

## **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. 2007-46, page 126.**

**Low-income housing credit; satisfactory bond; “bond factor” amounts for the period January through September 2007.** This ruling provides the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period January through September 2007.

#### **Rev. Rul. 2007-47, page 127.**

**Insurance premium.** This ruling holds that an arrangement that provides for the reimbursement of inevitable future costs does not involve the requisite insurance risk for purposes of determining (i) whether the amount paid for the arrangement is deductible as an insurance premium and (ii) whether the assuming entity may account for the arrangement as an ‘insurance contract’ for purposes of subchapter L of the Code. Stakeholders are asked to comment on the application of the rationale of the revenue ruling outside of its facts. Rev. Rul. 89-96 amplified.

#### **Rev. Rul. 2007-48, page 129.**

**Nonexempt employees’ trusts.** This ruling considers the federal tax consequences to the employees, the employer, and the trust when an employer contributes to a nonexempt employees’ trust on behalf of highly compensated employees. It also explains the effects of vesting of an employee’s interest in the trust and distributions from the trust. Rev. Rul. 74-299 amplified.

#### **Notice 2007-59, page 135.**

This notice provides a proposed revenue procedure that establishes a procedure for a payment card organization to request a determination that it is a Qualified Payment Card Agent (QPCA).

#### **Rev. Proc. 2007-53, page 233.**

**Accounting for advance trade discounts.** This procedure provides that the Service will follow *Westpac Pacific Food v. Commissioner*, 451 F.3d 970 (9th Cir. 2006) with respect to taxpayers that adopt the Advance Trade Discount Method of accounting as provided in this procedure. The document also provides procedures for obtaining automatic consent to change to this method of accounting. Rev. Proc. 2002-9 modified and amplified.

### **EMPLOYEE PLANS**

#### **Rev. Rul. 2007-48, page 129.**

**Nonexempt employees’ trusts.** This ruling considers the federal tax consequences to the employees, the employer, and the trust when an employer contributes to a nonexempt employees’ trust on behalf of highly compensated employees. It also explains the effects of vesting of an employee’s interest in the trust and distributions from the trust. Rev. Rul. 74-299 amplified.

#### **Notice 2007-61, page 140.**

**Weighted average interest rate update; corporate bond indices; 30-year Treasury securities.** The weighted average interest rate for July 2007 and the resulting permissible range of interest rates used to calculate current liability and to determine the required contribution are set forth.

#### **Rev. Proc. 2007-49, page 141.**

**Administrative programs; correction programs.** This procedure updates the Service’s correction programs for retirement plans within the jurisdiction of the Commissioner, Tax Exempt and Government Entities Operating Division. Rev. Proc. 2006-27 modified.

**(Continued on the next page)**

Actions Relating to Court Decisions is on the page following the Introduction.  
Finding Lists begin on page ii.



**Announcement 2007–63, page 236.**

**Form 5500; elimination of Schedule P.** This announcement states that, for plan years in which the Schedule P is eliminated, the Service will treat the plan's filing of a return from the applicable Form 5500 series as if the filing constitutes a return of the plan's employee benefit trust for purposes of section 6501(g)(2) of the Code.

## EXEMPT ORGANIZATIONS

**Rev. Proc. 2007–52, page 222.**

This procedure sets forth procedures for issuing determination letters and rulings on the exempt status of organizations under sections 501 and 521 of the Code. The procedures also apply to revocation and modification of determination letters or rulings, and provide guidance on the exhaustion of administrative remedies for purposes of declaratory judgment under section 7428. Rev. Proc. 90–27 superseded.

**Announcement 2007–65, page 236.**

The IRS has revoked its determination that Eagle A C, Inc., of Louisville, KY, and Annie T. Smith Mercy Fund of Randolph, VT, qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Code.

## EMPLOYMENT TAX

**Rev. Rul. 2007–48, page 129.**

**Nonexempt employees' trusts.** This ruling considers the federal tax consequences to the employees, the employer, and the trust when an employer contributes to a nonexempt employees' trust on behalf of highly compensated employees. It also explains the effects of vesting of an employee's interest in the trust and distributions from the trust. Rev. Rul. 74–299 amplified.

## ADMINISTRATIVE

**Rev. Proc. 2007–51, page 143.**

**Electronic filing; magnetic media; 2007 form specifications.** This procedure contains updates and changes to Publication 1220, *Specifications for Filing Forms 1098, 1099, 5498 and W-2G, Electronically or Magnetically*. Rev. Proc. 2006–33 superseded.

# The IRS Mission

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

applying the tax law with integrity and fairness to all.

## Introduction

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

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

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

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

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

The Bulletin is divided into four parts as follows:

### **Part I.—1986 Code.**

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

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

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

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

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

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

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

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

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

# Actions Relating to Decisions of the Tax Court

It is the policy of the Internal Revenue Service to announce at an early date whether it will follow the holdings in certain cases. An Action on Decision is the document making such an announcement. An Action on Decision will be issued at the discretion of the Service only on unappealed issues decided adverse to the government. Generally, an Action on Decision is issued where its guidance would be helpful to Service personnel working with the same or similar issues. Unlike a Treasury Regulation or a Revenue Ruling, an Action on Decision is not an affirmative statement of Service position. It is not intended to serve as public guidance and may not be cited as precedent.

Actions on Decisions shall be relied upon within the Service only as conclusions applying the law to the facts in the particular case at the time the Action on Decision was issued. Caution should be exercised in extending the recommendation of the Action on Decision to similar cases where the facts are different. Moreover, the recommendation in the Action on Decision may be superseded by new legislation, regulations, rulings, cases, or Actions on Decisions.

Prior to 1991, the Service published acquiescence or nonacquiescence only in

certain regular Tax Court opinions. The Service has expanded its acquiescence program to include other civil tax cases where guidance is determined to be helpful. Accordingly, the Service now may acquiesce or nonacquiesce in the holdings of memorandum Tax Court opinions, as well as those of the United States District Courts, Claims Court, and Circuit Courts of Appeal. Regardless of the court deciding the case, the recommendation of any Action on Decision will be published in the Internal Revenue Bulletin.

The recommendation in every Action on Decision will be summarized as acquiescence, acquiescence in result only, or nonacquiescence. Both “acquiescence” and “acquiescence in result only” mean that the Service accepts the holding of the court in a case and that the Service will follow it in disposing of cases with the same controlling facts. However, “acquiescence” indicates neither approval nor disapproval of the reasons assigned by the court for its conclusions; whereas, “acquiescence in result only” indicates disagreement or concern with some or all of those reasons. “Nonacquiescence” signifies that, although no further review was sought, the Service does not agree with the holding of the court and, generally,

will not follow the decision in disposing of cases involving other taxpayers. In reference to an opinion of a circuit court of appeals, a “nonacquiescence” indicates that the Service will not follow the holding on a nationwide basis. However, the Service will recognize the precedential impact of the opinion on cases arising within the venue of the deciding circuit.

The Actions on Decisions published in the weekly Internal Revenue Bulletin are consolidated semiannually and appear in the first Bulletin for July and the Cumulative Bulletin for the first half of the year. A semiannual consolidation also appears in the first Bulletin for the following January and in the Cumulative Bulletin for the last half of the year.

The Commissioner does NOT ACQUIESCE in the following decision:

**Snider v. United States; Turley v. United States,<sup>1</sup>**

468 F.3d 500 (8th Cir. 2006),  
petition for reh’g en banc denied,  
No. 05–3636 (8th Cir. Feb. 1, 2007)

<sup>1</sup> Nonacquiescence relating to whether a special agent’s disclosure of the identity of a taxpayer under investigation to a third-party witness is not authorized by section 6103(k)(6); whether even if the disclosure was not authorized, the good faith defense provided by section 7431(b) does not apply; and whether section 7431(c)(1), in providing for statutory damages of \$1,000 per “act of . . . disclosure,” provides for statutory damages based on each item of return information disclosed during a single interview and for each person who heard the disclosure.

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

## Section 42.—Low-Income Housing Credit

**Low-income housing credit; satisfactory bond; “bond factor” amounts for the period January through September 2007.** This ruling provides the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period January through September 2007.

### Rev. Rul. 2007-46

In Rev. Rul. 90-60, 1990-2 C.B. 3, the Internal Revenue Service provided

guidance to taxpayers concerning the general methodology used by the Treasury Department in computing the bond factor amounts used in calculating the amount of bond considered satisfactory by the Secretary under § 42(j)(6) of the Internal Revenue Code. It further announced that the Secretary would publish in the Internal Revenue Bulletin a table of bond factor amounts for dispositions occurring during each calendar month.

Rev. Proc. 99-11, 1999-1 C.B. 275, established a collateral program as an alternative to providing a surety bond for taxpayers to avoid or defer recapture of the low-income housing tax credits under

§ 42(j)(6). Under this program, taxpayers may establish a Treasury Direct Account and pledge certain United States Treasury securities to the Internal Revenue Service as security.

This revenue ruling provides in Table 1 the bond factor amounts for calculating the amount of bond considered satisfactory under § 42(j)(6) or the amount of United States Treasury securities to pledge in a Treasury Direct Account under Rev. Proc. 99-11 for dispositions of qualified low-income buildings or interests therein during the period January through September 2007.

Table 1 Rev. Rul. 2007-46 Monthly Bond Factor Amounts for Dispositions Expressed As a Percentage of Total Credits											
	Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year										
Month of Disposition	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Jan '07	17.39	32.44	45.52	56.97	66.95	69.23	71.86	74.74	78.09	81.82	85.82
Feb '07	17.39	32.44	45.52	56.97	66.95	69.08	71.70	74.56	77.89	81.60	85.57
Mar '07	17.39	32.44	45.52	56.97	66.95	68.92	71.53	74.39	77.71	81.40	85.33
Apr '07	17.39	32.44	45.52	56.97	66.95	68.77	71.37	74.22	77.52	81.19	85.11
May '07	17.39	32.44	45.52	56.97	66.95	68.62	71.22	74.05	77.35	81.00	84.89
Jun '07	17.39	32.44	45.52	56.97	66.95	68.47	71.06	73.89	77.17	80.81	84.68
Jul '07	17.39	32.44	45.52	56.97	66.95	68.32	70.91	73.74	77.01	80.63	84.47
Aug '07	17.39	32.44	45.52	56.97	66.95	68.18	70.76	73.58	76.84	80.45	84.28
Sep '07	17.39	32.44	45.52	56.97	66.95	68.04	70.62	73.43	76.68	80.27	84.09

Table 1 (cont'd) Rev. Rul. 2007-46 Monthly Bond Factor Amounts for Dispositions Expressed As a Percentage of Total Credits											
	Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year										
Month of Disposition	2004	2005	2006	2007							
Jan '07	89.79	93.41	96.70	97.21							
Feb '07	89.50	93.07	96.27	97.21							
Mar '07	89.22	92.75	95.89	97.21							

Table 1 (cont'd)  
Rev. Rul. 2007-46  
Monthly Bond Factor Amounts for Dispositions Expressed  
As a Percentage of Total Credits

Month of Disposition	Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year									
	2004	2005	2006	2007						
Apr '07	88.96	92.46	95.57	97.21						
May '07	88.72	92.18	95.28	97.21						
Jun '07	88.48	91.93	95.02	97.21						
Jul '07	88.25	91.69	94.79	97.21						
Aug '07	88.04	91.46	94.58	97.21						
Sep '07	87.83	91.25	94.39	97.21						

For a list of bond factor amounts applicable to dispositions occurring during other calendar years, see: Rev. Rul. 98-3, 1998-1 C.B. 248; Rev. Rul. 2001-2, 2001-1 C.B. 255; Rev. Rul. 2001-53, 2001-2 C.B. 488; Rev. Rul. 2002-72, 2002-2 C.B. 759; Rev. Rul. 2003-117, 2003-2 C.B. 1051; Rev. Rul. 2004-100, 2004-2 C.B. 718; Rev. Rul. 2005-67, 2005-2 C.B. 771; and Rev. Rul. 2006-51, 2006-2 C.B. 632.

**DRAFTING INFORMATION**

The principal author of this revenue ruling is David McDonnell of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Mr. McDonnell at (202) 622-3040 (not a toll-free call).

