number of different tax returns with which they may be associated. Also, all pages of multi-page forms or returns should be submitted in the same package.
-

2.5.4 Approving Offices

Because only the Substitute Forms Unit is authorized to approve substitute forms, unnecessary delays may occur if forms are sent to the wrong office. The Substitute Forms Unit may then coordinate the response with the initiator responsible for revising that particular form. Such coordination may include allowing the initiator to officially approve the form. No IRS office is authorized to allow deviations from this revenue procedure.

2.5.5 IRS Review of Software Programs, etc.

The IRS does not review or approve the logic of specific software programs, nor does the IRS confirm the calculations on the forms produced by these programs. The accuracy of the program remains the responsibility of the software package developer, distributor, or user.

The Substitute Forms Unit is primarily concerned with the pre-filing quality review of the final forms that are expected to be processed by IRS field offices. For this purpose, you should submit forms without including any taxpayer information such as names, addresses, monetary amounts, etc.

2.5.6 When To Send Proposed Substitutes

Proposed substitutes, which are required to be submitted per this revenue procedure, should be sent as much in advance of the filing period as possible. This is to allow adequate time for analysis and response.

2.5.7 Accompanying Statement

When submitting sample substitutes, you should include an accompanying statement that lists each form number and its changes from the official form (position, arrangement, appearance, line numbers, additions, deletions, etc.). With each of the items you should include a detailed reason for the change.

When requesting approval, please include a check sheet. Check sheets expedite the approval process. The check sheet may look like the example in Exhibit D displayed in the back of this procedure or may be one of your own design. Please include your fax number on the check sheet.

2.5.8 Approval/Non- Approval Notice

The Substitute Forms Unit will fax the check sheet or an approval letter to the originator if a fax number has been provided, unless:

- The requester has asked for an email response or for a formal letter, or
- Significant corrections to the submitted forms are required.

Notice of approval may impose qualifications before using the substitutes. Notices of unapproved forms may specify the changes required for approval and require re-submission of the form(s) in question. Telephone contact is used when appropriate.

**2.5.9
Duration of
Approval**

Most signature tax returns and many of their schedules and related forms have the tax (liability) year printed in the upper right corner. Approvals for these annual forms are usually good for one calendar year (January through December of the year of filing). Quarterly tax forms in the 940 series and Form 720 require approval for any quarter in which the form has been revised.

Because changes are usually made to an annual form every year, each new filing season generally requires a new submission of a substitute form. Very rarely is updating the preprinted year the only change made to an annual form.

**2.5.10
Limited
Continued Use of an
Approved Change**

Limited changes approved for one tax year may be allowed for the same form in the following tax year. Examples are the use of abbreviated words, revised form spacing, compressed text lines, and shortened captions, etc., which do not change the integrity of lines or text on the official forms.

If substantial changes are made to the form, new substitutes must be submitted for approval. If only minor editorial changes are made to the form, it is not subject to review. It is the responsibility of each vendor who has been granted permission to use substitute forms to monitor and revise forms to mirror any revisions to official forms made by the Service. If there are any questions, please contact the Substitute Forms Unit.

**2.5.11
When Approval
Is Not Required**

If you received written approval for a specific change on a form last year, you may make the same change this year if the item is still present on the official form.

- The new substitute form does not have to be submitted to the IRS and written approval is not required.
- However, the new substitute form must conform to the official current year IRS form in other respects: date, Office of Management and Budget (OMB) approval number, attachment sequence number, Paperwork Reduction Act Notice statement, arrangement, item caption, line number, line reference, data sequence, etc.
- The new substitute must also comply with changes to this revenue procedure. The procedure may have eliminated, added to, or otherwise changed the guideline(s) that affected the change approved in the prior year.
- An approved change is authorized only for the period from a prior tax year substitute form to a current tax year substitute form.

Exception. Forms with temporary, limited, or interim approvals (or with approvals that state a change is not allowed in any other tax year) are subject to review in subsequent years.

**2.5.12
Continuous-
Use Forms**

Forms without preprinted tax years are called “continuous-use” forms. Continuous-use forms are revised when a legislative change affects the form or a change will facilitate processing. These forms may have revision dates that are valid for longer than one year.

**2.5.13
IRS Website
Posting Schedule**

A schedule of print dates (for annual and quarterly forms) and most current revision dates (for continuous-use forms) are maintained on the IRS website. The Tax Products Posting Schedule can be found at www.irs.gov/formspubs/article/0,,id=103641,00.html. See Section 4.2.2.

**2.5.14
Required Copies**

Generally, you must send us one copy of each form being submitted for approval. However, if you are producing forms for different computer systems (for example, IBM compatible vs. Macintosh) or different types of printers (for example, laser vs. inkjet), and these forms differ **significantly** in appearance, submit one copy for each type of system or printer.

**2.5.15
Requestor's
Responsibility**

Following receipt of an initial approval for a substitute forms package or a software output program to print substitute forms, it is the responsibility of the originator (designer or distributor) to provide client firms or individuals with forms that meet the IRS's requirements for continuing acceptability. Examples of this responsibility include:

- Using the prescribed print paper, font size, legibility, state tax data deletion, etc., and
 - Informing all users of substitute forms of the legal requirements of the Paperwork Reduction Act Notice, which is generally found in the instructions for the official IRS forms.
-

**2.5.16
Source Code**

The Substitute Forms Unit will assign a unique source code to each firm that submits substitute paper forms for approval. This source code will be a permanent identifier that should be used on every submission by a particular firm.

The source code consists of three alpha characters and should generally be printed at the bottom left margin area on the first page of every approved substitute form.

Section 2.6 – Office of Management and Budget (OMB) Requirements for All Substitute Forms

**2.6.1
OMB Requirements
for All Substitute Forms**

There are legal requirements of the Paperwork Reduction Act of 1995 (The Act). Public Law 104-13 requires the following.

- OMB approves all IRS tax forms that are subject to the Act.
- Each IRS form contains (in the upper right corner) the OMB number, if assigned.
- Each IRS form (or its instructions) states why the IRS needs the information, how it will be used, and whether or not the information is required to be furnished to the IRS.

This information must be provided to every user of official or substitute IRS forms or instructions.

**2.6.2
Application of the Paperwork
Reduction Act**

On forms that have been assigned OMB numbers:

- All substitute forms must contain in the upper right corner the OMB number that is on the official form, and
 - The required format is: OMB No. 1545-XXXX (Preferred) or OMB # 1545-XXXX (Acceptable).
-

**2.6.3
Required
Explanation to Users**

You must inform the users of your substitute forms of the IRS use and collection requirements stated in the instructions for official IRS forms.

- If you provide your users or customers with the official IRS instructions, each form must retain either the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice), or a reference to it as the IRS does on the official forms (usually in the lower left corner of the forms).

- This notice reads, in part, “We ask for the information on this form to carry out the Internal Revenue laws of the United States...”

Note. If no IRS instructions are provided to users of your forms, the exact text of the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice) must be furnished separately or on the form.

**2.6.4
Finding the OMB
Number and Paperwork
Reduction Act Notice**

The OMB number and the Paperwork Reduction Act Notice, or references to it, may be found printed on an official form (or its instructions). The number and the notice are included on the official paper format and in other formats produced by the IRS (for example, compact disc (CD) or Internet download).

Part 3 Physical Aspects and Requirements

Section 3.1 – General Guidelines for Substitute Forms

**3.1.1
General Information**

The official form is the standard. Because a substitute form is a variation from the official form, you should know the requirements of the official form for the year of use before you modify it to meet your needs. The IRS provides several means of obtaining the most frequently used tax forms. These include the Internet and CD-ROM (see Part 4).

**3.1.2
Design**

Each form must follow the design of the official form as to format arrangement, item caption, line numbers, line references, and sequence.

**3.1.3
State Tax
Information Prohibited**

Generally, state tax information must not appear on the federal tax return, associated form, or schedule that is filed with the IRS. Exceptions occur when amounts are claimed on, or required by, the federal return (for example, state and local income taxes, on Schedule A of Form 1040).

**3.1.4
Vertical Alignment
of Amount Fields**

IF a form is to be...	THEN...
Manually prepared	<ol style="list-style-type: none"> 1. The entry column must have a vertical line or some type of indicator in the amount field to separate dollars from cents. 2. The cents column must be at least 3/10" wide.
Computer generated	<ol style="list-style-type: none"> 1. Vertically align the amount entry fields where possible. 2. Use one of the following amount formats: <ol style="list-style-type: none"> a) 0,000,000, or b) 0,000,000.00.

