

2012

Instructions for Form 1099-PATR



Department of the Treasury
Internal Revenue Service

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

What's New

Truncating recipient identification number on paper payee statements. Notice 2011-38 allows filers of this form to truncate a recipient's identification number (social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN)) on paper payee statements for tax years 2011 and 2012. See part M in the 2012 General Instructions for Certain Information Returns.

Retention of expiring credits. The following credits expired on December 31, 2011. They are being retained in these instructions for the benefit of fiscal year reporting cooperatives.

- The biodiesel and renewable diesel fuels credit, under section 40A(g).
- The Indian employment credit, under section 45A.
- The energy efficient appliance credit, under section 45M(b).

Reminders

General Instructions. In addition to these specific instructions, you should also use the 2012 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- Who must file (nominee/middleman).
- When and where to file.
- Taxpayer identification numbers.
- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions at IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

How to get the latest information. If there are changes to the 2012 tax laws that affect this form, you can find them at www.irs.gov/form1099patr.

Specific Instructions

File Form 1099-PATR, Taxable Distributions Received From Cooperatives, for each person to whom the cooperative has paid at least \$10 in patronage dividends and other distributions described in section 6044(b) or from whom you withheld any federal income tax under the backup withholding rules regardless of the amount of the payment. A cooperative determined to be primarily engaged in the retail sale of goods or services that are generally for personal, living, or family use of the members may ask for and receive exemption from filing Form 1099-PATR. See Form 3491, Consumer Cooperative Exemption Application, for information about how to apply for this exemption. Report dividends paid on a cooperative's capital stock on Form 1099-DIV, Dividends and Distributions.



Report on Form 1099-PATR only items of income, expenses, and credits that you properly pass through to patrons for reporting on the patron's tax return.

Exceptions. Generally, you are not required to file Form 1099-PATR for payments made to a corporation, a tax-exempt

organization including tax-exempt trusts (HSAs, Archer MSAs, and Coverdell ESAs), the United States, a state, a possession, or the District of Columbia. See Regulations section 1.6044-3(c).

Statements to Recipients

If you are required to file Form 1099-PATR, you must provide a statement to the recipient. For more information about the requirement to furnish an official form or acceptable substitute statement to recipients in person, by statement mailing or electronically, see part M in the 2012 General Instructions for Certain Information Returns.

2nd TIN Not.

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account. However, if you received both IRS notices in the same year, or if you received them in different years but they both related to information returns filed for the same year, do not check the box at this time. For purposes of the two-notices-in-3-years rule, you are considered to have received one notice. You are not required to send a second "B" notice to the taxpayer on receipt of the second notice. See part N in the 2012 General Instructions for Certain Information Returns for more information.



For information on the TIN Matching system offered by the IRS, see Items You Should Note in the 2012 General Instructions for Certain Information Returns.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-PATR. Additionally, the IRS encourages you to designate an account number for all Forms 1099-PATR that you file. See part L in the 2012 General Instructions for Certain Information Returns.

Box 1. Patronage Dividends

Enter the total patronage dividends paid in cash (qualified or "consent" checks), qualified written notices of allocation (face amount), and other property (except nonqualified written notices of allocation).

Box 2. Nonpatronage Distributions

This box applies only to farmers' cooperatives exempt from tax under section 521. Enter the total nonpatronage distributions paid in cash (qualified or "consent" checks), qualified written notices of allocation (face amount), and other property. Do not include nonqualified written notices of allocation.

Box 3. Per-Unit Retain Allocations

Enter the total per-unit retain allocations paid in cash, qualified per-unit retain certificates (face amount), and other property.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TIN to you in the manner required are subject to withholding at a 28% rate on payments required to be reported in boxes 1, 2, 3, and 5 to the extent such payments are in cash or qualified check. See Regulations section 31.3406(b)(2)-5 for more information on backup withholding by cooperatives.

Box 5. Redemption of Nonqualified Notices and Retain Allocations

For farmers' cooperatives qualifying under section 521 only, enter all redemptions of nonqualified written notices of allocation issued as patronage dividends or nonqualified written notices of allocation issued as nonpatronage allocations. Also enter nonqualified per-unit retain certificates issued with respect to marketing.

Pass-Through Credits and Deductions

Report in the appropriate boxes the patron's share of unused credits and deductions that the cooperative is passing through to the patron.

Box 6. Domestic Production Activities Deduction



A cooperative must reduce its section 1382 deduction by an amount equal to the portion of any patronage dividend or per-unit retain allocation, including any advances on these paid in cash during the year, that is attributable to the cooperative's section 199 deduction passed through to its patrons during the year. See Regulations section 1.199-6 for more details.

Deduction for domestic production activities income.

Section 199(d)(3) and Regulations section 1.199-6 provide special rules for cooperatives to pass through, if elected, to their patrons receiving certain patronage dividends or certain per-unit retain allocations from the cooperative a deduction equal to their portion of the cooperative's qualified production activities income (QPAI) that would be deductible by the cooperative and have been designated by the cooperative in a written notice mailed to its patrons during the payment period specified under section 1382(d). The deduction for QPAI applies to any cooperative that is engaged in the manufacturing, producing, growing, or extracting in whole or significant part of any agricultural or horticultural product, or the marketing of agricultural or horticultural products.

If any amount of a patronage dividend or qualified per-unit retain allocation is passed through to a patron, and such amount is allocable to QPAI that is deductible under section 199(a), then the amount is reported in box 6. However, if no written notice (see later) was sent within the payment period or if the cooperative does not pass through the deduction to the patron, leave box 6 blank.

To determine the portion of the cooperative's QPAI that would be deductible, the cooperative's taxable income is computed without taking into account any deduction allowable under section 1382(b) or (c) relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions. In

the case of a cooperative engaged in the marketing of agricultural or horticultural products (or both), the cooperative is treated as having manufactured, produced, grown, or extracted in whole or in significant part any qualifying production property marketed by the cooperative that its patrons have manufactured, produced, grown, or extracted. Agricultural or horticultural products also include fertilizer, diesel fuel, and other supplies used in agricultural or horticultural production that are manufactured, produced, grown, or extracted by the cooperative.



Do not reduce the amounts reported in boxes 1 or 3 by the amount you report in box 6.

Written notice. In order for the patron to qualify for the deduction, the cooperative must designate the patron's portion of the section 199 deduction in a written notice mailed to the patron no later than the 15th day of the ninth month following the close of the tax year. The cooperative may use the same written notice, if any, that it uses to notify patrons of their respective allocations of patronage dividends, or may use a separate timely written notice to comply with the written notice requirement for this deduction.

Box 7. Investment Credit

Enter the total investment credit for the patron.

Box 8. Work Opportunity Credit

Enter the total work opportunity credit for the patron.

Box 9. Patron's AMT Adjustment

Enter the total alternative minimum tax (AMT) patronage dividend adjustment for the patron.

Box 10. Other Credits and Deductions

For the patron, state separately in box 10 the type and amount of each of the following credits and deductions.

- The small ethanol producer credit (Form 6478).
- The cellulosic biofuel producer credit (Form 6478).
- The renewable electricity, refined coal, and Indian coal production credit (Form 8835).
- The empowerment zone and renewal community employment credit (Form 8844).
- The Indian employment credit (Form 8845).
- The small agri-biodiesel producer credit (Form 8864).
- The energy efficient appliance credit (Form 8909).
- The agricultural chemicals security credit (Form 8931).
- The deduction for capital costs incurred by small refiner cooperatives when complying with EPA sulfur regulations.
- The deduction for expensing qualified refinery property under section 179C.