**Section 162.—Trade or Business Expenses**

*26 CFR 1.162-1: Business expenses. (Also §§ 461; 831.)*

**Insurance premium.** This ruling holds that an arrangement that provides for the reimbursement of inevitable future costs does not involve the requisite insurance risk for purposes of determining (i) whether the amount paid for the arrangement is deductible as an insurance premium and (ii) whether the assuming entity may account for the arrangement as an ‘insurance contract’ for purposes of subchapter L of the Code. Stakeholders

are asked to comment on the application of the rationale of the revenue ruling outside of its facts. Rev. Rul. 89-96 amplified.

**Rev. Rul. 2007-47**

**ISSUE**

Does the arrangement described below involve the requisite insurance risk to constitute insurance for purposes of determining (i) whether *X* may deduct the amount paid under the arrangement as an “insurance premium” under § 162 of the Internal Revenue Code, and (ii) whether *IC* may account for the arrangement as an “insurance contract” for purposes of subchapter L of the Code?

**FACTS**

*X*, a domestic corporation that uses an accrual method of accounting, is engaged in a Business Process that is inherently harmful to people and property. Applicable governmental regulations require *X* to take action to remediate that harm. Doing so will require *X* to incur Future Costs to undertake specific measures to restore *X*’s business location to its condition before Business Process began; the Future Costs will be incurred when *X* ceases to engage in Business Process. The exact amount and timing of the Future Costs are a function of many factors, including the future cost of wages, future cost of materials, future changes in the regulation of Business Process, and the timing of *X*’s discontinuation of Business Process. There is no

uncertainty, however, that the Future Costs will be incurred.

When *X* began Business Process in Year 1, it estimated that the present value of Future Costs was \$150*x*, based on its evaluation of the factors identified above and an appropriate discount rate based on economic projections. At that time, *X* entered into an arrangement with *IC*, an unrelated domestic insurance company taxable under § 831. Under the arrangement, *X* agreed to pay *IC* \$150*x*, and *IC* agreed to reimburse *X* for its Future Costs, up to a limit of \$300*x*. The arrangement had no limits on its duration.

**LAW**

Section 162(a) provides, in part, that there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business. Section 1.162-1(a) of the Income Tax Regulations provides, in part, that among the items included in deductible business expenses are insurance premiums against fire, storm, theft, accident, or other similar losses in the case of a business.

Section 461 provides that the amount of any deduction shall be taken for the taxable year which is the proper taxable year under the method of accounting used by the taxpayer in computing taxable income. Under § 1.461-1(a)(2), a liability is incurred and generally is taken into account under an accrual method of accounting in the taxable year in which all the events have occurred that establish the fact

of the liability, the amount of the liability can be determined with reasonable accuracy, and economic performance has occurred with respect to the liability. Section 1.461-4(g)(5) provides that if a liability arises out of the provision to the taxpayer of insurance, economic performance occurs as payment is made to the person to which the liability is owed. If the period of coverage extends substantially beyond the close of the taxable year, however, the amount permitted to be taken into account in the year of payment is determined under the capitalization rules of § 263. Section 1.461-4(g)(8)(Ex. 6); § 1.263-4(d)(3)(i).

Characterization of an arrangement as insurance has consequences for the issuer, as well. Section 831(a) provides that taxes, computed as provided in § 11, are imposed for each taxable year on the taxable income of each insurance company other than a life insurance company. Section 832(a) provides that for this purpose, taxable income means the gross income as defined in § 832(b)(1) less the deductions allowed by § 832(c). Gross income includes underwriting income, which is defined in § 832(b)(3) as premiums earned on insurance contracts during the taxable year, less losses incurred and expenses incurred. Premiums earned and losses incurred on insurance contracts are computed taking into account reserves for unearned premiums under § 832(b)(4) and for discounted unpaid losses under § 832(b)(5), respectively. If an arrangement is not an insurance contract, no reserves are permitted for unearned premiums or for discounted unpaid losses with respect to the arrangement. Even if an arrangement is an insurance contract, no reserve is permitted for discounted unpaid losses until a loss has been “incurred.”

Neither the Code nor the regulations define the terms “insurance” or “insurance contract.” The Supreme Court of the United States has explained that in order for an arrangement to constitute insurance for federal income tax purposes, both risk shifting and risk distribution must be present. *Helvering v. Le Gierse*, 312 U.S. 531 (1941). The risk transferred must be risk of economic loss. *Allied Fidelity Corp. v. Commissioner*, 572 F.2d 1190, 1193 (7<sup>th</sup> Cir. 1978). The risk must contemplate the fortuitous occurrence of a stated contingency, *Commissioner v. Treganowan*, 183 F.2d 288, 290-91 (2d

Cir. 1950), and must not be merely an investment or business risk. *Le Gierse*, 312 U.S. at 542; Rev. Rul. 89-96, 1989-2 C.B. 114.

In *Le Gierse*, the Court found that complementary annuity and insurance contracts did not involve an insurance risk but rather an investment risk because the risk assumed by the issuer was only that the amount the taxpayer paid for the contracts would earn less than the amount paid to the taxpayer as an annuity; the total amount paid by the taxpayer exceeded the face value of the life insurance contract. This risk, the Court said, “was an investment risk similar to the risk assumed by a bank; it was not an insurance risk.” *Le Gierse*, 312 U.S. at 542.

In *Treganowan*, the court held that a program under which the surviving members of the New York Stock Exchange paid a certain sum to the families of deceased members constituted insurance; the court distinguished the holding of *Le Gierse* as follows:

The holding [of *Le Gierse*] really highlights the situation here where the payment is actually conditioned upon death, whenever occurring, in the true terms of insurance. “From an insurance standpoint there is no risk unless there is uncertainty, or, to use a better term, fortuitousness. It may be uncertain whether the risk will materialize in any particular case. Even death may be considered fortuitous, because the time of its occurrence is beyond control.” 8 Ency.Soc.Sc. 95. That fortuitousness, whether we speak of death generally or premature death, as the Tax Court wished to emphasize, seems perfectly embodied here to fit both branches of the Supreme Court’s test.

*Treganowan*, 183 F.2d at 290-91. See also *Allied Fidelity Corp.*, 572 F.2d at 1193 (“[T]he insurer undertakes no present duty of performance but stands ready to assume financial burden of any covered loss,” citing *Couch on Insurance* § 1:2 (1959)).

The Supreme Court has applied a similar standard to determine what constitutes “the business of insurance” for purposes of § 2(b) of the McCarran-Ferguson Act, 59 Stat. 34, as amended, 61 Stat. 448, 15 U.S.C. § 1012(b). In *Group Life & Health Ins. Co. v. Royal Drug Co.*, 440 U.S. 205, 211 (1979), the Court concluded that agreements between Blue Shield of

Texas and three pharmacies for the provision of prescription drugs to Blue Shield policyholders did not constitute “the business of insurance” within the meaning of the McCarran-Ferguson Act, noting that “[t]he primary elements of an insurance contract are the spreading and underwriting of a policyholder’s risk.” The Court considered the legislative history of the Act, quoting approvingly from one of the early House Reports, as follows: “The theory of insurance is the distribution of risk according to hazard, experience, and the laws of averages. These factors are not within the control of insuring companies in the sense that the producer or manufacturer may control cost factors.” *Group Life & Health Ins. Co.*, 440 U.S. at 221 (quoting H.R. Rep. No. 873, 78th Cong., 1st Sess., 8-9 (1943)). Non-tax insurance treatises further confirm that arrangements entered into to manage losses that are at least substantially certain to occur, or that are not the result of fortuitous events, do not constitute insurance. See, e.g., *Couch on Insurance*, § 102:8 (losses that exist at the time of the insuring agreement, or that are so probable or imminent that there is insufficient “risk” being transferred between the insured and insurer, are not proper subjects of insurance); 1 *Appleman on Insurance 2d*, § 1.4 (“The fortuity principle is central to the notion of what constitutes insurance. The insurer will not and should not be asked to provide coverage for a loss that is reasonably certain or expected to occur within the policy period.”); 43 Am. Jur. 2d *Insurance*, § 479 (2005). See also Warren Freedman, *Freedman’s Richards on Insurance* § 1:2 (6<sup>th</sup> ed. 1990) (insurance is an aleatory contract); *Restatement (First) of Contracts* § 291 (1932) (aleatory contract is one premised on happening of fortuitous event; that time or amount of performance depends on fortuitous event does not mean contract is aleatory).

In Rev. Rul. 89-96, 1989-2 C.B. 114, Y, a taxpayer that had already experienced a catastrophic loss, entered into a “liability insurance” contract with Z, an unrelated casualty insurance company. The exact amount of Y’s liability to injured persons as a result of the catastrophe could not be ascertained, but was expected to be substantially in excess of \$130x. At the time the catastrophe occurred, Y’s liability insurance coverage totaled \$30x. Under the contract between Y and Z, Y paid

a premium of \$50x in exchange for additional “liability insurance” coverage of \$100x. That is, Z promised to pay on behalf of Y amounts in excess of \$30x for which Y would become liable, subject to the contract’s limit of \$100x. The \$50x “premium” charged Y was an amount that, together with Z’s investment earnings and tax savings, would yield at least Z’s maximum anticipated liability of \$100x by the time claims were liquidated. The ruling concludes that the arrangement does not involve the requisite risk shifting necessary for insurance, because the catastrophe had already occurred and the economic terms of the contract demonstrate the absence of any risk apart from an investment risk (that is, the risk Z would be required to pay out \$100x earlier than anticipated, or that actual investment yield would be lower than forecast).

#### ANALYSIS

In order to determine the nature of an arrangement for federal income tax purposes, it is necessary to consider all the facts and circumstances in a particular case, including not only the terms of the arrangement, but also the entire course of conduct of the parties. Thus, an arrangement that purports to be an insurance contract but that lacks the requisite insurance risk, or fortuity, may instead be characterized as a deposit arrangement, a loan, a contribution to capital (to the extent of net value, if any), an option or indemnity contract, or otherwise, based on the substance of the arrangement between the parties. The proper characterization of the arrangement may determine whether the issuer qualifies as an insurance company and whether amounts paid under the arrangement may be deductible.

In the present case, the requirement that X incur Future Costs attached at the time X began Business Process; no insurance risk or hazard, such as a hurricane or an accident, exists as to whether X will have to incur those costs; it is certain that IC will have to perform under the arrangement with X by reimbursing X for the costs incurred to perform the measures, subject to the contract limit of \$300x. Economically, the arrangement is a prefunding by X of its future obligations. Although IC assumed the risks of (i) the scope of the required measures, (ii) projections of fu-

ture labor and material costs, (iii) the likely time frame when Future Costs would be incurred, and (iv) an appropriate discount rate based on projections of future investment earnings, the overall risk assumed by IC was whether the estimated present value of the cost of performing the measures (\$150x) would accrue to exceed the greater of X’s costs to perform the required measures or the contract limit of \$300x. This risk is akin to the timing and investment risks that Rev. Rul. 89–96 concludes are not insurance risks. Accordingly, the arrangement between X and IC lacks the requisite insurance risk to constitute insurance under the authorities set forth above.

#### HOLDING

The arrangement between X and IC lacks the requisite insurance risk to constitute insurance for purposes of determining (i) whether X may deduct the amount paid under the arrangement as an “insurance premium” under § 162 of the Internal Revenue Code, and (ii) whether IC may account for the arrangement as an “insurance contract” for purposes of subchapter L of the Code.

#### EFFECT ON OTHER DOCUMENTS

Rev. Rul. 89–96, 1989–2 C.B. 114, is amplified.