IF a form is to be...	THEN...
Computer prepared	<ol style="list-style-type: none"> 1. You may remove the vertical line in the amount field that separates dollars from cents. 2. Use one of the following amount formats: <ol style="list-style-type: none"> a) 0,000,000, or b) 0,000,000.00.

**3.1.5
Attachment
Sequence Number**

Many individual income tax forms have a required “attachment sequence number” located just below the year designation in the upper right corner of the form. The IRS uses this number to indicate the order in which forms are to be attached to the tax return for processing. Some of the attachment sequence numbers may change from year to year.

The following applies to computer prepared forms.

- The sequence number may be printed in no less than 12-point boldface type and centered below the form’s year designation.
- The sequence number may also be placed following the year designation for the tax form and separated with an asterisk.
- The actual number may be printed without labeling it the “Attachment Sequence Number.”

**3.1.6
Assembly of Forms**

If developing software or forms for use by others, please inform your customers/clients that the order in which the forms are arranged may affect the processing of the package. A return must be arranged in the order indicated below.

IF the form is...	THEN the sequence is...
1040	<ul style="list-style-type: none"> • Form 1040, and • Schedules and forms in attachment sequence number order.
Any other tax return (Form 1120, 1120S, 1065, 1041, etc.)	<ul style="list-style-type: none"> • The tax returns, • Directly associated schedules (Schedule D, etc.), • Directly associated forms, • Additional schedules in alphabetical order, and • Additional forms in numerical order.

Supporting statements should then follow in the same sequence as the forms they support. Additional information required should be attached last.

In this way, the forms are received in the order in which they must be processed. If you do not send returns to us in order, processing may be delayed.

**3.1.7
Paid Preparer’s
Information and
Signature Area**

On Forms 1040EZ, 1040A, 1040, and 1120, etc., the “Paid Preparer’s Use Only” area may not be rearranged or relocated. You may, however, add three extra lines to the paid preparer’s address area without prior approval. This applies to other tax forms as well.

**3.1.8
Some Common Reasons
for Requiring Changes to
Substitute Forms**

Some reasons that substitute form submissions may require changes include the following.

- Failing to preprint certain amounts in entry spaces.
- Shading areas incorrectly.
- Failing to include a reference to the location of the Paperwork Reduction Act Notice.
- Not including parentheses for losses.
- Not including “Attach Statement” when appropriate.
- Including line references or entry spaces that don’t match the official form.

- Printing text that is different from the official form.
 - Altering the jurat.
-

Section 3.2 – Paper

3.2.1 Paper Content

The paper must be:

- Chemical wood writing paper that is equal to or better than the quality used for the official form,
 - At least 18 pound (17" x 22", 500 sheets), or
 - At least 50 pound offset book (25" x 38", 500 sheets).
-

3.2.2 Paper with Chemical Transfer Properties

There are several kinds of paper prohibited for substitute forms. These are:

1. Carbon-bonded paper, and
 2. Chemical transfer paper except when the following specifications are met:
 - a. Each ply within the chemical transfer set of forms must be labeled, and
 - b. Only the top ply (ply one and white in color), the one that contains chemical on the back only (coated back), may be filed with the IRS.
-

3.2.3 Example

A set containing three plies would be constructed as follows: ply one (coated back), "Federal Return, File with IRS"; ply two (coated front and back), "Taxpayer's copy"; and ply three (coated front), "Preparer's copy."

The file designation, "Federal Return, File with IRS" for ply one, must be printed in the bottom right margin (just below the last line of the form) in 12-point boldface type.

It is not mandatory, but recommended, that the file designation "Federal Return, File with IRS" be printed in a contrasting ink for visual emphasis.

3.2.4 Carbon Paper

Do not attach any carbon paper to any return you file with the IRS.

3.2.5 Paper and Ink Color

We prefer that the color and opacity of paper substantially duplicates that of the original form. This means that your substitute must be printed in black ink and may be on white or on the colored paper the IRS form is printed on. Forms 1040A and 1040 substitute reproductions may be in black ink without the colored shading. The only exception to this rule is Form 1041-ES, which should always be printed with a very light gray shading in the color screened area. This is necessary to assist us in expeditiously separating this form from the very similar Form 1040-ES.

**3.2.6
Page Size**

Substitute or reproduced forms and computer prepared/generated substitutes may be the same size as the official form or they may be the standard commercial size (8½" x 11"). The thickness of the stock cannot be less than .003 inches.

Section 3.3 – Printing

**3.3.1
Printing Medium**

The private printing of all substitute tax forms must be by conventional printing processes, photocopying, computer graphics, or similar reproduction processes.

**3.3.2
Legibility**

All forms must have a high standard of legibility as to printing, reproduction, and fill-in matter. Entries of taxpayer data may be no smaller than eight points. The IRS reserves the right to reject those with poor legibility. The ink and printing method used must ensure that no part of a form (including text, graphics, data entries, etc.) develops "smears" or similar quality deterioration. This standard must be followed for any subsequent copies or reproductions made from an approved master substitute form, either during preparation or during IRS processing.

**3.3.3
Type Font**

Many federal tax forms are printed using "Helvetica" as the basic type font. We request that you use this type font when composing substitute forms.

**3.3.4
Print Spacing**

Substitute forms should be printed using a 6 lines/inch vertical print option. They should also be printed horizontally in 10 pitch pica (that is, 10 print characters per inch) or 12 pitch elite (that is, 12 print positions per inch).

**3.3.5
Image Size**

The image size of a printed substitute form should be as close as possible to that of the official form. You may omit any text on both computer prepared and computer generated forms that is solely instructional.

**3.3.6
Title Area Changes**

To allow a large top margin for marginal printing and more lines per page, the title line(s) for all substitute forms (not including the form's year designation and sequence number, when present), may be photographically reduced by 40 percent or reset as one line of type. When reset as one line, the type size may be no smaller than 14-point. You may omit "Department of the Treasury, Internal Revenue Service" and all reference to instructions in the form's title area.

**3.3.7
Remove
Government Printing
Office Symbol and IRS
Catalog Number**

When privately printing substitute tax forms, the Government Printing Office (GPO) symbol and/or jacket number must be removed. In the same place using the same type size, print the Employer Identification Number (EIN) of the printer or designer or the IRS assigned source code. (We prefer this last number be printed in the lower left area of the first page of each form.) Also, remove the IRS Catalog Number (Cat. No.) and the recycle symbol if the substitute is not produced on recycled paper.

**3.3.8
Printing on One
Side of Paper**

While it is preferred that both sides of the paper be used for substitutes and reproduced forms, resulting in the same page arrangement as that of the official form or schedule, the IRS will accept your forms if only one side of the paper is used.

**3.3.9
Photocopy
Equipment**

The IRS does not undertake to approve or disapprove the specific equipment or process used in reproducing official forms. Photocopies of forms must be entirely legible and satisfy the conditions stated in this and other revenue procedures.

**3.3.10
Reproductions**

Reproductions of official forms and substitute forms that do not meet the requirements of this revenue procedure may not be filed instead of the official forms. Illegible photocopies are subject to being returned to the filer for re-submission of legible copies.

**3.3.11
Removal of
Instructions**

You may remove references to instructions. No prior approval is needed.

Exception. The words “For Paperwork Reduction Act Notice, see instructions” must be retained or a similar statement indicating the location of the Notice must be provided on each form.

Section 3.4 – Margins

**3.4.1
Margin Size**

The format of a reproduced tax form when printed on the page must have margins on all sides at least as large as the margins on the official form. This allows room for IRS employees to make necessary entries on the form during processing.

- A 1/2-inch to 1/4-inch margin must be maintained across the top, bottom, and both sides of all substitute forms.
 - The marginal, perforated strips containing pin-fed holes must be removed from all forms prior to filing with the IRS.
-

**3.4.2
Marginal Printing**

Prior approval is not required for the marginal printing allowed when printed on an official form or on a photocopy of an official form.