#### REQUEST FOR COMMENTS

A revenue ruling represents the conclusion of the Internal Revenue Service (IRS) on the application of the law to the pivotal facts stated therein. Accordingly, this revenue ruling does not apply to reinsurance arrangements (including retroactive reinsurance, such as loss portfolio transfers), arrangements covering unanticipated environmental exposures, arrangements covering unanticipated cost overruns, or arrangements involving product warranties. The IRS may apply, or not apply, the authorities cited in this ruling to such arrangements, according to the facts and circumstances presented on a case-by-case basis. Comments are requested concerning the need for guidance in these and other areas. Comments should be submitted by October 22, 2007. Comments may be submitted by mail addressed to: Internal Revenue Service, CC:PA:LPD:PR (Rev. Rul. 2007–47),

P.O. Box 7604, Ben Franklin Station, Washington, DC 20044; by hand delivery (Monday through Friday between the hours of 8:00 a.m. through 4:00 p.m.) addressed to: Courier’s Desk, Internal Revenue Service, Attn.: CC:PA:LPD:PR (Rev. Rul. 2007–47), Room 5203, 1111 Constitution Avenue, NW, Washington, DC 20224; or by email addressed to: [Notice.Comments@irs.counsel.treas.gov](mailto:Notice.Comments@irs.counsel.treas.gov). Commentators should include the identification number of the publication (Rev. Rul. 2007–47) in both the email subject line and the body of the comment.

#### DRAFTING INFORMATION

The principal author of this revenue ruling is John E. Glover of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue ruling, contact Mr. Glover at (202) 622–3970 (not a toll-free call).

### Section 402.—Taxability of Beneficiary of Employees’ Trust

*26 CFR 1.402(b)–1: Treatment of beneficiary of trust not exempt under section 501(a).*

*(Also: §§ 83, 404, 409A, 661, 663, 671, 3101, 3102, 3111, 3121, 3301, 3306, 3401, 3402, 1.83–3, 1.83–8, 1.404(a)–12, 1.409A–1, 31.3102–1, 31.3121(a)–2, 31.3401(d)–1, 31.3402(a)–1.)*

**Nonexempt employees’ trusts.** This ruling considers the federal tax consequences to the employees, the employer, and the trust when an employer contributes to a nonexempt employees’ trust on behalf of highly compensated employees. It also explains the effects of vesting of an employee’s interest in the trust and distributions from the trust. Rev. Rul. 74–299 amplified.

### Rev. Rul. 2007–48

#### ISSUE

When an employer contributes to a nonexempt employees’ trust on behalf of highly compensated employees, what are the Federal tax consequences to the employees, the employer, and the trust of contributions to the trust, vesting of an employee’s interest in the trust, and distributions from the trust?



## FACTS

X corporation has created a deferred compensation plan (Plan) for 50 key executives (participants), all of whom are highly compensated employees within the meaning of § 414(q) of the Internal Revenue Code. Pursuant to the Plan, X contributes each year on behalf of each participant to a trust, T. No contributions by participants to T are required or permitted. The Plan fails to satisfy the provisions of § 410(b) as well as other qualification requirements of § 401(a). Therefore, T is not and never has been a qualified trust under § 401(a) and is not exempt from taxation under § 501(a).

T was established under state law as a trust for the benefit of all of the Plan participants. T's assets can revert to X only after all liabilities to participants and beneficiaries under the Plan have been satisfied. T's assets are not subject to the claims of X's creditors. Separate accounts that reflect the participant's share of the net trust assets and income are maintained for each participant. T is not a foreign trust within the meaning of § 7701(a)(31).

A participant's entire interest in T becomes vested upon completion of two years of service with X beginning on the date the individual first becomes a participant in the Plan. Participants or their beneficiaries are entitled to receive their vested interest in the net assets of T, net of applicable withholding and other taxes, on death, disability, or termination of employment. In addition, T is required to distribute to each participant each year an amount that the trustee reasonably estimates will be equal to the amount of Federal, state, and local income and employment taxes payable by the participant with respect to the increase in the participant's vested accrued benefit in T during such year. T is permitted to make the distribution in part as a distribution of cash to the participant, and in part in the form of applicable employment tax withholding under Federal, state, or local law. X and T file income tax returns on a calendar year basis.

On each of January 1, 2007, 2008, 2009, and 2010, X contributes \$100,000 to T on behalf of participant A under the Plan. As of the close of business on December 31, 2008, the fair market value of A's interest in T is \$214,000, which includes

income and realized and unrealized gains and losses on T's assets. A's interest in T first becomes vested on January 1, 2009. As of the close of business on January 1, 2009, the fair market value of A's interest in T is \$314,000 (including a contribution of \$100,000 from X on that date). A files income tax returns on a calendar year basis.

In 2009, the trustee distributes \$132,000 to A. Part of the distribution is in the form of withholding of applicable Federal, state, and local income and employment taxes and the remainder is cash. T's distributable net income allocable to A's account for 2009 is \$15,000. The fair market value of A's interest in T at the end of 2009 (after the distribution) is \$198,000.

In 2010, the trustee distributes \$48,000 to A. Again, part of the distribution is in the form of withholding of applicable Federal, state, and local income and employment taxes and the remainder is cash. T's distributable net income allocable to A's account for 2010 is \$16,000. The fair market value of A's interest in T at the end of 2010 (after the distribution) is \$270,000.

## LAW AND ANALYSIS

### *Income Tax Treatment*

#### *For Participant*

Section 83(a) provides that the excess (if any) of the fair market value of property transferred in connection with the performance of services over the amount (if any) paid for the property is includible in the gross income of the person who performed the services for the first taxable year in which the property becomes transferable or is not subject to a substantial risk of forfeiture.

Section 1.83-8(a) of the Income Tax Regulations provides generally that § 83 applies to a transfer to or from a trust for the benefit of employees, independent contractors, or their beneficiaries if the trust is not described in § 401(a). To the extent such a transfer is subject to § 402(b), however, § 83 applies to the transfer only as provided for in § 402(b).

Section 402(b)(1) provides that employer contributions to an employees' trust not exempt from tax under § 501(a) (a nonexempt employees' trust) are included in the employee's gross income

in accordance with § 83, except that the value of the employee's interest in the trust is substituted for the property's fair market value in applying § 83. Section 1.402(b)-1(a)(1) provides that employer contributions to a nonexempt employees' trust are included as compensation in the employee's gross income for the taxable year in which the contribution is made, but only to the extent that the employee's interest in the contribution is substantially vested. Because T is a nonexempt employees' trust whose assets are derived solely from employer contributions, the entire trust is treated as a nonexempt employees' trust subject to the provisions of § 402(b).

Section 402(b)(2) provides that the amount actually distributed or made available to an employee by a nonexempt employees' trust shall be taxable in the taxable year in which distributed or made available to the employee under § 72 (relating to annuities), except that distributions of income of the trust before the annuity starting date (as defined in § 72(c)(4)) shall be included in the employee's gross income without regard to § 72(e)(5) (relating to amounts not received as annuities).

Section 402(b)(4)(A) provides that if one of the reasons a trust is not exempt from tax under § 501(a) is the failure of the plan of which it is a part to meet the requirements of § 401(a)(26) or § 410(b), then a highly compensated employee (as defined in § 414(q)) shall, in lieu of the amount determined under § 402(b)(1) or (2), include in gross income for the taxable year with or within which the taxable year of the trust ends an amount equal to the vested accrued benefit of the employee (other than the employee's investment in the contract) as of the close of the taxable year of the trust.

Section 409A generally provides that unless certain requirements are met, amounts deferred under a nonqualified deferred compensation plan for all taxable years are currently includible in gross income to the extent not subject to a substantial risk of forfeiture. Section 409A also includes rules applicable to certain trusts or similar arrangements associated with a nonqualified deferred compensation plan, where such arrangements are located outside of the United States or are restricted to the provision of benefits in connection with a decline in the financial health of

the sponsor. Under § 1.409A-1(b)(6)(i), a right to compensation income that will be required to be included in income under § 402(b)(4) is not a deferral of compensation for purposes of § 409A. Although the regulations under § 409A generally apply for taxable years beginning on or after January 1, 2008, taxpayers may rely on such regulations for taxable years beginning before January 1, 2008.

Because the Plan does not meet the requirements of § 410(b) and *A* is a highly compensated employee (as defined in § 414(q)), § 402(b)(4)(A) determines the tax consequences to *A* of *A*'s interest in *T*. Because *A* has no vested accrued benefit in *T* in 2007 or 2008, *A* has no gross income on account of *A*'s interest in *T* for those years. See § 1.83-3(c)(4), Example (1).

For 2009, pursuant to § 402(b)(4)(A), *A* must include in gross income as compensation \$330,000, which is *A*'s vested accrued benefit (the \$198,000 fair market value of *A*'s account in *T* as of the end of 2009, plus the \$132,000 distributed to *A* in 2009 to satisfy applicable withholding requirements and *A*'s anticipated tax liability for 2009, less *A*'s investment in the contract as of the end of 2008, which was zero). For 2010, *A* must include in gross income as compensation \$120,000, which is *A*'s vested accrued benefit under § 402(b)(4)(A) (the \$48,000 distributed to *A* in 2010 to satisfy applicable withholding requirements and *A*'s anticipated tax liability for 2010, plus the \$270,000 fair market value of *A*'s interest in *T* at the end of the taxable year of *T*, less *A*'s investment in the contract as of the end of 2009, which was \$198,000).

#### *For Employer*

Section 404(a) provides the general deduction timing rules applicable to any plan or arrangement for the deferral of compensation, regardless of the Code section under which the amounts might otherwise be deductible. Pursuant to § 404(a)(5), contributions paid by an employer to or under a deferred compensation plan or arrangement that is not included in § 404(a)(1), (2), or (3) (a nonqualified plan) are deductible in the taxable year in which amounts attributable to the contributions are includible in the gross income of the employees participating in the plan or arrangement, provided that the contributions otherwise meet the requirements for deductibility. In the case of a non-

qualified plan in which more than one employee participates, contributions are deductible only if separate accounts are maintained for each employee.

Section 1.404(a)-12(b)(3) provides that in the case of a funded nonqualified plan under which more than one employee participates, no deduction is allowable under § 404(a)(5) for any contribution unless separate accounts are maintained for each employee. The requirement of separate accounts does not require that a separate trust be maintained for each employee. However, a separate account must be maintained for each employee to which employer contributions under the plan are allocated, along with any income earned thereon. In addition, the accounts must be sufficiently separate and independent to qualify as separate shares under § 663(c).

The separate account requirement does not bar *X* from deducting contributions to *T* because *T* satisfies the separate account requirement. However, because *A* does not include in income any amount attributable to *X*'s contributions to *T* on behalf of *A* until 2009, none of those contributions is deductible by *X* before 2009. For 2009, because *A* includes in that year all amounts attributable to the \$100,000 contributions made by *X* in each of 2007, 2008, and 2009, *X* may deduct \$300,000 for contributions to *T* made on behalf of *A*, assuming such contributions are otherwise deductible. For 2010, because *A* includes in that year all amounts attributable to the \$100,000 contribution made in the year, *X* may deduct \$100,000 for contributions to *T* made on behalf of *A*, assuming such contributions are otherwise deductible.

#### *For Trust*

Section 671 provides that where a grantor is treated as the owner of any portion of a trust under subpart E of part I of subchapter J of chapter 1 (subpart E), there are included in computing the grantor's taxable income and credits those items of income, deductions, and credits against tax of the trust that are attributable to that portion of the trust (to the extent that those items could be taken into account in computing the taxable income or credits against the tax of an individual). Sections 673 through 678 specify the circumstances that cause a taxpayer to be regarded as the owner of a portion of a trust. However, the rules of §§ 402(b) and 404(a)(5) preclude a § 402(b) employees' trust from being

treated as owned by the employer under subpart E.

Section 641(a) provides that the tax imposed by § 1(e) applies to the taxable income of any kind of property held in trust.

Section 661(a) provides that in computing the taxable income of an estate or trust a deduction is allowed for distributions to beneficiaries equal to the sum of the amount of income for the taxable year that is required to be distributed currently and any other amounts properly paid or credited or required to be distributed for the taxable year. However, the total amount deductible under § 661(a) cannot exceed the distributable net income as computed under the provisions of § 643(a).

Section 663(c) provides that for the sole purpose of determining the amount of distributable net income in the application of § 661, in the case of a single trust having more than one beneficiary, substantially separate and independent shares of different beneficiaries in the trust are treated as separate trusts.

Rev. Rul. 74-299, 1974-1 C.B. 154, holds that a nonexempt employees' trust is allowed a deduction under § 661(a) for distributions to a retired employee under a deferred compensation plan. Where the separate share rule of § 663 applies to the trust, the trust's deduction under § 661(a) is limited to the distributee's separate share of the trust's distributable net income. The taxation of the distributions is not governed by the provisions of § 662.

In the present case, *T* is taxed as a trust under § 641. *T*'s deduction under § 661(a) is limited to \$15,000 for 2009 and \$16,000 for 2010 because in each of those years the distributed amount (including the amount used to satisfy withholding requirements and distributed to *A* to satisfy *A*'s anticipated tax liability) exceeds *T*'s distributable net income allocable to *A*'s separate share in *T* for those years.

#### *Employment Tax Treatment*

Sections 3101 and 3111 impose Federal Insurance Contributions Act (FICA) taxes on "wages," as that term is defined in § 3121(a). FICA taxes consist of the Old-Age, Survivors and Disability Insurance tax (social security tax) and the Hospital Insurance tax (Medicare tax). These taxes are imposed both on the employer under § 3111(a) and (b) and on the em-

ployee under § 3101(a) and (b). Section 3102(a) provides that the employee portion of FICA tax must be collected by the employer of the taxpayer by deducting the amount of the tax from the wages as and when paid. Section 31.3102-1(a) of the Employment Tax Regulations provides that the employer is required to collect the tax, notwithstanding that wages are paid in something other than money. Section 3121(a) defines “wages” for FICA purposes as all remuneration for employment including the cash value of all remuneration (including benefits) paid in any medium other than cash, with certain specific exceptions. Section 31.3121(a)-2(a) provides that “[w]ages are paid by an employer at the time that they are actually or constructively paid” unless certain exceptions not relevant here apply. Section 3121(b) defines “employment” for FICA purposes as any service, of whatever nature, performed by an employee for the person employing him, with certain specific exceptions.

Rules similar to the FICA rules apply with respect to Federal Unemployment Tax Act (FUTA) tax under §§ 3301, 3306(b), and 3306(c).

Section 3402(a), relating to Federal income tax withholding, generally requires every employer making a payment of wages to deduct and withhold upon these wages a tax determined in accordance with prescribed tables or computational procedures. Section 31.3402(a)-1(b) provides that the employer is required to collect Federal income tax withholding by deducting and withholding the amount thereof from the employee’s wages as and when paid, either actually or constructively. Under § 31.3402(a)-1(c), an employer is required to deduct and withhold income tax notwithstanding that the wages are paid in something other than money (for example, wages paid in stock or bonds) and to pay over the tax in money. Section 3401(a) provides that “wages” for Federal income tax withholding purposes means all remuneration for services performed by an employee for his employer, including the cash value of all remuneration (including benefits) paid in any medium other than cash, with certain specific exceptions.

Section 31(a)(2) provides that an amount of Federal income tax withheld during a calendar year from wages is al-

lowed as a credit against income tax for the taxable year of the employee beginning in such calendar year.

Under section 6672(a), any person required to collect, truthfully account for, and pay over any internal revenue tax who willfully fails to collect such tax, or truthfully account for and pay over such tax, or willfully attempts in any manner to evade or defeat such tax or the payment thereof, shall, in addition to other penalties, be liable for a penalty equal to the total amount of the tax evaded, or not collected, or not accounted for and paid over. A trustee can be liable for unpaid employment and withholding taxes. See Rev. Rul. 84-83, 1984-1 C.B. 264.

Rev. Rul. 67-351, 1967-2 C.B. 86, concludes that certain contributions to an employees’ trust are subject to employment taxes at the time of contribution. In Rev. Rul. 67-351, pursuant to a collective bargaining agreement between a union and a group of employers, a vacation plan and trust are established for the benefit of the employees. The agreement provides that the employers will pay into the trust a specified amount for each hour worked by qualified employees. An individual account is established for each qualified employee by the trustees of the trust. The individual employee’s interest in the amount in his vacation account is fully vested and nonforfeitable from the time the money is paid by his employer. The ruling concludes that the contributions to the trust are includible in gross income at the time they are contributed to the trust. Furthermore, the ruling holds that the contributions to the trust are payments of wages for purposes of the FICA, the FUTA, and Federal income tax withholding at the time they are contributed to the trust.

In Rev. Rul. 79-305, 1979-2 C.B. 350, a corporation transfers to an employee common stock subject to a substantial risk of forfeiture. The ruling holds that, under § 83, the fair market value of the stock at the time the substantial risk of forfeiture lapses is includible in the employee’s gross income for the year in which the substantial risk of forfeiture lapses. The ruling also holds that the employee has received a payment of wages for purposes of the FICA, the FUTA, and Federal income tax withholding at the time the substantial risk of forfeiture lapses equal to the fair market value of the stock.

Section 3401(d)(1) provides that if the person for whom the individual performs services does not have control of the payment of the wages for such services, the term “employer” means the person having control of the payment of such wages. Section 3401(d)(1) applies as well to the employer and employee portions of FICA tax, and to FUTA tax. See *Otte v. United States*, 419 U.S. 43 (1974); *In re Armadillo Corp.*, 561 F.2d 1382 (10<sup>th</sup> Cir. 1977); and *Lane Processing Trust v. United States*, 25 F.3d 662 (8<sup>th</sup> Cir. 1994). Section 31.3401(d)-1(f) clarifies that § 3401(d)(1) applies if the person for whom the individual performs the services does not have legal control of the payment of wages. The regulation provides as an example the payment of pensions or retired pay by a trust.

For FICA and FUTA purposes, contributions to a nonexempt employees’ trust are taken into account as wages only once, either at the time of contribution or the time of vesting. Treas. Reg. §§ 31.3121(a)-2(a) & 31.3102-1(a). Employer contributions to such a trust are wages at the time of contribution to the extent that the employee’s interest in the amount contributed is vested at the time of contribution. To the extent the employee’s interest is not vested at the time of contribution, the contributions are not wages at the time contributed. Rather, for FICA and FUTA tax purposes, the employee receives a payment of wages on the date of vesting in an amount equal to the fair market value of the employee’s interest in the trust attributable to the amount contributed (*i.e.*, the amount contributed plus any increase in the value of the trust with respect to the contributions or less any decrease in the value of the trust with respect to the contributions up to the date of vesting). Because neither X’s contributions nor A’s interest in T are vested during 2007 or 2008, A has no vested accrued benefit for 2007 or 2008. Therefore, A does not receive a payment of wages for FICA and FUTA tax purposes for these years. Because X’s contributions of \$100,000 on each of January 1, 2009, and January 1, 2010, are vested at the time they were made, those contributions are treated as payments of wages subject to FICA and FUTA taxes at the time of contribution. X is the employer responsible for FICA and FUTA taxes on the 2009 and 2010 contributions. Furthermore, when A’s interest in T vests

on January 1, 2009, *A* receives a payment of wages on that date for FICA and FUTA tax purposes in the amount of *A*'s vested accrued interest on that date, *i.e.*, the fair market value of *A*'s interest in *T* that is attributable to the contributions made in 2007 and 2008 (not including the amount contributed by *X* on January 1, 2009, on which FICA and FUTA taxes are owed by *X*). *T* is the employer under § 3401(d)(1) for FICA and FUTA tax purposes with respect to the amount attributable to the contributions made in 2007 and 2008. In applying the annual social security tax and FUTA wage bases under §§ 3121(a)(1) and 3306(b)(1), all of the wages paid during 2009 in connection with *A*'s interest in *T* are taken into account, including the wages attributable to contributions made in 2007 and 2008.

The rule for determining the amount and the timing of the payment of wages subject to Federal income tax withholding follows the rule in § 402(b)(4)(A) for determining the amount and timing of gross income received by *A*, rather than the rule for determining the amount and the timing of the payment of wages for FICA and FUTA purposes. The legislative history of §§ 3401 through 3404 indicates that an objective of Federal income tax withholding is to enable individuals to pay the correct amount of income tax. H.R. Conf. Rep. No. 78-510 at 1 (1943). Congress has also stated that because the social security system has objectives that are significantly different from the objectives underlying the Federal income tax withholding rules, an amount may be treated differently for FICA purposes than it is for Federal income tax withholding purposes. See the legislative history to the Social Security Amendments of 1983 at S. Rep. No. 98-23, 42 (1983). Aligning the rule for Federal income tax withholding with the rule for determining the amount and timing of compensation included in the employee's gross income will result in the amount of Federal income tax withheld more precisely approximating the employee's income tax liability. A rule that determined wages for income tax withholding purposes at the time of vesting rather than at the end of the trust's taxable year could result in either overwithholding or underwithholding. Thus, in order to apply §§ 3401(a) and 3402(a) consistent with their purpose, the wages of a

highly compensated employee (within the meaning of § 414(q)) with a vested accrued benefit in a nonexempt employees' trust are treated as paid for Federal income tax withholding purposes on the last day of the taxable year of the trust. The employer does not make a payment of wages for income tax withholding purposes at the time it makes contributions to such a trust even if the contributions are vested at the time of contribution. The nonexempt employees' trust is the employer within the meaning of § 3401(d)(1) for Federal income tax withholding purposes and is responsible for all Federal income tax withholding obligations with respect to wages that are also gross income determined under § 402(b)(4)(A).

In accordance with the foregoing, *A*'s wages for FICA and FUTA purposes attributable to contributions made in 2007 and 2008 are treated as paid on January 1, 2009, the date on which *A*'s interest vests, in an amount equal to \$214,000, which is the fair market value of *A*'s interest in *T* on January 1, 2009, disregarding the \$100,000 contribution from *X* on that date. *A*'s wages for FICA and FUTA purposes for 2009 and 2010 are treated as paid on January 1, 2009 and January 1, 2010, and for each year are in an amount equal to *X*'s vested contribution of \$100,000 on each such date. *A*'s wages for Federal income tax withholding purposes attributable to contributions made in 2007, 2008, and 2009 are treated as paid on December 31, 2009, in an amount equal to \$330,000, which is the excess on that date of *A*'s vested accrued benefit in *T* over *A*'s investment in the contract. *A*'s wages for Federal income tax withholding purposes for 2010 are treated as paid on December 31, 2010, in an amount equal to \$120,000, which is the excess on that date of *A*'s vested accrued benefit in *T* over *A*'s investment in the contract.

*X* is the employer for FICA and FUTA purposes with respect to *A*'s wages resulting from *X*'s vested contributions to *T* in 2009 and 2010. *T* is the employer within the meaning of § 3401(d)(1) for FICA and FUTA purposes with respect to *A*'s wages attributable to the contributions made in 2007 and 2008.

*T* is the employer within the meaning of § 3401(d)(1) for Federal income tax withholding purposes for all years with respect to *A*'s wages resulting from *A*'s interest

in *T*. Thus, *T* is liable for Federal income tax withholding on \$330,000 in wages paid to *A* for 2009, and *T* is liable for Federal income tax withholding on \$120,000 in wages paid to *A* for 2010. *X* is not liable for any Federal income tax withholding in connection with the contributions to *T*.

## HOLDING

*Income and Deductions.* When an employer contributes to a nonexempt employees' trust on behalf of highly compensated employee participants, a participant includes in gross income as compensation under § 402(b)(4)(A) the participant's vested accrued benefit (other than the participant's investment in the contract) as of the end of the taxable year of the trust ending with or within the taxable year of the participant. Provided that the separate account rule of § 404(a)(5) is satisfied, the employer is entitled to deduct a contribution made to the trust on behalf of a participant in the taxable year in which amounts attributable to the contribution are includible in the participant's income, to the extent the contribution otherwise meets the requirements for deductibility. The trust is taxed as a trust under § 641. Because the separate share rule of § 663(c) applies to the trust, the trust is entitled to deduct distributions made to a participant to the extent the distributions do not exceed the distributable net income allocable to the participant's separate share of the trust.