- With the exception of the actual tax forms (for example, Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.), you may print in the left vertical margin and in the left half of the bottom margin.
 - Printing is never allowed in the top right margin of the tax form (for example, Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.). The Service uses this area to imprint a Document Locator Number for each return. There are no exceptions to this requirement.
-

Section 3.5 – Examples of Approved Formats

**3.5.1
Examples of
Approved Formats From
the Exhibits**

Two sets of exhibits (Exhibits A-1 and 2; B-1 and 2) at the end of this revenue procedure are examples of how these guidelines may be used. Vertical spacing is six (6) lines to the inch. A combination of upper-case and lower-case print font is acceptable in producing substitute forms.

The same logic may be applied to any IRS form that is normally reproducible as a substitute form, with the exception of the tax return forms as discussed elsewhere.

Note. These exhibits may be from a prior year and are not to be used as current substitute forms.

Section 3.6 – Miscellaneous Information for Substitute Forms

3.6.1 Filing Substitute Forms

To be acceptable for filing, a substitute form must print out in a format that will allow the filer to follow the same instructions as for filing official forms. These instructions are in the taxpayer's tax package or in the related form instructions. The form must be legible, must be on the appropriately sized paper, and must include a jurat where one appears on the published form.

3.6.2 Caution to Software Publishers

The IRS has received returns produced by software packages with approved output where either the form heading was altered or the lines were spaced irregularly. This produces an illegible or unrecognizable return or a return with the wrong number of pages. We realize that many of these problems are caused by individual printer differences but they may delay input of return data and, in some cases, generate correspondence to the taxpayer. Therefore, in the instructions to the purchasers of your product, both individual and professional, please stress that their returns will be processed more efficiently if they are properly formatted. This includes:

- Having the correct form numbers and titles at the top of the return, and
 - Submitting the same number of pages as if the form were an official IRS form with the line items on the proper pages.
-

3.6.3 Use Pre-Addressed IRS Label

If you are a practitioner filling out a return for a client or a software publisher who prints instruction manuals, stress the use of the pre-addressed label provided in the tax package the IRS sent to the taxpayer, when available. The use of this label (or its precisely duplicated label information) is extremely important for the efficient, accurate, and economical processing of a taxpayer's return. Labeled returns indicate that a taxpayer is an established filer and permits the IRS to automatically accelerate processing of those returns. This results in quicker refunds, less manual review by IRS functions, and greater accuracy in names, addresses, and postal deliveries.

3.6.4 Caution to Producers of Software Packages

If you are producing a software package that generates name and address data onto the tax return, do not under any circumstances program either the IRS preprinted check digits or a practitioner derived name control to appear on any return prepared and filed with the IRS.

3.6.5 Programming to Print Forms

Whenever applicable:

- Use only the following label information format for single filers:
JOHN Q. PUBLIC
310 OAK DRIVE
HOMETOWN, STATE 94000

- Use only the following information for joint filers:
JOHN Q. PUBLIC
MARY I. PUBLIC
310 OAK DRIVE
HOMETOWN, STATE 94000
-

Part 4 Additional Resources

Section 4.1 – Guidance From Other Revenue Procedures

4.1.1 General

The IRS publications listed below provide guidance for substitute tax forms not covered in this revenue procedure. The publications are available only on the IRS website. Identify the requested document by the IRS publication number.

- Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
 - Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S.
 - Publication 1187, Specifications for Filing Forms 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding, Electronically or Magnetically.
 - Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically or Magnetically.
 - Publication 1223, General Rules and Specifications for Substitute Forms W-2c and W-3c.
 - Publication 1239, Specifications for Filing Form 8027, Employer’s Annual Information Return of Tip Income and Allocated Tips, Electronically or Magnetically.
 - Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns.
 - Publication 1345-A, Filing Season Supplement for Authorized IRS *e-file* Providers.
 - Publication 4436, General Rules and Specifications for Substitute Form 941 and Schedule B (Form 941).
-

Section 4.2 – Electronic Tax Products

4.2.1 The IRS Website

Copies of tax forms with instructions, publications, draft forms, fillable forms, prior year forms and publications, and other tax-related information may be found on the IRS website at www.irs.gov.

4.2.2 Tax Products Posting Schedule

The IRS website provides a Tax Products Posting Schedule for the official forms released for use by taxpayers. The schedule has three parts.

- Anticipated print dates of annual returns.
- Anticipated print dates of quarterly returns.
- Last revision dates and target print dates for continuous-use forms.

The site address is www.irs.gov/formspubs/article/0,,id=103641,00.html. The site will be updated weekly during peak printing periods and as necessary at other times. The planned dates are subject to change.

Section 4.3 – Federal Tax Forms on CD-ROM

4.3.1 Information About Federal Tax Forms CD-ROM

The CD-ROM contains over 3,000 tax forms and publications for small businesses, return preparers, and others who frequently need current or prior year tax products. Most current tax forms on the CD-ROM may be filled in electronically, then printed out for submission and saved for recordkeeping. Other products on the CD-ROM include the Internal Revenue Bulletins, Tax Supplements, and Internet resources for the tax professional with links to the World Wide Web.

4.3.2 System Requirements and How To Order the Federal Tax Forms CD-ROM

For system requirements, contact the National Technical Information Service (NTIS) help desk at 703-487-4608. Prices are subject to change.

The cost of the CD if purchased via the Internet at <http://www.irs.gov/cdorders> from NTIS, is \$35 (with no handling fee).

If purchased using the following methods, the cost for each CD is \$35 (plus a \$5 handling fee). These methods are:

- By phone – 1-877-CDFORMS (1-877-233-6767),
 - By fax – 703-605-6900,
 - By mail using the order form contained in IRS Publication 1045 (Tax Professionals Guide), and
 - By mail to:
National Technical Information Service
5285 Port Royal Road
Springfield, VA 22161
-

Part 5 Requirements for Specific Tax Returns

Section 5.1 – Tax Returns (Forms 1040, 1040A, 1120, etc.)

5.1.1 Acceptable Forms

Tax forms (such as Forms 1040, 1040A, and 1120) require a signature and establish tax liability. Computer generated versions are acceptable under the following conditions.

- These substitute forms must be printed on plain white paper.
 - Substitute forms must conform to the physical layout of the corresponding IRS form although the typeface may differ. The text should match the text on the officially published form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis.
- Caution.** All jurats (perjury statements) must be reproduced verbatim. No text can be added, deleted, or changed in meaning.
- Various computer graphic print media such as laser printing, inkjet printing, etc., may be used to produce the substitute forms.
 - The substitute form must be the same number of pages and contain the same line text as the official form.
 - All substitute forms must be submitted for approval prior to their original use. You do not need approval for a substitute form if its only change is the preprinted year and you had received a prior year approval letter.

Exception. If the approval letter specifies a one time exception for your form, the next year's form must be approved.

**5.1.2
Prohibited Forms**

The following are prohibited.

- Computer generated tax forms (for example, Form 1040, etc.) on lined or color barred paper.
 - Tax forms that differ from the official IRS forms in a manner that makes them not standard or unable to process.
-

**5.1.3
Changes
Permitted to Forms
1040 and 1040A**

Certain changes (listed in Sections 5.2 through 5.4) are permitted to the graphics of the form without prior approval, but these changes apply to only acceptable preprinted forms. Changes not requiring prior approval are good only for the annual filing period, which is the current tax year. Such changes are valid in subsequent years only if the official form does not change.

**5.1.4
Other Changes
Not Listed**

All changes not listed in Sections 5.2 through 5.4 require approval from the IRS before the form can be filed.

Section 5.2 – Changes Permitted to Graphics (Forms 1040A and 1040)

**5.2.1
Adjustments**

You may make minor vertical and horizontal spacing adjustments to allow for computer or word processing printing. This includes widening the amount columns or tax entry areas if the adjustments comply with other provisions stated in revenue procedures. No prior approval is needed for these changes.

**5.2.2
Name and Address Area**

The horizontal rules and instructions within the name and address area may be removed and the entire area left blank. No line or instruction can remain in the area. However, the statement regarding use of the IRS label should be retained. The heavy ruled border (when present) that outlines the name, address area, and social security number must not be removed, relocated, expanded, or contracted.

**5.2.3
Required Format**

When the name and address area is left blank, the following format must be used when printing the taxpayer's name and address. Otherwise, unless the taxpayer's preprinted label is affixed over the information entered in this area, the lines must be filled in as shown below.