*FICA and FUTA.* When an employer contributes to a nonexempt employees' trust on behalf of a highly compensated employee, the FICA and FUTA taxation of such contributions depends on whether the employee's interest in the contribution is vested at the time of contribution. If the contribution is vested at the time of contribution, then the amount of the contribution is subject to FICA and FUTA taxes at the time of contribution. The employer is liable for the payment of FICA and FUTA taxes on such amounts. If the contribution is not vested at the time of contribution, then the amount of the contribution and the earnings thereon are subject to FICA and FUTA taxation at the time of vesting. With respect to contributions and earnings thereon that become vested after the date of contribution, the nonexempt employees' trust is considered the employer under

§ 3401(d)(1) with respect to such amounts as they become vested.

*Income Tax Withholding.* With respect to an employee described in § 402(b)(4)(C), whose gross income is determined under § 402(b)(4)(A), wages for Federal income tax withholding purposes are determined in the same way gross income is determined under § 402(b)(4)(A). Such wages are in the amount of the employee's vested accrued benefit (other than the employee's investment in the contract) on the last day of the taxable year of the nonexempt employees' trust and are treated as paid for Federal income tax withholding purposes on that same date. The nonexempt employees' trust is the employer within the meaning of § 3401(d)(1) with respect to the highly compensated employee whose gross income is determined under § 402(b)(4)(A), regardless of whether contributions made for the benefit of the employee are vested at the time of contribution. Thus, the employees' trust is responsible for all Federal income tax withholding with respect to such wages paid to the employee. Distributions of benefits from the nonexempt employees' trust to the employee or for the employee's benefit are included in determining the vested accrued benefit of the employee at the end of the trust's taxable year, which is subject to Federal income tax withholding at the end of the trust's taxable year.

#### EFFECT ON OTHER REVENUE RULING

Rev. Rul. 74-299 is amplified.

#### DRAFTING INFORMATION

The principal authors of this revenue ruling are William C. Schmidt and Alfred G. Kelley of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this revenue ruling, contact Mr. Schmidt at (202) 622-6030 (not a toll-free call), Mr. Kelley at (202) 622-6040 (not a toll-free call), or Bradford R. Poston of the Office of Associate Chief Counsel (Passthroughs and

Special Industries) at (202) 622-3060 (not a toll-free call).

---

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

A revenue ruling provides guidance concerning the deduction of contributions to a nonexempt employees' trust. See Rev. Rul. 2007-48, page 129.

---

### Section 461.—General Rule for Taxable Year of Deduction

*26 CFR 1.461-4: Economic performance.*

A revenue ruling that holds that an arrangement that provides for the reimbursement of believed-to-be inevitable future cost does not involve the requisite insurance risk for purposes of determining (i) whether the amount paid for the arrangement is deductible as an insurance premium and (ii) whether the assuming entity may account for the arrangement as an 'insurance contract' for purposes of subchapter L of the Code. Stakeholders are asked to comment on the application of the rationale of the revenue ruling outside of its facts. See Rev. Rul. 2007-47, page 127.

---

### Section 501.—Exemption From Tax on Corporations, Certain Trusts, etc.

This revenue procedure sets forth procedures for issuing determination letters and rulings on the exempt status of organizations under sections 501 and 521 of the Internal Revenue Code. These procedures also apply to revocation and modification of determination letters or rulings, and provides guidance on the exhaustion of administrative remedies for purposes of declaratory judgment under section 7428 of the Code. See Rev. Proc. 2007-52, page 222.

---

### Section 661.—Deduction for Estates and Trusts Accumulating Income or Distributing Corpus

A revenue ruling provides guidance concerning the deduction of distributions from a nonexempt employees' trust. See Rev. Rul. 2007-48, page 129.

## Section 831.—Tax on Insurance Companies Other Than Life Insurance Companies

*26 CFR 1.831-3: Tax on insurance companies (other than life or mutual), mutual marine insurance companies, mutual fire insurance companies issuing perpetual policies, and mutual fire and flood insurance companies operating on the basis of premium deposits; taxable years beginning after December 31, 1962.*

A revenue ruling that holds that an arrangement that provides for the reimbursement of believed-to-be inevitable future cost does not involve the requisite insurance risk for purposes of determining (i) whether the amount paid for the arrangement is deductible as an insurance premium and (ii) whether the assuming entity may account for the arrangement as an 'insurance contract' for purposes of subchapter L of the Code. Stakeholders are asked to comment on the application of the rationale of the revenue ruling outside of its facts. See Rev. Rul. 2007-47, page 127.

---

## Section 3121.—Definitions

A revenue ruling provides guidance concerning when amounts contributed to a nonexempt employees' trust constitute wages. See Rev. Rul. 2007-48, page 129.

---

## Section 3306.—Definitions

A revenue ruling provides guidance concerning when amounts contributed to a nonexempt employees' trust constitute wages. See Rev. Rul. 2007-48, page 129.

---

## Section 3402.—Income Tax Collected at Source

A revenue ruling provides guidance concerning income tax withholding with respect to amounts included in the income of a participant in a nonexempt employees' trust and concerning who is the employer for employment tax purposes. See Rev. Rul. 2007-48, page 129.

# Part III. Administrative, Procedural, and Miscellaneous

## Qualified Payment Card Agent Determination

### Notice 2007-59

This notice provides a proposed revenue procedure that would supersede Rev. Proc. 2004-42, 2004-2 C.B. 121 (August 2, 2004). In general, Rev. Proc. 2004-42, establishes a procedure for a payment card organization to request a determination that it is a Qualified Payment Card Agent (QPCA) for purposes of the regulations under section 3406 and section 6724 of the Internal Revenue Code. A QPCA may act on behalf of cardholder/payors in soliciting, collecting, and validating merchants' names, taxpayer identification numbers (TINs) and corporate status (collectively referred to as merchant/payee data) and on behalf of merchant/payees in furnishing merchant/payee data to cardholder/payors. Under section 301.6724-1(c) and (e) of the Regulations on Procedure and Administration, cardholder/payors are relieved of certain TIN solicitation requirements for payments made through a QPCA. Section 31.3406(g)-1(f) of the Employment Tax Regulations provides a limited exception from the backup withholding requirements for payments made to certain merchant/payees through a QPCA.

In response to the request in Notice 2005-25, 2005-1 C.B. 827 (April 4, 2005), for recommendations of publication items for the 2005-2006 Guidance Priority List, some businesses subject to the payment card rules and procedures recommended that Rev. Proc. 2004-42 and section 31.3406(g)-1(f) of the regulations be modified to reflect the current electronic business operations of the payment card industry and to permit the use of payment cards by merchant/payees that opt out of the QPCA program. Specifically, they requested the following changes to the procedures in Rev. Proc. 2004-42:

1. Modification of the requirements in section 5.03(1)(b) and (c) of Rev. Proc. 2004-42 (relating to the written notices that payment card organizations are required to provide to merchant/payees and cardholder/payors when obtaining authorizations to act on their behalf) to permit payment

card organizations to furnish the notices electronically.

2. Further modification of the requirements in section 5.03(1)(b) and (c) to allow payment card organizations to include the notification of important tax information either on the outside of the envelope containing the written notices or on the subject line of the electronic communication through which the notice is furnished.
3. Modification of the requirements in section 6.04 (relating to merchant/payee data reports) to provide specific authority for furnishing the merchant/payee data report electronically, including by posting on a secure website.
4. Modification of the content of the written notice required by section 5.03(1)(c) (relating to the notice that payment card organizations are required to provide to merchant/payees) to eliminate the requirement that the notice inform merchant/payees that they will be treated as participants in the QPCA program if they continue to accept the organization's payment card. Instead, require that the notice inform merchant/payees that they may opt out of the QPCA program by completing and returning a written statement to the payment card organization and that they may continue to accept the organization's payment card even if they opt out of the QPCA program.

The Service and Treasury Department agree that it is appropriate to modify the requirements of Rev. Proc. 2004-42 and the regulations to reflect the current electronic business operations of the payment card industry. Proposed amendments to the regulations under section 3406 would authorize electronic furnishing of notifications regarding payee status and participation in the QPCA program if certain conditions are satisfied. In addition, the proposed revenue procedure set forth as an attachment to this notice would adopt the first and second recommendations regarding the electronic furnishing of notices.

The proposed revenue procedure also responds to the third recommendation by authorizing the electronic furnishing of merchant/payee data reports if both the cardholder/payor and the merchant/payee consent.

The Service and the Treasury Department also agree that a merchant/payee that does not want to participate in the QPCA program should be allowed to opt out of the program by completing and returning a written statement to the payment card organization and should be permitted to continue accepting the payment card even if it opts out of the QPCA program. The proposed revenue procedure would make this change.

Although QPCAs would not act on behalf of nonparticipating payees in furnishing payee data to cardholders, the Service and the Treasury Department have concluded that a QPCA should be required to furnish certain information to cardholders that use the QPCA's card to make reportable payments to nonparticipating payees. Specifically, the QPCA should be required to inform the cardholder that the payee is not a participant in the QPCA program and is not a qualified payee. Proposed amendments to the regulations under section 3406 would adopt this rule. In addition, the proposed revenue procedure would change the content of the written notice that payment card organizations are required to provide to merchant/payees so that the content is consistent with the proposed regulations relating to payees that opt out of the QPCA program.

The Service requests comments on the proposed revenue procedure. Written comments must be received by September 24, 2007. Comments should be submitted to: CC:PA:LPD:PR (NOT-2007-59), Room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Alternatively, comments may be hand delivered between the hours of 8 am and 4 pm to CC:PA:LPD:PR (NOT-2007-59), Courier's Desk, Internal Revenue Service, 1111 Constitution Ave., NW, Washington, DC. Comments may also be transmitted electronically via the following email address: [Notice.Comments@irs.counsel.treas.gov](mailto:Notice.Comments@irs.counsel.treas.gov).

Please include "Notice 2007-59" in the subject line of any electronic communication.

For further information regarding this notice, contact Michael Hara of the Office of Associate Chief Counsel (Procedure and Administration). Mr. Hara may be contacted at (202) 622-4910 (not a toll-free call).

## APPENDIX (PROPOSED REVENUE PROCEDURE)

### SECTION 1. IN GENERAL

This revenue procedure modifies the procedures set forth in Rev. Proc. 2004-42, 2004-2 C.B. 121 (August 2, 2004). Rev. Proc. 2004-42 established a procedure for a payment card organization to request a determination that it is a Qualified Payment Card Agent (QPCA) for purposes of the regulations under section 3406 and section 6724 of the Internal Revenue Code (Code). A QPCA may act on behalf of cardholder/payors in soliciting, collecting, and validating merchants' names, taxpayer identification numbers (TINs) and corporate status (collectively referred to as merchant/payee data) and on behalf of merchant/payees in furnishing merchant/payee data to cardholder/payors. The Regulations on Procedure and Administration relieve cardholder/payors from certain TIN solicitation requirements for payments made through a QPCA. The Employment Tax Regulations provide a limited exception from the backup withholding requirements for payments made to certain merchant/payees through a QPCA.

### SECTION 2. SIGNIFICANT CHANGES

The requirements a payment card organization must meet to obtain and retain a QPCA determination are modified as follows:

.01 The written notices that the payment card organization must provide to cardholder/payors and merchant/payees may be mailed (the only option described in Rev. Proc. 2004-42) or furnished electronically. If a notice is furnished electronically, a notification that important tax and privacy information is being provided must be included on the subject line of the

electronic communication through which the notice is furnished.

.02 The written notices provided to merchant/payees will no longer be required to inform merchant/payees that they will be treated as participants in the QPCA program if they continue to accept the organization's payment card. Instead, the notice must inform merchant/payees that they may opt out of the QPCA program by completing and returning a written statement to the payment card organization and that they may continue to accept the organization's payment card even if they opt out of the QPCA program.

.03 The reporting requirements are modified to reflect the fact that a QPCA's payment card may be accepted by merchant/payees that have opted out of the QPCA program (nonparticipating merchant/payees). Although QPCAs do not act on behalf of nonparticipating payees in furnishing payee data to cardholders, the QPCA is required to furnish certain information to cardholders that use the QPCA's card to make reportable payments to nonparticipating payees. Specifically, the QPCA is required to inform the cardholder that the payee is not a participant in the QPCA program and is not a qualified payee. In addition, the QPCA must advise the cardholder/payor of the cardholder/payor's obligation to solicit the name and TIN of a nonparticipating merchant/payee to which it makes a reportable payment.

.04 The reporting requirements are also modified to provide specific authority for furnishing the merchant/payee data report electronically, including by posting on a secure website. Electronic reporting is permitted only if both the cardholder/payor and merchant/payee consent by returning the consent form included with the written notice provided by the QPCA.

### SECTION 3 . BACKGROUND

.01 *Payment card transactions.* A payment card transaction is a transaction in which a cardholder/payor uses a payment card (as defined in section 5.05 of this revenue procedure) to purchase goods or services and a merchant agrees to accept the payment card as a means of obtaining payment. A payment card organization (as defined in section 5.06 of this revenue proce-

dure) sets the standards and provides the mechanism for effecting the payment.

.02 *Reporting requirements.* In general, section 6041 of the Code requires a person engaged in a trade or business and making a payment in the course of the trade or business of \$600 or more during a calendar year of fixed or determinable income to file an information return with the Internal Revenue Service (IRS) and to furnish an information statement to the payee. Section 1.6041-3(p) of the Income Tax Regulations provides exceptions to these requirements, including, for example, exceptions for payments made to a payee that is a corporation. Section 6041A of the Code imposes similar requirements with respect to payments of remuneration for services and direct sales.

Section 6109(a)(2) of the Code provides that any payee, with respect to whom a return is required to be made by another person or whose identifying number is required to be shown on a return of another person, must furnish to the other person the identifying number prescribed for securing the proper identification of the payee. Section 6109(a)(3) provides that any person required to make a return with respect to a payee must ask the payee for the identifying number prescribed for securing the proper identification of the payee and must include that number in the return.

.03 *Backup withholding.* Section 3406(a)(1) requires a payor to withhold on reportable payments (as defined in section 3406(b)(1)) if the payee does not provide a TIN to the payor in the manner required, if the Secretary notifies the payor that the TIN furnished by the payee is incorrect, or if certain other circumstances exist. Section 3406(i) provides that the Secretary shall prescribe the regulations necessary or appropriate to carry out the purposes of section 3406.

Section 31.3406(j)-1 of the Employment Tax Regulations provides that the Commissioner has the authority to establish TIN matching programs through revenue procedures or other appropriate guidance. Under the regulations, a payor or a payor's authorized agent may participate in a TIN matching program that permits the payor or authorized agent to contact the IRS with respect to the TIN furnished by a payee before the payor files an information return for reportable payments

to the payee. The regulations further provide that the IRS will inform the payor or the payor's authorized agent whether or not the name/TIN combination furnished by the payee matches a name/TIN combination maintained for the TIN matching program. Revenue Procedure 2003-9, 2003-1 C.B. 516, describes the procedures for participation in the IRS TIN Matching Program.

Section 31.3406(g)-1(f) of the Employment Tax Regulations provides that the backup withholding requirements of section 3406 do not apply to payments made through a QPCA if the payments are made to a qualified payee or during a grace period. Section 31.3406(g)-1(f)(3) requires a QPCA to notify the cardholder/payor when payments are made to a merchant/payee who is not a qualified payee. Proposed amendments to these regulations would require a QPCA to notify the cardholder/payor when payments are made to a merchant/payee that does not participate in the QPCA program.

.04 *Information reporting penalties and waivers for reasonable cause.* Section 6721 of the Code provides that a payor may be subject to a penalty for failure to file a complete and correct information return. Section 6722 of the Code provides that a payor may be subject to a penalty for failure to furnish a complete and correct information statement to a payee. A failure subject to the section 6721 and section 6722 penalties includes a failure to include correct payee TINs.

Section 6724 provides that the penalties under section 6721 and section 6722 may be waived if the filer shows that the failure was due to reasonable cause and was not due to willful neglect. Under section 301.6724-1(e)(1)(vi)(H) and (f)(5)(vii) of the Regulations on Procedure and Administration, a cardholder/payor in a payment card transaction may establish reasonable cause based on its reliance on a QPCA.

#### SECTION 4. SCOPE

This revenue procedure applies to payment card organizations acting or seeking to act on behalf of cardholder/payors in soliciting, collecting, and validating merchant/payee data and on behalf of merchant/payees in furnishing merchant/payee data to cardholder/payors.

#### SECTION 5. DEFINITIONS AND RELATED RULES

The following definitions and related rules apply solely for purposes of this revenue procedure:

.01 *Cardholder.* A cardholder (or cardholder/payor) is the person that agrees to make the payment through the payment card organization. Thus, in the case of a payment card issued to an employee of a person that agrees to make payments through the payment card organization, the employer rather than the employee is the cardholder/payor.

.02 *Merchant.* A merchant (or merchant/payee) is a person that has agreed to accept the payment card issued by the payment card organization as payment for goods and services.

.03 *Merchant/payee data.* Merchant/payee data includes the merchant/payee's name, corporate status, and TIN, and whether the TIN has been validated through the IRS TIN Matching Program.

.04 *Participating payee.* A payee is a participating payee with respect to a reportable payment if—

(1) The written notice described in section 6.03(1)(c) of this revenue procedure was provided to the payee before the date on which the QPCA makes the payment; and

(2) At the time the QPCA makes the payment, the payee has not declined the QPCA's services in the manner prescribed in the written notice.

.05 *Payment card.* A payment card is a card (or an account) issued by a payment card organization to a cardholder/payor which, upon presentation to a merchant/payee, represents an agreement of the cardholder to pay the merchant through the payment card organization.

.06 *Payment card organization.* A payment card organization is an entity that sets the standards and provides the mechanism for effectuating payment between a purchaser and a merchant in a payment card transaction. A payment card organization generally provides this payment mechanism by issuing payment cards, enrolling merchants as authorized acceptors of payment cards for payment for goods or services, and ensuring the system conducts the transactions in accordance with prescribed standards. In any case in which a

payment card organization acts through a member, affiliate, or licensee, the action is treated for purposes of this revenue procedure (including this definition) as an action by a payment card organization.

.07 *Qualified Payment Card Agent (QPCA).* A QPCA is a payment card organization that has a current QPCA determination from the IRS. A person acting in its capacity as a QPCA does not act as an agent of the IRS, nor does it have the authority to hold itself out as an agent of the IRS.

#### SECTION 6. APPLICATION AND REQUIREMENTS FOR QPCA DETERMINATION

.01 *Where to apply for QPCA determination.* A person authorized to act on behalf of a payment card organization may submit a written request for a QPCA determination to the following address:

Internal Revenue Service  
1601 Market Street  
20<sup>th</sup> Floor  
ATTN: TIN Matching Coordinator  
SE:S:CCS:CR:PC&T  
Philadelphia, PA 19107

.02 *Content of QPCA application.* A payment card organization requesting a QPCA determination must include the following in its application:

(1) The name, address, and employer identification number of the payment card organization and a description of its business.

(2) The name of the department or office of the payment card organization that will serve as the information contact.

(3) The name of the department or the names and titles of the officers or employees that will be responsible for the performance of the TIN solicitation activities described in section 7.

(4) A list of the systems, business lines, or card product lines or levels that will be covered by the TIN solicitation activities described in section 7 and that will be covered by a QPCA determination.

(5) An explanation of the account opening procedures and documents the payment card organization uses, or requires its members, affiliates, or licensees to use, to establish merchant account relationships



related to the payment card organization's activities as a QPCA.

(6) The approximate number and the type of merchants (individuals, corporations, etc.) enrolled by the payment card organization.

(7) An explanation of the payment card organization's systems and controls related to the payment card organization's activities as a QPCA for—

(a) Obtaining merchant/payee data (including merchant/payee data provided by reputable third-party sources);

(b) Validating the accuracy of the merchant/payee data;

(c) Ensuring the accuracy and reliability of the merchant/payee data;

(d) Maintaining the merchant/payee data; and

(e) Supplying the merchant/payee data to the cardholder/payor.

*.03 Requirements for QPCA determination.* A payment card organization must meet the following requirements to obtain a QPCA determination:

(1) *Authorization to act on behalf of cardholder/payors and on behalf of merchant/payees.*

(a) The payment card organization must establish that cardholder/payors have authorized it or its members, affiliates, or licensees to act on their behalf in soliciting, collecting, and validating merchants' names and TINs and to assist the cardholders in meeting their information reporting obligations under section 6041 and section 6041A. The payment card organization must also establish that merchant/payees have authorized it or its members, affiliates, or licensees to act on their behalf in furnishing their names, TINs, and corporate status to cardholders and to assist the merchants in meeting their obligations under section 6109(a)(2). To satisfy these requirements, the payment card organization must provide the written notice described in section 6.03(1)(b) to each cardholder/payor and must provide the written notice described in section 6.03(1)(c) to each merchant/payee.

(b) The text of the written notice provided to cardholder/payors must be in bold and conspicuous type, and the notice must include the legend: "Important Tax and Privacy Materials." The notice must state:

As a cardholder, you may engage in transactions with merchants for which you may be required to file an infor-

mation return with the Internal Revenue Service. If you are required to file an information return with the Internal Revenue Service reporting a transaction, you must include the amount of the payment, the merchant's name, and the merchant's taxpayer identification number. To assist you in fulfilling these potential information reporting requirements, [insert name of payment card organization] has received [is seeking] approval from the Internal Revenue Service to provide a merchant data service to cardholders. If you accept the merchant data service, [insert name of payment card organization] will act on your behalf, and on behalf of merchants, to solicit, furnish, and validate the merchants' taxpayer identification numbers. A merchant's taxpayer identification number and other merchant data may be provided to you through [insert name of issuer].

If you accept the merchant data service, please be advised that you must maintain the confidentiality of the merchant data provided to you and that you may use it only for purposes of backup withholding and filing information returns with the Internal Revenue Service.

You may decline the merchant data service. If you do not want [insert name of card organization] to provide this service to you, you must complete the enclosed (or attached) form and return it (or a copy) to [insert, as applicable, mailing, facsimile (fax) transmission, and/or e-mail directions].

If [insert name of payment card organization] does not receive your reply by [insert 60 days after date of notice], you will be deemed to have agreed to accept the merchant data service.

If you accept the merchant data service, you will receive the merchant data by U.S. mail unless you complete and return the enclosed (or attached) consent form indicating that you want to receive the merchant data electronically. If you complete the consent form and return it in the enclosed envelope, you will be required to confirm your consent electronically.

You will receive merchant data electronically only for merchants that have consented to their data being provided

electronically. You will receive the merchant data by U.S. mail for merchants that have authorized [insert name of payment card organization] to provide their data but do not consent to the data being provided electronically.

Your consent to receive the merchant data electronically will remain in effect until [insert duration of consent]. You may withdraw your consent by contacting [insert name of payment card organization] at [insert address and phone number]. A withdrawal of consent will be effective [insert date, such as date received or subsequent date]. After consenting to receive the merchant data electronically, you may request a paper copy of the data by contacting [insert name of payment card organization] at [insert address and phone number]. A request for a paper copy [insert will or will not] be considered a withdrawal of your consent to receive the merchant data electronically.

In order to receive the merchant data electronically, you will need [insert description of hardware and software to access, print, and retain merchant data]. You will be notified of any change in hardware or software requirements prior to any change that would create a risk that you would not be able to access the merchant data electronically.

[If applicable insert the following: [Insert name of payment card organization] may stop providing the merchant data to you electronically if [insert conditions].

You must inform [insert name of payment card organization] of any changes in your circumstances affecting your ability to receive merchant data electronically.

For more information, contact [insert contact name and phone number].

The notice may be included in the annual (or periodic) agreement, or amendments thereto, between the payment card organization and the cardholder or in a separate document. The notice may be furnished by U.S. mail or electronically. If furnished by U.S. mail, the outside of the envelope in which the written notice is mailed must contain, in bold and conspicuous type, the legend: "Important Tax and Privacy Materials Enclosed." If furnished electronically, the subject line of the electronic communication through which the

notice is furnished must contain, in bold and conspicuous type, the legend: "Important Tax and Privacy Materials Enclosed."