- 1st name line (35 characters maximum).
 - 2nd name line (35 characters maximum).
 - In-care-of name line (35 characters maximum).
 - City, state (25 characters maximum), one blank character, and ZIP code.
-

**5.2.4
Conventional
Name and
Address Data**

When there is no in-care-of name line, the name and address will consist of only three lines (single filer) or four lines (joint filer). Name and address (joint filer) with no in-care-of name line:

JOHN Z. JONES
MARY I. JONES
1234 ANYWHERE ST., APT. 111
ANYTOWN, STATE 12321

**5.2.5
Example of
In-Care-Of
Name Line**

Name and address (single filer) with in-care-of name line:

JOHN Z. JONES
C/O THOMAS A. JONES
4311 SOMEWHERE AVE.
SAMETOWN, STATE 54345

**5.2.6
SSN and
Employer Identification
Number (EIN) Area**

The vertical lines separating the format arrangement of the SSN/EIN may be removed. When the vertical lines are removed, the SSN and EIN formats must be 000-00-0000 or 00-0000000, respectively.

**5.2.7
Cents Column**

- You may remove the vertical rule that separates the dollars from the cents.
 - All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present.
 - You may omit printing the cents, but all amounts entered on the form must follow a consistent format. You are strongly urged to round off the figures to whole dollar amounts, following the official form instructions.
 - When several amounts are summed together, the total should be rounded off after addition (that is, individual amounts should not be rounded off for computation purposes).
 - When printing money amounts, you must use one of the following formats:
 - (a) 0,000,000.;
 - (b) 0,000,000.00.
 - When there is no entry for a line, leave the line blank.
-

**5.2.8
“Paid Preparer’s
Use Only” Area**

On all forms, the paid preparer’s information area may not be rearranged or relocated. You may add three lines and remove the horizontal rules in the preparer’s address area.

Section 5.3 – Changes Permitted to Form 1040A Graphics

**5.3.1
General**

No prior approval is needed for the following changes (for use with computer prepared forms only).

**5.3.2
Line 4 of
Form 1040A**

This line may be compressed horizontally (to allow for same line entry for the name of the qualifying child) by using the following caption: “Head of household; child’s name” (name field).

**5.3.3
Other Lines**

Any line with text that takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

5.3.4
Page 2 of
Form 1040A

All lines must be present and numbered in the order shown on the official form. These lines may also be compressed.

5.3.5
Color Screening

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040A may be printed in black and white only with no color screening.

5.3.6
Other Changes
Prohibited

No other changes to the Form 1040A graphics are allowed without prior approval except for the removal of instructions and references to instructions.

Section 5.4 – Changes Permitted to Form 1040 Graphics

5.4.1
General

No prior approval is needed for the following changes (for use with computer prepared forms only). Specific line numbers in the following headings may have changed due to tax law changes.

5.4.2
Line 4 of
Form 1040

This line may be compressed horizontally (to allow for a larger entry area for the name of the qualifying child) by using the following caption: “Head of household; child’s name” (name field).

5.4.3
Line 6c of
Form 1040

The vertical lines separating columns (1) through (4) may be removed. The captions may be shortened to allow a one line caption for each column.

5.4.4
Other Lines

Any other line with text that takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

5.4.5
Line 21 – Other Income

The fill-in portion of this line may be expanded vertically to three lines. The amount entry box must remain a single entry.

5.4.6
Line 44 of
Form 1040 – Tax

You may change the line caption to read “Tax” and computer print the words “Total includes tax from” and either “Form(s) 8814” or “Form 4972.” If both forms are used, print both form numbers. This specific line number may have changed.

5.4.7
Line 55 of
Form 1040 –
Other Credits

You may change the caption to read: “Other credits from Form” and computer print only the form(s) that apply.

**5.4.8
Color Screening**

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040 may be printed in black and white only with no color screening.

**5.4.9
Other Changes
Prohibited**

No other changes to the Form 1040 graphics are permitted without prior approval except for the removal of instructions and references to instructions.

Part 6 Format and Content of Substitute Returns

Section 6.1 – Acceptable Formats for Substitute Forms and Schedules

**6.1.1
Exhibits and Use of Acceptable
Formats**

Exhibits of acceptable formats for Schedule A, usually attached to the Form 1040, and Form 2106-EZ are shown in the exhibits section of this revenue procedure.

- If your computer generated forms appear exactly like the exhibits, no prior authorization is needed.
 - You may computer generate forms not shown here, but you must design them by following the manner and style of those in the exhibits section.
 - Take care to observe other requirements and conditions in this revenue procedure. The IRS encourages the submission of all proposed forms covered by this revenue procedure.
-

**6.1.2
Instructions**

The format of each substitute form or schedule must follow the format of the official form or schedule as to item captions, line references, line numbers, sequence, form arrangement and format, etc. Basically, try to make the form look like the official one, with readability and consistency being primary factors. You may use periods and/or other similar special characters to separate the various parts and sections of the form. Do not use alpha or numeric characters for these purposes. All line numbers and items must be printed even though an amount is not entered on the line.

**6.1.3
Line Numbers**

When a line on an official form is designated by a number or a letter, that designation (reference code) must be used on a substitute form. The reference code must be printed to the left of the text of each line and immediately preceding the data entry field, even if no reference code precedes the data entry field on the official form. If an entry field contains multiple lines and shows the line references once on the left and right side of the form, use the same number of line references on the substitute form.

In addition, the reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There also must be at least two blank spaces between the period or the right parenthesis and the first digit of the data field. (See example below.)

**6.1.4
Decimal Points**

A decimal point (that is, a period) should be used for each money amount regardless of whether the amount is reported in dollars and cents or in whole dollars, or whether or not the vertical line that separates the dollars from the cents is present. The decimal points must be vertically aligned when possible.

Example:

5 STATE & LOCAL INC. TAXES.....	5.	495.00
6 REAL ESTATE TAXES.....	6.	
7 PERSONAL PROPERTY TAXES.....	7.	198.00
or		
5 STATE & LOCAL INC. TAXES.....	(5)	495.00
6 REAL ESTATE TAXES.....	(6)	
7 PERSONAL PROPERTY TAXES.....	(7)	198.00

**6.1.5
Multi-Page Forms**

When submitting a multi-page form, send all its pages in the same package.

Exception. If you will not be producing certain pages, please note that in your cover letter.

Section 6.2 – Additional Instructions for All Forms

**6.2.1
Use of Your
Own Internal Control
Numbers and
Identifying Symbols**

You may show the computer prepared internal control numbers and identifying symbols on the substitute if using such numbers or symbols is acceptable to the taxpayer and the taxpayer's representative. Such information must not be printed in the top 1/2 inch clear area of any form or schedule requiring a signature. Except for the actual tax return form (Forms 1040, 1120, 940, 941, etc.), you may print in the left vertical and bottom left margins. The bottom left margin you may use extends 3 1/2 inches from the left edge of the form.

**6.2.2
Descriptions for
Captions, Lines, etc.**

Descriptions for captions, lines, etc., appearing on the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient key words must be retained to permit ready identification of the caption, line, or item.

**6.2.3
Determining
Final Totals**

Explanatory detail and/or intermediate calculations for determining final line totals may be included on the substitute. We prefer that such calculations be submitted in the form of a supporting statement. If intermediate calculations are included on the substitute, the line on which they appear may not be numbered or lettered. Intermediate calculations may not be printed in the right column. This column is reserved only for official numbered and lettered lines that correspond to the ones on the official form. Generally, you may choose the format for intermediate calculations or subtotals on supporting statements to be submitted.

**6.2.4
Instructional
Text on the Official Form**

Text on the official form, which is solely instructional (for example, "See instructions," etc.), may generally be omitted from the substitute form.

**6.2.5
Mixing Forms
on the Same Page Prohibited**

You may not show more than one form or schedule on the same printout page. Both sides of the paper may be printed for multi-page official forms, but it is unacceptable to intermix single page schedules of forms except for Schedules A and B (Form 1040), which are printed back to back by the IRS.

For instance, Schedule E can be printed on both sides of the paper because the official form is multi-page, with page 2 continued on the back. However, do not print Schedule E on the front page and Schedule SE on the back, or Schedule A on the front and Form 8615 on the back, etc. Both pages of a substitute form must match the official form. The back page may be left blank if the back page of the official form contains only the instructions.