(c) The text of the written notice provided to merchant/payees must be in bold and conspicuous type, and the notice must include the legend: "Important Tax and Privacy Materials." The notice must state:

As a merchant, you may engage in transactions with cardholders for which cardholders may be required to file an information return with the Internal Revenue Service. If a cardholder is required to file an information return reporting a transaction with you to the Internal Revenue Service, the cardholder must include the amount of the payment, your name, and your taxpayer identification number. To facilitate the exchange of information between you and cardholders, [insert name of payment card organization] has received [is seeking] approval from the Internal Revenue Service to provide a merchant data service to merchants that engage in transactions with cardholders. If you accept the merchant data service, [insert name of payment card organization] will act on your behalf, and on behalf of cardholders, to solicit, furnish, and validate your taxpayer identification number.

If you accept the merchant data service, your name and your taxpayer identification number will be submitted to the Internal Revenue Service for validation against the Internal Revenue Service taxpayer identification number database. Please be advised that if you accept the merchant data service, [insert name of payment card organization] may request that you provide your taxpayer identification number to it or may seek to obtain your taxpayer identification number from a reputable third-party source. If you accept the merchant data service, your taxpayer identification number and corporate status may be provided to cardholders.

Please be aware that [insert name of payment card organization] has advised cardholders who may receive your taxpayer identification number that they must maintain the confidentiality of your information and may use it only for purposes of backup withholding and filing information returns with the Internal Revenue Service.

You may decline the merchant data service. If you do not want [insert name of payment card organization] to validate your name and taxpayer identification number; and to provide your taxpayer identification number and corporate status to cardholders you must complete the enclosed (or attached) form and return it [insert, as applicable, mailing, facsimile (fax) transmission, and/or e-mail directions].

You will be deemed to have agreed to accept the merchant data service with respect to any payments you receive before the date on which [insert name of payment card organization] receives your reply.

[Insert, if applicable: If you decline the merchant data service before January 1, 2008, you should also discontinue accepting the card as a means of obtaining payment until that date. If you continue to accept the [insert name of payment card] as a means for obtaining payment you will be deemed, notwithstanding the return of the enclosed (or attached) form, to have agreed to accept the merchant data service with respect to payments you receive before January 1, 2008.]

If you decline the merchant data service, you may accept the card as a means for obtaining payment [if notice is provided before January 1, 2008, insert: beginning on January 1, 2008]. If you accept the card as a means of obtaining payment after declining the merchant data service, [insert name of payment card organization] is required to report to the cardholder making the payment that you have declined the merchant data service.

Your information (including, if applicable, the information that you have declined the merchant data service) will be provided to cardholders by U.S. mail unless you complete and return the enclosed (or attached) consent form indicating that you want your information to be provided electronically by [insert manner (e.g., e-mail or posting on a secure website) by which information will be provided electronically]. Your consent to your data being provided electronically will remain in effect until [insert duration of consent]. You may withdraw your consent by contacting [insert name of payment card organiza-

tion] at [insert address and phone number]. A withdrawal of consent will be effective [insert date, such as date received or subsequent date].

For more information, contact [insert contact name and phone number].

The notice may be included in the annual (or periodic) agreement, or amendments thereto, between the payment card organization and the merchant or in a separate document. The notice may be furnished by U.S. mail or electronically. If furnished by U.S. mail, the outside of the envelope in which the written notice is mailed must contain, in bold and conspicuous type, the legend: "Important Tax and Privacy Materials Enclosed." If furnished electronically, the subject line of the electronic communication through which the notice is furnished must contain, in bold and conspicuous type, the legend: "Important Tax and Privacy Materials Enclosed."

(2) *TIN solicitation activities.* The payment card organization must establish that it has undertaken, or demonstrate that it will undertake, the TIN solicitation activities described in section 7.

(3) *Reliability of merchant/payee data.* After obtaining the authorizations required by section 6.03(1), the payment card organization must participate in the IRS TIN Matching Program and must demonstrate, based on the TIN matching results, that its merchant/payee data is sufficiently reliable.

## SECTION 7. TIN SOLICITATION ACTIVITIES

.01 *TIN solicitation methods.* A QPCA should solicit merchant/payee TINs in a manner described in section 301.6724-1(e)(1)(i) of the Regulations on Procedure and Administration. Alternatively, a QPCA may obtain merchant/payee TINs from a reputable third-party source.

.02 *Notification and disclosure requirements.* A QPCA must give each merchant/payee for which it acts as agent the written notice described in section 6.03(1)(c) and must give each cardholder/payor for which it acts as agent the written notice described in 6.03(1)(b). In addition, a QPCA must give written notice of its status as a QPCA, and of any change in that status, to any member, affiliate, or licensee that issues payment

cards, as well as to the merchant/payee and cardholder/payors for which it acts as agent.

.03 *TIN Matching participation.* A QPCA must participate in the IRS TIN Matching Program and must match its merchant/payee data relating to reportable payments of participating merchant/payees with IRS within three months after obtaining the merchant/payee's TIN. A QPCA may seek to cure merchant/payee data that has not previously been validated through the IRS TIN Matching Program. The QPCA must transmit only merchant/payee data that has not previously been validated through IRS TIN Matching.

.04 *Providing nonparticipating payee notifications and merchant/payee data to cardholders.* The QPCA must provide cardholder/payors with a report containing notifications required by §31.3406(g)(3)(i)(B) (nonparticipating payee notifications) and merchant/payee data within four months of the date on which the QPCA makes the payment to which the notification or data relates. The report may be provided on a quarterly or other regular basis. The report must include the merchant/payee's name and, if the merchant/payee is not a participating merchant/payee with respect to any reportable payment covered by the report, must include a notification to that effect. If the merchant/payee is a participating payee with respect to all reportable payments covered by the report, the report must also include the merchant/payee's corporate status and TIN, and whether the TIN has been validated through participation in the IRS TIN Matching Program. A QPCA must furnish the report containing nonparticipating payee notifications and merchant/payee data for transactions occurring on or before December 31 of a calendar year no later than January 15 of the following calendar year.

The report may be furnished by U.S. mail or electronically (e.g., by e-mail or posting on a secure website). A QPCA may furnish nonparticipating payee notifications and merchant/payee data electronically only if it has obtained the consents described in the written notices required by section 6.03(1) and the consents have not been withdrawn. If the report is posted on a website, the website must protect the privacy of nonparticipating payee notifica-

tions and merchant/payee data and allow access to the nonparticipating payee notification or merchant/payee data relating to a payee only to cardholder/payors that have made a reportable payment to that merchant/payee.

## SECTION 8. OTHER REQUIREMENTS

.01 *Availability of records.* A payment card organization and its members, affiliates, and licensees must respond to any reasonable IRS request for inspection of any books and records that relate to the operation of TIN solicitation activity, including, but not limited to, reports, memoranda, budgets, and computer printouts. The payment card organization and its members, affiliates, and licensees must allow the IRS reasonable access to the merchant/payee TIN data system, including instruction manuals describing the system.

.02 *Change in information.* The QPCA must promptly notify the IRS of any change in the information described in section 6.

.03 *Confidentiality of information.* For purposes of this revenue procedure, the payment card organization and its members, affiliates, and licensees must maintain the confidentiality of information obtained through the TIN solicitation activities in accordance with the requirements of section 31.3406(f)-1 of the Employment Tax Regulations. Except as permitted under section 31.3406(f)-1, the payment card organization and its members, affiliates, and licensees may not disclose any such information to any person other than the cardholder/payor without prior written consent of the merchant/payee. The IRS will treat all information provided by a QPCA as return information that is confidential under section 6103.

## SECTION 9. TERM, RENEWALS, AND TERMINATION

.01 *Term and renewal.* In general, a QPCA determination will be effective for five years from the date of the determination. A QPCA may request a renewal of the QPCA determination by submitting an application for renewal to the IRS no earlier than 12 months and no later than three months before the expiration of the five-year term. In the application for renewal, the QPCA must report any change

in the information in the original application. Before renewal of the determination, the IRS may review the QPCA's systems. In addition, the QPCA must demonstrate that the merchant/payee data continues to be reliable. The application for renewal must include the results from participation in the IRS TIN Matching Program during the current five-year term. The IRS will make every effort to issue a decision on a renewal application at least 30 days before the expiration of the current five-year term. In the event that the IRS does not issue a decision on a timely renewal application before the expiration of the existing QPCA determination, the existing determination will remain in effect until the IRS issues a decision on the renewal application.

.02 *Revocation of determination.* The IRS may revoke a QPCA determination before the expiration of its five-year term if the IRS determines, based on the results of the QPCA's participation in the IRS TIN Matching Program, that the merchant/payee data is not reliable or if the payment card organization fails to meet any of the requirements in section 6, 7, or 8. A QPCA may terminate its status as a QPCA upon 60 days written notice to the IRS.

SECTION 10. Rev. Proc. 2004-42 is superseded.

## SECTION 11. EFFECTIVE DATE

These procedures are proposed to be effective on the date they are published as a final revenue procedure.

## SECTION 12. DRAFTING INFORMATION

The principal author of this revenue procedure is Michael Hara of the Office of Associate Chief Counsel (Procedure and Administration). For further information regarding this revenue procedure, contact Mr. Hara at (202) 622-4910 (not a toll-free call).

---

## Weighted Average Interest Rates Update

### Notice 2007-61

This notice provides guidance as to the corporate bond weighted average interest

rate and the permissible range of interest rates specified under § 412(b)(5)(B)(ii)(II) of the Internal Revenue Code. In addition, it provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II).

#### CORPORATE BOND WEIGHTED AVERAGE INTEREST RATE

Sections 412(b)(5)(B)(ii) and 412(l)(7)(C)(i), as amended by the Pension Funding Equity Act of 2004 and by the Pension Protection Act of 2006, provide that the interest rates used to calculate current liability and to determine the required contribution under § 412(l) for plan years beginning in

2004 through 2007 must be within a permissible range based on the weighted average of the rates of interest on amounts invested conservatively in long term investment grade corporate bonds during the 4-year period ending on the last day before the beginning of the plan year.

Notice 2004-34, 2004-1 C.B. 848, provides guidelines for determining the corporate bond weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability. That notice establishes that the corporate bond weighted average is based on the monthly composite corporate bond rate derived from designated corporate bond in-

dices. The methodology for determining the monthly composite corporate bond rate as set forth in Notice 2004-34 continues to apply in determining that rate. See Notice 2006-75, 2006-36 I.R.B. 366.

The composite corporate bond rate for June 2007 is 6.32 percent. Pursuant to Notice 2004-34, the Service has determined this rate as the average of the monthly yields for the included corporate bond indices for that month.

The following corporate bond weighted average interest rate was determined for plan years beginning in the month shown below.

Month	For Plan Years Beginning in:	Year	Corporate Bond Weighted Average	90% to 100% Permissible Range
July		2007	5.83	5.25 to 5.83

#### 30-YEAR TREASURY SECURITIES INTEREST RATE

Section 417(e)(3)(A)(ii)(II) defines the applicable interest rate, which must be used for purposes of determining the minimum present value of a participant's benefit under § 417(e)(1) and (2), as the annual rate of interest on 30-year Treasury securities for the month before the date of distribution or such other time as the Secretary may by regulations prescribe. Section 1.417(e)-1(d)(3) of the Income Tax Regulations provides that the applicable interest rate for a month is the annual interest rate on 30-year Treasury securities as specified by the Commissioner for that month in revenue rulings, notices or other guidance published in the Internal Revenue Bulletin.

The rate of interest on 30-year Treasury securities for June 2007 is 5.20 percent. The Service has determined this rate as the monthly average of the daily determination of yield on the 30-year Treasury bond maturing in February 2037.

#### Drafting Information

The principal authors of this notice are Paul Stern and Tony Montanaro of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, please con-

tact the Employee Plans' taxpayer assistance telephone service at 877-829-5500 (a toll-free number), between the hours of 8:30 a.m. and 4:30 p.m. Eastern time, Monday through Friday. Mr. Stern may be reached at 202-283-9703. Mr. Montanaro may be reached at 202-283-9714. The telephone numbers in the preceding sentences are not toll-free.