**6.2.6
Identifying
Substitutes**

Identify all computer prepared substitutes clearly. Print the form designation 1/2 inch from the top margin and 1 1/2 inches from the left margin. Print the title centered on the first line of print. Print the taxable year and, where applicable, the sequence number on the same line 1/2 inch to 1 inch from the right margin. Include the taxpayer's name and SSN on all forms and attachments. Also, print the OMB number as reflected on the official form.

**6.2.7
Negative Amounts**

Negative (or loss) amount entries should be enclosed in brackets or parentheses or include a minus sign. This assists in accurate computation and input of form data. The IRS pre-prints parentheses in negative data fields on many official forms. These parentheses should be retained or inserted on printouts of affected substitute forms.

Part 7 Miscellaneous Forms and Programs

Section 7.1 – Specifications for Substitute Schedules K-1

**7.1.1
Requirements
for Schedules K-1
That Accompany
Forms 1041, 1065, 1065-B,
and 1120S**

Because of significant changes to improve processing, prior approval is now required for substitute Schedules K-1 that accompany Form 1041 (for estates and trusts), Form 1065 (for partnerships), Form 1065-B (for electing large partnerships), or Form 1120S (for S corporations). Substitute Schedules K-1 should be as close as possible to exact replicas of copies of the official IRS schedules and follow the same process for submitting other substitute forms and schedules. Before releasing their substitute forms, software vendors are responsible for making any subsequent changes that have been made to the final official IRS forms after the draft forms have been posted.

You must include all information on the form. Submit Schedules K-1 to the IRS at [*taxforms@irs.gov](mailto:taxforms@irs.gov) with "Attn: Substitute Forms" on the subject line or at:

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

Include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120S.

- 661106 for Form 1041,
- 651106 for Form 1065, and
- 671106 for Form 1120S.

Please allow white space around the 6-digit code.

Schedules K-1 that accompany Forms 1041, 1065, 1065-B, or 1120S must meet all specifications. The specifications include, but are not limited to, the following requirements.

- You will no longer be able to produce Schedules K-1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- The words “*See attached statement for additional information.” must be preprinted in the lower right hand side on Schedules K-1 of Forms 1041, 1065, and 1120S.
- All K-1s that are filed with the IRS should be printed on standard 8.5” x 11” paper (the international standard (A4) of 8.27” x 11.69” may be substituted).
- Each recipient’s information must be on a separate sheet of paper. Therefore, you must separate all continuously printed substitutes, by recipient, before filing with the IRS.
- No carbon copies or pressure-sensitive copies will be accepted.
- The Schedule K-1 must contain the name, address, and SSN or EIN of both the entity (estate, trust, partnership, or S corporation) and the recipient (beneficiary, partner, or shareholder).
- The Schedule K-1 must contain the tax year, the OMB number, the schedule number (K-1), the related form number (1041, 1065, 1065-B, or 1120S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- The Schedule K-1 must contain all the line items as shown on the official form, except for the instructions, if any are printed on the back of the official Schedule K-1.
- The line items or boxes must be in the same order and arrangement as those on the official form.
- The amount of each recipient’s share of each item must be shown. Furnishing a total amount of each item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- State or local tax-related information may not be included on the Schedules K-1 filed with the IRS.
- The entity may have to pay a penalty if substitute Schedules K-1 are filed that do not conform to specifications.
- Additionally, the IRS may consider the Schedules K-1 that do not conform to specifications as not being able to process and may return Forms 1041, 1065, 1065-B, or 1120S to the entity to be filed correctly.

Schedules K-1 that are 2-D bar-coded will continue to require prior approval from the IRS (see Sections 7.1.3 through 7.1.5).

7.1.2 Special Requirements for Recipient Copies of Schedules K-1

Standardization for reporting information is required for recipient copies of substitute Schedules K-1 of Forms 1041, 1065, 1065-B, and 1120S. Uniform visual standards are provided to increase compliance by allowing recipients and practitioners to more easily recognize a substitute Schedule K-1. The entity must furnish to each recipient a copy of Schedule K-1 that meets the following requirements.

- Include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120S.
 - 661106 for Form 1041,
 - 651106 for Form 1065, and
 - 671106 for Form 1120S.Please allow white space around the 6-digit code.
- You will no longer be able to produce Schedules K-1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- Both pages 1 and 2 of Schedules K-1 of Forms 1065 and 1120S must be provided to each recipient.
- The words “*See attached statement for additional information.” must be preprinted in the lower right hand side on Schedules K-1 of Forms 1041, 1065, and 1120S.
- The Schedule K-1 must contain the name, address, and SSN or EIN of both the entity and recipient.

- The Schedule K-1 must contain the tax year, the OMB number, the schedule number (K-1), the related form number (1041, 1065, 1065-B, or 1120S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- All applicable amounts and information required to be reported must be titled and numbered in the same manner as shown on the official IRS schedule. The line items or boxes must be in the same order and arrangement and must be numbered like those on the official IRS schedule.
- The Schedule K-1 must contain all items required for use by the recipient. The instructions to the schedule must identify the line or box number and code, if any, for each item as shown in the official IRS schedule.
- The amount of each recipient's share of each item must be shown. Furnishing a total amount of each line item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- Instructions to the recipient that are substantially similar to those on or accompanying the official IRS schedule must be provided to aid in the proper reporting of the items on the recipient's income tax return. Where items are not reported to a recipient because they do not apply, the related instructions may be omitted.
- The quality of the ink or other material used to generate recipients' schedules must produce clearly legible documents. In general, black chemical transfer inks are preferred.
- In order to assure uniformity of substitute Schedules K-1, the paper size should be standard 8.5" x 11" (the international standard (A4) of 8.27" x 11.69" may be substituted.)
- The paper weight, paper color, font type, font size, font color, and page layout must be such that the average recipient can easily decipher the information on each page.
- State or local tax-related information may be included on recipient copies of substitute Schedules K-1. All non-tax-related information should be separated from the tax information on the substitute schedule to avoid confusion for the recipient.
- The legend "Important Tax Return Document Enclosed" must appear in a bold and conspicuous manner on the outside of the envelope that contains the substitute recipient copy of Schedule K-1.
- The entity may have to pay a penalty if a substitute Schedule K-1 furnished to any recipient does not conform to the specifications of this revenue procedure and results in impeding processing.

7.1.3 Requirements for Schedules K-1 with Two-Dimensional (2-D) Bar Codes

In an effort to reduce the burden of manually transcribing tax documents, improve quality, and increase government efficiency, the IRS is pleased to provide specifications for 2-D bar-coded substitute Schedules K-1 for Forms 1041, 1065, and 1120S. The IRS encourages voluntary participation in adding 2-D barcoding.

Note. If software vendors do not want to produce bar-coded Schedules K-1, they may produce the official IRS Schedules K-1 but cannot use the expedited process for approving bar-coded K-1s and their parent returns as outlined in Section 7.1.5.

In addition to the requirements in Sections 7.1.1 and 7.1.2, the bar-coded Schedules K-1 must meet the following specifications.

- The bar code should print in the space labeled "For IRS Use Only" on each Schedule K-1. The entire bar code must print within the "For IRS Use Only" box surrounded by a white space of at least 1/4 inch.
- Bar codes must print in PDF 417 format.
- The bar codes must always be in the specified format with every field represented by at least a field delimiter (carriage return). Leaving out a field in a bar code will cause every subsequent field to be misread.
- Be sure to include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120S.
 - 661106 for Form 1041,

- 651106 for Form 1065, and
- 671106 for Form 1120S.

Please allow white space around the 6-digit code.

7.1.4 Approval Process for Bar-Coded Schedules K-1

Prior to releasing commercially available tax software that creates bar-coded Schedules K-1, the printed schedule and the bar code must both be tested. Bar code testing must be done using the final official IRS Schedule K-1. Bar code approval requests must be resubmitted for any subsequent changes to the official IRS form that would affect the bar code. Below are instructions and a sequence of events that will comprise the testing process.

- The IRS has released the final Schedule K-1 bar-code specifications by publishing them on the IRS.gov website (see <http://www.irs.gov/efile/article/0,,id=129859,00.html>).
 - The IRS will publish a set of test documents that will be used to test the ability of tax preparation software to create bar codes in the correct format.
 - Software developers will submit two identical copies of the test documents – one to the IRS and one to a contracted testing vendor.
 - The IRS will use one set to ensure the printed schedules comply with standard substitute forms specifications.
 - If the printed forms fail to meet the substitute form criteria, the IRS will inform the software developer of the reason for noncompliance.
 - The software developer must resubmit the Schedule(s) K-1 until they pass the substitute forms criteria.
 - The testing vendor will review the bar codes to ensure they meet the published bar-code specifications.
 - If the bar code(s) does not meet published specifications, the testing vendor will contact the software developer directly informing them of the reason for noncompliance.
 - Software developers must submit new bar-coded schedules until they pass the bar-code test.
 - When the bar code passes, the testing vendor will inform the IRS that the developer has passed the bar-code test and the IRS will issue an overall approval for both the substitute form and the bar code.
 - After receiving this consolidated response, the software vendor is free to release software for tax preparation as long as any subsequent revisions to the schedules do not change the fields.
 - Find the mailing address for the testing vendor below. Separate and simultaneous mailings to the IRS and the vendor will reduce testing time.
-

7.1.5 Procedures for Reducing Testing Time

In order to help provide incentives to the software development community to participate in the Schedule K-1 2-D project, the IRS has committed to expediting the testing of bar-coded Schedules K-1 and their associated parent returns. To receive this expedited service, follow the instructions below.

- Mail the parent returns (Forms 1065, 1120S, 1041) and associated bar-coded Schedule(s) K-1 to the appropriate address below in a separate package from all other approval requests.

Internal Revenue Service
Attn: Bar-Coded K-1
SE:W:CAR:MP:T:T:SP
1111 Constitution Avenue, NW
Room 6406
Washington, D.C. 20224

- Mail one copy of the parent form(s) and Schedule(s) K-1 to the IRS and another copy to the testing vendor at the address below.

Northrop Grumman Information Tech
 Attn: Bill Philpot, Product Assurance Manager
 1800 Alexander Bell Drive
 Suite 300
 Reston, VA 20191
 Phone: 703-453-1200

- Include multiple email and phone contact points in the packages.
- While the IRS can expedite bar-coded Schedules K-1 and their associated parent returns, it cannot expedite the approval of non-associated tax returns.

Section 7.2 – Procedures for Printing IRS Envelopes

7.2.1 Procedures for Printing IRS Envelopes

Organizations are permitted to produce substitute tax return envelopes. Use of substitute return envelopes that comply with the requirements set forth in this section will assist in delivery of mail by the U.S. Postal Service and facilitate internal sorting at the Internal Revenue Service Centers.

Use the following 5-digit ZIP codes when mailing returns to the IRS Service Centers:

Service Center	ZIP Code
Atlanta, GA	39901
Kansas City, MO	64999
Austin, TX	73301
Philadelphia, PA	19255
Memphis, TN	37501
Andover, MA	05501
Cincinnati, OH	45999
Ogden, UT	84201
Fresno, CA	93888

7.2.2 Sorting Returns by Form Type

Sorting returns by form type is accomplished by the preprinted bar codes on return envelopes included in each specific type of form or package mailed to the taxpayers. The 32 bit bar code on the left of the address on each envelope identifies the type of form the taxpayer is filing, and it assists in consolidating like returns for processing. Failure to use the envelopes furnished by the IRS results in additional processing time and effort, and possibly delays the timely deposit of funds, processing of returns, and issuance of refund checks.

**7.2.3
ZIP+4 or 9-Digit
ZIP Codes**

The IRS will not furnish or sell bulk quantities of preprinted tax return envelopes to taxpayers or tax practitioners. A suitable alternative has been developed that will accommodate the sorting needs of both the IRS and the United States Postal Service (USPS). The alternative is based on the use of ZIP+4, or 9-digit ZIP codes, for mailing various types of tax returns to the IRS Service Centers. The IRS uses the last four digits to identify and sort the various form types into separate groups for processing. The list of 4-digit extensions with the related form designations is provided below.

ZIP+4	Package
XXXXXX-0002	1040
XXXXXX-0005	941
XXXXXX-0006	940
XXXXXX-0008	943
XXXXXX-0011	1065
XXXXXX-0012	1120
XXXXXX-0013	1120S
XXXXXX-0014	1040EZ
XXXXXX-0015	1040A
XXXXXX-0027	990
XXXXXX-0031	2290

**7.2.4
Guidelines for
Having Envelopes Preprinted**

You may use the preparers' company names, addresses, and logos as long as you do not interfere with the clear areas. The government recommends that the envelope stocks have an average opacity of not less than 89 percent and contain a minimum of 50 percent waste paper. Use of carbon based ink is essential for effective address and bar-code reading. Envelope construction can be of side seam or diagonal seam design. The government recommends that the size of the envelope should be 5³/₄ inches by 9 inches. Continuous pin-fed construction is not desirable, but is permissible, if the glued edge is at the top. This requirement is firm because mail opening equipment is designed to open the bottom edge of each envelope.

**7.2.5
Envelopes/ZIP
Codes**

The above procedures or guidelines are written for the user having envelopes preprinted. Many practitioners may not wish to have large quantities of envelopes with differing ZIP codes/form designations preprinted due to low volume, warehousing, waste, etc. In this case, the practitioner can type or machine print the addresses with the appropriate ZIP codes to accommodate sorting. If the requirements/guidelines outlined in this section cannot be met, then use only the appropriate 5-digit service center ZIP code.

Section 7.3 – Guidelines for Substitute Forms 8655

7.3.1 Increased Standardization for Forms 8655

Increased standardization for reporting information on substitute Forms 8655 is now required to aid in processing and for compliance purposes. Please follow the guidelines in Section 7.3.2.

7.3.2 Requirements for Substitute Forms 8655

Please follow these specific requirements when producing substitute Forms 8655.

- The first line of the title must be “Reporting Agent Authorization.”
 - If you want to include a reference to “State Limited Power of Attorney,” it can be in parentheses under the title. “State” must be the first word within the parentheses.
 - You must include “Form 8655” on the form.
 - While the line numbers do not have to match the official form, the sequence of the information must be in the same order.
 - The size of any variable data must be printed in a font no smaller than 10-point.
 - For adequate disclosure checks, the following must be included for each taxpayer:
 - (a) Name,
 - (b) EIN, and
 - (c) Address.
 - At this time, Form 944 will not be required if Form 941 is checked. Only those forms that the reporting agent company supports need to be listed.
 - The jurat must be identical with the exception of references to line numbers.
 - A contact name and number for the reporting agent is not required.
 - Line 17, or the equivalent line, must include two checkboxes.
 - Any state information included should be contained in a separate section of the substitute form. Preferably this information will be in the same area as line 19 of the official form.
 - All substitute Forms 8655 must be approved by the Substitute Forms Unit as outlined in the Form 8655 specifications in Publication 1167.
 - If you have not already been assigned a 3-letter source code, you will be given one when your substitute form is approved. This source code should be included in the lower left corner of the form.
-

Part 8 Alternative Methods of Filing

Section 8.1 – Forms for Electronically Filed Returns

8.1.1 Electronic Filing Program

Electronic filing is a method by which qualified filers transmit tax return information directly to an IRS Service Center in the format of the official IRS forms. The IRS accepts both refund and balance-due individual tax returns that are filed electronically.

8.1.2
Applying to
Participate in IRS e-file

Anyone wishing to participate in IRS *e-file* of tax returns must submit an *e-file* application. The application can be completed and submitted electronically on the IRS website at www.irs.gov or by filing Form 8633, Application to Participate in the IRS *e-file* Program.

8.1.3
Mailing
Instructions

IF submitting Form 8633 by...	THEN mail it to...
Regular mail	Internal Revenue Service Andover Submission Processing Center Attn: EFU Acceptance - Testing Stop 983 P.O. Box 4099 Woburn, MA 01888-4099
Overnight mail	Internal Revenue Service Andover Submission Processing Center Attn: EFU Acceptance - Testing Stop 983 310 Lowell Street Andover, MA 05501-0001

8.1.4
Obtaining the
Taxpayer Signature

Form 8453, U.S. Individual Income Tax Declaration for an IRS *e-file* Return, is the signature document for an electronically filed 1040, 1040A, or 1040EZ return not filed with an electronic signature. Form 8453, which serves as a transmittal for associated nonelectronic (paper) documents such as Forms 3115, 5713, 8283, and 8332, is a one-page form and can only be approved through the Substitute Forms Program in that format. Form 8453-OL serves the same purpose for taxpayers filing through online services. For specific information about electronic filing, refer to Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns.

8.1.5
Guidelines for
Preparing Substitute Forms in the
Electronic Filing Program

A participant in the electronic filing program, who wants to develop a substitute form should follow the guidelines throughout this publication and send a sample form for approval to the Substitute Forms Unit at the address in Part 1. If you do not prepare Substitute Form 8453 using a font in which all IRS wording fits on a single page, the form will not be accepted.

Note. Use of unapproved forms could result in suspension of the participant from the electronic filing program.

Section 8.2 – Effect on Other Documents

8.2.1
Effect on Other
Documents

This revenue procedure supersedes Revenue Procedure 2005–74, 2005–2 C.B. 1098.

Exhibit A-1 (Preferred Format)

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

(Schedule B is on back)

OMB No. 1545-0074

2006

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A&B (Form 1040).**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see page A-1)	1			
	2 Enter amount from Form 1040, line 38 2	2			
	3 Multiply line 2 by 7.5% (.075).	3			
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	
Taxes You Paid (See page A-3.)	5 State and local income taxes	5			
	6 Real estate taxes (see page A-3)	6			
	7 Personal property taxes	7			
	8 Other taxes. List type and amount ▶	8			
	9 Add lines 5 through 8				9
Interest You Paid (See page A-3.)	10 Home mortgage interest and points reported to you on Form 1098	10			
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶	11			
	12 Points not reported to you on Form 1098. See page A-4 for special rules	12			
	13 Investment interest. Attach Form 4952 if required. (See page A-4.)	13			
Note. Personal interest is not deductible.	14 Add lines 10 through 13			14	
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-5	15			
	16 Other than by cash or check. If any gift of \$250 or more, see page A-5. You must attach Form 8283 if over \$500	16			
	17 Carryover from prior year	17			
	18 Add lines 15 through 17				18
Casualty and Theft Losses	19 Casualty or theft loss(es). Attach Form 4684. (See page A-6.)			19	
Job Expenses and Certain Miscellaneous Deductions (See page A-6.)	20 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶	20			
	21 Tax preparation fees.	21			
	22 Other expenses—investment, safe deposit box, etc. List type and amount ▶	22			
	23 Add lines 20 through 22	23			
	24 Enter amount from Form 1040, line 38 24	24			
	25 Multiply line 24 by 2% (.02)	25			
	26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-			26	
Other Miscellaneous Deductions	27 Other—from list on page A-7. List type and amount ▶			27	
Total Itemized Deductions	28 Is Form 1040, line 38, over \$150,500 (over \$75,250 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-7 for the amount to enter. } ▶			28	
	29 If you elect to itemize deductions even though they are less than your standard deduction, check here ▶ <input type="checkbox"/>				

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2006

Exhibit A-2 (Acceptable Format)

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

2006

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A&B (Form 1040).**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	1	Medical and dental expenses (see page A-1)	1	
	2	Enter amount from Form 1040, line 38 2	2	
	3	Multiply line 2 by 7.5% (.075).	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	
Taxes You Paid (See page A-3.)	5	State and local income taxes	5	
	6	Real estate taxes (see page A-3)	6	
	7	Personal property taxes	7	
	8	Other taxes. List type and amount ▶	8	
	9	Add lines 5 through 8	9	
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10	
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶	11	
	12	Points not reported to you on Form 1098. See page A-4 for special rules	12	
	13	Investment interest. Attach Form 4952 if required. (See page A-4.)	13	
Note. Personal interest is not deductible.	14	Add lines 10 through 13	14	
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of \$250 or more, see page A-5	15	
	16	Other than by cash or check. If any gift of \$250 or more, see page A-5. You must attach Form 8283 if over \$500	16	
	17	Carryover from prior year	17	
	18	Add lines 15 through 17	18	
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-6.)	19	
Job Expenses and Certain Miscellaneous Deductions (See page A-6.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶	20	
	21	Tax preparation fees.	21	
	22	Other expenses—investment, safe deposit box, etc. List type and amount ▶	22	
	23	Add lines 20 through 22	23	
	24	Enter amount from Form 1040, line 38 24	24	
	25	Multiply line 24 by 2% (.02)	25	
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-	26		
Other Miscellaneous Deductions	27	Other—from list on page A-7. List type and amount ▶	27	
Total Itemized Deductions	28	Is Form 1040, line 38, over \$150,500 (over \$75,250 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. } ▶ <input type="checkbox"/> Yes. Your deduction may be limited. See page A-7 for the amount to enter.	28	
	29	If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2006

Exhibit B-1 (Preferred Format)

Form **2106-EZ**

Unreimbursed Employee Business Expenses

OMB No. 1545-0074

2006

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040 or Form 1040NR.

Attachment
Sequence No. **54A**

Your name	Occupation in which you incurred expenses	Social security number : : :
-----------	---	---------------------------------------

You May Use This Form Only if All of the Following Apply.

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2006.

Caution: You can use the standard mileage rate for 2006 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

Part I Figure Your Expenses

1 Vehicle expense using the standard mileage rate. Complete Part II and multiply line 8a by 44.5¢ (.445)	1		
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2		
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3		
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4		
5 Meals and entertainment expenses: \$ _____ × 50% (.50) (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 75% (.75) instead of 50%. For details, see instructions.)	5		
6 Total expenses. Add lines 1 through 5. Enter here and on Schedule A (Form 1040), line 20 (or on Schedule A (Form 1040NR), line 9). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.)	6		

Part II Information on Your Vehicle. Complete this part **only** if you are claiming vehicle expense on line 1.

- 7 When did you place your vehicle in service for business use? (month, day, year) ▶ / /
- 8 Of the total number of miles you drove your vehicle during 2006, enter the number of miles you used your vehicle for:
 a Business b Commuting (see instructions) c Other
- 9 Do you (or your spouse) have another vehicle available for personal use? Yes No
- 10 Was your vehicle available for personal use during off-duty hours? Yes No
- 11a Do you have evidence to support your deduction? Yes No
 b If "Yes," is the evidence written? Yes No

For Paperwork Reduction Act Notice, see page 4.

Form **2106-EZ** (2006)

Exhibit B-2 (Acceptable Format)

Form **2106-EZ**

Unreimbursed Employee Business Expenses

OMB No. 1545-0074

2006

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1040 or Form 1040NR.**

Attachment
Sequence No. **54A**

Your name	Occupation in which you incurred expenses	Social security number
-----------	---	------------------------

You May Use This Form Only if All of the Following Apply.

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2006.

Caution: You can use the standard mileage rate for 2006 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

Part I Figure Your Expenses

1 Vehicle expense using the standard mileage rate. Complete Part II and multiply line 8a by 44.5¢ (.445)	1	
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3	
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4	
5 Meals and entertainment expenses: \$_____ × 50% (.50) (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 75% (.75) instead of 50%. For details, see instructions.)	5	
6 Total expenses. Add lines 1 through 5. Enter here and on Schedule A (Form 1040), line 20 (or on Schedule A (Form 1040NR), line 9). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.)	6	

Part II Information on Your Vehicle. Complete this part **only** if you are claiming vehicle expense on line 1.

- 7 When did you place your vehicle in service for business use? (month, day, year) ▶ / /
- 8 Of the total number of miles you drove your vehicle during 2006, enter the number of miles you used your vehicle for:
a Business b Commuting (see instructions) c Other
- 9 Do you (or your spouse) have another vehicle available for personal use? Yes No
- 10 Was your vehicle available for personal use during off-duty hours? Yes No
- 11a Do you have evidence to support your deduction? Yes No
- b If "Yes," is the evidence written? Yes No

For Paperwork Reduction Act Notice, see page 4.

Form **2106-EZ** (2006)

Part IV. Items of General Interest

AJCA Modifications to the Section 6112 Regulations

Announcement 2007-27

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of public hearing on proposed rulemaking.

SUMMARY: This document provides notice of a public hearing on proposed rulemaking (REG-103043-05, 2006-49 I.R.B. 1063) relating to the obligation of material advisors to prepare and maintain lists with respect to reportable transactions under section 6112.

DATES: The public hearing is being held on Tuesday, March 20, 2007, at 10:00 a.m. The IRS must receive outlines of the topics to be discussed at the public hearing by March 6, 2007.

ADDRESSES: The public hearing is being held in the IRS Auditorium, Internal Revenue Service Building, 1111 Constitution Avenue, NW, Washington, DC 20224. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building.

Mail outlines to CC:PA:LPD:PR (REG-103043-05), room 5205, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8:00 a.m. and 4:00 p.m. to CC:PA:LPD:PR (REG-103043-05), Couriers Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC or sent electronically via the Federal rulemaking Portal at www.regulations.gov (IRS-REG-103043-05).

FOR FURTHER INFORMATION CONTACT: Concerning submissions of comments, the hearing and/or to be placed on the building access list to attend the hearing Kelly Banks at (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

The subject of the public hearing is the notice of proposed rulemaking (REG-103043-05) that was published in the **Federal Register** on Thursday, November 2, 2006 (71 FR 64501). The notice also announced that a hearing will be scheduled if requested by the public in writing by January 31, 2007.

The rules of 26 CFR 601.601 apply to the hearing. A period of 10 minutes is allotted to each person for presenting oral comments. After the deadline has passed, persons who have submitted written comments and wish to present oral comments at the hearing must submit an outline of the topics to be discussed and the amount of time to be devoted to each topic (a signed original and eight (8) copies) by March 6, 2007.

The IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available free of charge, at the hearing. Because of access restrictions, the IRS will not admit visitors beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this document.

LaNita Van Dyke,
Branch Chief,

*Publications and Regulations Branch,
Legal Processing Division,
Associate Chief Counsel
(Procedure and Administration).*

(Filed by the Office of the Federal Register on February 14, 2007, 8:45 a.m., and published in the issue of the Federal Register for February 15, 2007, 72 F.R. 7361)

AJCA Modifications to the Section 6011 Regulations

Announcement 2007-29

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of public hearing on proposed rulemaking.

SUMMARY: This document provides notice of a public hearing on proposed rulemaking (REG-103038-05, 2006-49 I.R.B. 1049) relating to the disclosure of reportable transactions under section 6011.

DATES: The public hearing is being held on Tuesday, March 20, 2007, at 10:00 a.m. The IRS must receive outlines of the topics to be discussed at the public hearing by March 6, 2007.

ADDRESSES: The public hearing is being held in the IRS Auditorium, Internal Revenue Service Building, 1111 Constitution Avenue, NW, Washington, DC 20224. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building.

Mail outlines to CC:PA:LPD:PR (REG-103038-05), room 5205, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8:00 a.m. and 4:00 p.m. to CC:PA:LPD:PR (REG-103038-05), Couriers Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC or sent electronically via the Federal rulemaking Portal at www.regulations.gov (IRS-REG-103038-05).

FOR FURTHER INFORMATION CONTACT: Concerning submissions of comments, the hearing and/or to be placed on the building access list to attend the hearing Kelly Banks at (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

The subject of the public hearing is the notice of proposed rulemaking (REG-103038-05) that was published in the **Federal Register** on Thursday, November 2, 2006 (71 FR 64488).

The rules of 26 CFR 601.601(a)(3) apply to the hearing.

A period of 10 minutes is allotted to each person for presenting oral comments. After the deadline has passed, persons

who have submitted written comments and wish to present oral comments at the hearing must submit an outline of the topics to be discussed and the amount of time to be devoted to each topic (a signed original and eight (8) copies) by March 6, 2007.

The IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available free of charge at the hearing. Because of access restrictions, the IRS will not admit visitors beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this document.

LaNita Van Dyke,
Branch Chief,
Publications and Regulations Branch,
Legal Processing Division,
Associate Chief Counsel
(Procedure and Administration).

(Filed by the Office of the Federal Register on February 14, 2007, 8:45 a.m., and published in the issue of the Federal Register for February 15, 2007, 72 F.R. 7360)

AJCA Modifications to the Section 6111 Regulations

Announcement 2007-30

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of public hearing on proposed rulemaking.

SUMMARY: This document provides notice of a public hearing on proposed rulemaking (REG-103039-05, 2006-49 I.R.B. 1057) relating to the disclosure of reportable transactions by material advisors under section 6111.

DATES: The public hearing is being held on Tuesday, March 20, 2007, at 10:00 a.m. The IRS must receive outlines of the topics to be discussed at the public hearing by March 6, 2007.

ADDRESSES: The public hearing is being held in the IRS Auditorium, Internal Revenue Service Building, 1111 Constitution Avenue, NW, Washington, DC 20224. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building.

Mail outlines to CC:PA:LPD:PR (REG-103039-05), room 5205, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8:00 a.m. and 4:00 p.m. to CC:PA:LPD:PR (REG-103039-05), Couriers Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC or sent electronically via the Federal rulemaking Portal at www.regulations.gov (IRS-REG-103039-05).

FOR FURTHER INFORMATION CONTACT: Concerning submissions of comments, the hearing and/or to be placed on the building access list to attend the hearing Kelly Banks at (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

The subject of the public hearing is the notice of proposed rulemaking (REG-103039-05) that was published in the **Federal Register** on Thursday, November 2, 2006 (71 FR 64496). The notice also announced that a hearing will be scheduled if requested by the public in writing by January 31, 2007.

The rules of 26 CFR 601.601 apply to the hearing.

A period of 10 minutes is allotted to each person for presenting oral comments. After the deadline has passed, persons who have submitted written comments and wish to present oral comments at the hearing must submit an outline of the topics to be discussed and the amount of time to be devoted to each topic (a signed original and eight (8) copies) by March 6, 2007.

The IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available free of charge at the hearing. Because of access

restrictions, the IRS will not admit visitors beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this document.

LaNita Van Dyke,
Branch Chief,
Publications and Regulations Branch,
Legal Processing Division,
Associate Chief Counsel
(Procedure and Administration).

(Filed by the Office of the Federal Register on February 14, 2007, 8:45 a.m., and published in the issue of the Federal Register for February 15, 2007, 72 F.R. 7360)

Nondiscrimination and Wellness Programs in Health Coverage in the Group Market; Correction

Announcement 2007-32

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains correction to final regulations (T.D. 9298, 2007-6 I.R.B. 434) that were published in the **Federal Register** on Wednesday, December 13, 2006 (71 FR 75014) governing the provisions prohibiting discrimination based on a health factor for group health plans and issuers of health insurance coverage offered in connection with a group health plan.

DATES: The correction is effective February 12, 2007.

FOR FURTHER INFORMATION CONTACT: Russ Weinheimer, (202) 622-6080 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The correction notice that is the subject of this document is under section 9802 of the Internal Revenue Code.

Need for Correction

As published, final regulations (T.D. 9298) contain errors that may prove to be misleading and are in need of clarification.

* * * * *

Correction of Publication

Accordingly, 26 CFR part 54 is corrected by making the following correcting amendments:

PART 54—PENSION EXCISE TAXES

Paragraph 1. The authority citation for part 54 continues to read, in part, as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 54.9802-1(b)(2)(i)(D) is amended by revising paragraph (ii) of *Example 4*.

Par. 3. Section 54.9802-1(f)(1) is amended by revising the first sentence

of the paragraph. The revisions read as follows:

§ 54.9802-1 Prohibiting discrimination against participants and beneficiaries based on a health factor.

* * * * *

(b) * * *

(2) * * *

(i) * * *

(D) * * *

Example 4. * * *

(ii) *Conclusion.* In this *Example 4*, the limit does not violate this paragraph (b)(2)(i) because \$2,000 of benefits for the treatment of TMJ are available uniformly to all similarly situated individuals and a plan may limit benefits covered in relation to a specific disease or condition if the limit applies uniformly to all similarly situated individuals and is not directed at individual participants or beneficiaries. (This example does not address whether the plan provision is permissible under the Americans with Disabilities Act or any other applicable law.)

* * * * *

(f) * * *

(1) * * * If none of the conditions for obtaining a reward under a wellness program are based on an individual satisfying a standard that is related to a health factor (or if a wellness program does not provide a reward), the wellness program does not violate this section, if participation in the program is made available to all similarly situated individuals. * * *

* * * * *

LaNita Van Dyke,
*Chief, Publications and
Regulations Branch,
Legal Processing Division,
Associate Chief Counsel
(Procedure and Administration).*

(Filed by the Office of the Federal Register on February 21, 2007, 8:45 a.m., and published in the issue of the Federal Register for February 22, 2007, 72 F.R. 7929)

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.

Numerical Finding List¹

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