*26 CFR 601.202: Closing agreements.*

### Rev. Proc. 2007-49

#### SECTION 1. PURPOSE

.01 This revenue procedure describes the consequence to a sponsor or practitioner maintaining a pre-approved plan that submits its plan for review after the established deadline in section 16 of Rev. Proc. 2007-44, 2007-28 I.R.B. 54.

.02 This revenue procedure also modifies the streamlined VCP application procedure for failures set forth in section 11.01 and Appendix F of Rev. Proc. 2006-27, 2006-1 C.B. 945.

#### SECTION 2. BACKGROUND

.01 Rev. Proc. 2006-27 sets forth the Employee Plans Compliance Resolu-

tion System ("EPCRS"), a comprehensive system of correction programs that permits plan sponsors to correct qualification failures and thereby preserve their plans' tax-favored status. The components of EPCRS are the Self-Correction Program ("SCP"), the Voluntary Correction Program ("VCP"), and the Audit Closing Agreement Program ("Audit CAP"). Under SCP, a plan sponsor may correct certain qualification failures, including operational failures described in Appendix B of that procedure as being correctable by plan amendment. Under VCP, a Plan Sponsor, before audit, may submit to the Service and receive approval for correction of qualification failures. Under Audit CAP, a plan sponsor may correct qualification failures that are identified on audit.

.02 Rev. Proc. 2005-16, 2005-1 C.B. 674, sets forth the Service's procedures for issuing opinion and advisory letters regarding the acceptability under §§ 401 and 403(a) of the Internal Revenue Code of the form of pre-approved plans (*i.e.*, master and prototype (M&P) and volume submitter (VS) plans).

.03 An application for an opinion letter for an M&P plan may be submitted by a sponsor (as defined in Rev. Proc. 2005-16) who satisfies the requirements of section 4.07 of Rev. Proc. 2005-16. In the alternative, an application for an opin-

ion letter may be submitted by an M&P Mass Submitter (as defined in section 4.08 of Rev. Proc. 2005-16) or a word-for-word identical adopter or minor modifier adopter of a plan of an M&P Mass Submitter as provided in section 4.08 of Rev. Proc. 2005-16.

.04 An application for an advisory letter for a VS plan may be submitted by a VS practitioner (as defined in Rev. Proc. 2005-16) who satisfies the requirements of section 13.04 of Rev. Proc. 2005-16. In the alternative, an application for an advisory letter may be submitted by a VS Mass Submitter (as defined in section 13.05 of Rev. Proc. 2005-16) or a word-for-word adopter of a plan of a VS Mass Submitter as provided in section 13.05 of Rev. Proc. 2005-16.

.05 Rev. Proc. 2007-44 sets forth a system of cyclical remedial amendment periods under § 401(b) for pre-approved plans and individually designed plans. Under this system, every pre-approved plan generally has a regular six-year remedial amendment/approval cycle. As a result, sponsors and practitioners generally need to apply for new opinion or advisory letters only once every six years.

.06 Section 16.02 of Rev. Proc. 2007-44 provides that sponsors and practitioners maintaining pre-approved plans generally have until January 31<sup>st</sup> of the calendar year following the opening of the six-year remedial amendment cycle to submit applications for opinion or advisory letters. This deadline also applies to word-for-word identical adopters and minor modifier placeholder applications.

.07 Section 16.03 of Rev. Proc. 2007-44 provides that when the review of a cycle for pre-approved plans has neared completion (after approximately a two-year review process), the Service will publish an announcement providing the date by which adopting employers must adopt the newly approved plans. This will be a uniform date that will apply to all adopting employers. Depending upon the length of the review process, it is expected that this date will give virtually all em-

ployers approximately a two-year window to adopt their updated plans.

.08 Section 17.01 of Rev. Proc. 2007-44 provides that an employer's plan will be treated as a pre-approved plan and therefore eligible for a six-year amendment/approval cycle if the employer's plan meets the requirements of section 17.01(1) of Rev. Proc. 2007-44 and the sponsor or practitioner maintaining the pre-approved plan timely submits an opinion or advisory letter application in accordance with section 17.01(2) of Rev. Proc. 2007-44.

### SECTION 3. VCP STREAMLINED SUBMISSION PROCEDURE FOR THE FAILURE TO ADOPT TIMELY CERTAIN AMENDMENTS

Section 11.01 of Rev. Proc. 2006-27 is supplemented to provide the following. The Appendix F format should not be modified. In addition, since it is a document that is executed by the Internal Revenue Service, it should not be submitted under the letterhead of the plan sponsor or the plan sponsor's authorized representative. The failure to provide the information required by Appendix F in the format provided for by Appendix F may result in the application being returned as an incomplete submission.

### SECTION 4. LATE SUBMISSIONS FOR OPINION OR ADVISORY LETTERS

.01 Applications for opinion or advisory letters submitted by sponsors and practitioners, including word-for-word identical adopters and minor modifier placeholder applications, are generally processed in the order received. If a sponsor or practitioner of an M&P or VS plan with a valid opinion or advisory letter from the immediately preceding six-year cycle (or, for the initial six-year cycle, a valid opinion or advisory letter for GUST<sup>1</sup>) submits an application for an opinion or advisory letter after the scheduled due date provided for in section 16 of Rev. Proc. 2007-44 (or in the predecessor procedure,

Rev. Proc. 2005-66, 2005-2 C.B. 509) or in any successor revenue procedure, then the review of the plan will be delayed and may not be completed by the time the review of timely submitted pre-approved plans is completed for other sponsors and practitioners (approximately two years). As a result, an employer adopting such plan may have less than two years to adopt the late submitted pre-approved plan (*i.e.*, less time than an employer adopting a pre-approved plan that had been submitted by the deadline set forth in section 16 of Rev. Proc. 2007-44).

.02 Any application for an opinion or advisory letter submitted by sponsors and practitioners, including word-for-word identical adopters and minor modifier placeholder applications, should be mailed to the address listed in section 20 of Rev. Proc. 2005-16 and include the appropriate user fee referred to in section 6.05 or 6.06 of Rev. Proc. 2007-8, 2007-1 I.R.B. 230.

### SECTION 5. EFFECTIVE DATE

Section 3 of this revenue procedure is effective August 28, 2007. Section 4 of this revenue procedure applies to all late submissions for opinion or advisory letters made after January 31, 2006.

### SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2006-27 is modified.

### DRAFTING INFORMATION

The principal author of this revenue procedure is Avaneesh Bhagat of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this revenue procedure, please contact the Employee Plans' taxpayer assistance telephone service at 1-877-829-5500 (a toll-free number) between the hours of 8:30 a.m. and 4:30 p.m. Eastern time, Monday through Friday or Mr. Bhagat at [RetirementPlanQuestions@irs.gov](mailto:RetirementPlanQuestions@irs.gov).

<sup>1</sup> The term "GUST" refers to the following:

- the Uruguay Round Agreements Act, Pub. L. 103-465;
- the Uniformed Services Employment and Reemployment Rights Act of 1994, Pub. L. 103-353;
- the Small Business Job Protection Act of 1996, Pub. L. 104-188;
- the Taxpayer Relief Act of 1997, Pub. L. 105-34;
- the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. 105-206; and
- the Community Renewal Tax Relief Act of 2000, Pub. L. 106-554.

Use this Revenue Procedure to prepare Tax Year 2007 and prior year information returns for submission to Internal Revenue Service (IRS) using any of the following:

- Electronic Filing
- Tape Cartridge

**Caution to filers:**

Please read this publication carefully. Persons or businesses required to file information returns electronically or magnetically may be subject to penalties for failure to file or include correct information if they do not follow the instructions in this Revenue Procedure.

**IMPORTANT NOTES:**

IRS/ECC-MTB now offers an Internet connection at <http://fire.irs.gov> for electronic filing. The Filing Information Returns Electronically (FIRE) System will be down from 2 p.m. E.S.T. Dec. 20, 2007, through Jan. 2, 2008 for upgrading. It is not operational during this time for submissions. The FIRE System does not provide fill-in forms for information returns.

IRS/ECC-MTB no longer accepts 3<sup>1</sup>/<sub>2</sub>-inch diskettes for filing information returns.

Tax year 2007 is the last year IRS/ECC-MTB will accept tape cartridges for the filing of information returns. Tape cartridges must be received by DECEMBER 1, 2008 in order to be processed for the current year. After December 1, 2008, electronic filing will be the ONLY acceptable method to file information returns at ECC-MTB.

**Rev. Proc. 2007-51**

**TABLE OF CONTENTS**

**Part A. General**

SEC. 1. PURPOSE .....	145
SEC. 2. NATURE OF CHANGES — CURRENT YEAR (TAX YEAR 2007) .....	146
SEC. 3. WHERE TO FILE AND HOW TO CONTACT THE IRS, ENTERPRISE COMPUTING CENTER — MARTINSBURG .....	147
SEC. 4. FILING REQUIREMENTS .....	148
SEC. 5. VENDOR LIST .....	149
SEC. 6. FORM 4419, APPLICATION FOR FILING INFORMATION RETURNS ELECTRONICALLY .....	149
SEC. 7. FILING OF INFORMATION RETURNS MAGNETICALLY AND RETENTION REQUIREMENTS .....	150
SEC. 8. DUE DATES .....	151
SEC. 9. REPLACEMENT TAPE CARTRIDGES .....	152
SEC. 10. CORRECTED RETURNS .....	152
SEC. 11. EFFECT ON PAPER RETURNS AND STATEMENTS TO RECIPIENTS .....	156
SEC. 12. COMBINED FEDERAL/STATE FILING PROGRAM .....	156
SEC. 13. PENALTIES ASSOCIATED WITH INFORMATION RETURNS .....	158
SEC. 14. STATE ABBREVIATIONS .....	159

<b>SEC. 15. MAJOR PROBLEMS ENCOUNTERED</b> .....	160
--	-----

**Part B. Electronic Filing Specifications**

<b>SEC. 1. GENERAL</b> .....	161
<b>SEC. 2. ADVANTAGES OF FILING ELECTRONICALLY</b> .....	161
<b>SEC. 3. ELECTRONIC FILING APPROVAL PROCEDURE</b> .....	161
<b>SEC. 4. TEST FILES</b> .....	162
<b>SEC. 5. ELECTRONIC SUBMISSIONS</b> .....	162
<b>SEC. 6. PIN REQUIREMENTS</b> .....	163
<b>SEC. 7. ELECTRONIC FILING SPECIFICATIONS</b> .....	163
<b>SEC. 8. CONNECTING TO THE FIRE SYSTEM</b> .....	163
<b>SEC. 9. COMMON PROBLEMS AND QUESTIONS ASSOCIATED WITH ELECTRONIC FILING</b> .....	165

**Part C. Tape Cartridge Filing Specifications**

**Part D. Record Format Specifications and Record Layouts**

<b>SEC. 1. GENERAL</b> .....	166
<b>SEC. 2. TRANSMITTER "T" RECORD — GENERAL FIELD DESCRIPTIONS</b> .....	167
<b>SEC. 3. TRANSMITTER "T" RECORD — RECORD LAYOUT</b> .....	169
<b>SEC. 4. PAYER "A" RECORD — GENERAL FIELD DESCRIPTIONS</b> .....	170
<b>SEC. 5. PAYER "A" RECORD — RECORD LAYOUT</b> .....	179
<b>SEC. 6. PAYEE "B" RECORD — GENERAL FIELD DESCRIPTIONS AND RECORD LAYOUTS</b> .....	180
(1) Payee "B" Record — Record Layout Positions 544–750 for Form 1098 .....	187
(2) Payee "B" Record — Record Layout Positions 544–750 for Form 1098–C .....	187
(3) Payee "B" Record — Record Layout Positions 544–750 for Form 1098–E .....	188
(4) Payee "B" Record — Record Layout Positions 544–750 for Form 1098–T .....	189
(5) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–A .....	190
(6) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–B .....	191
(7) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–C .....	192
(8) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–CAP .....	193
(9) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–DIV .....	194
(10) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–G .....	195
(11) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–H .....	196
(12) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–INT .....	197
(13) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–LTC .....	198
(14) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–MISC .....	200
(15) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–OID .....	201
(16) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–PATR .....	202
(17) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–Q .....	202
(18) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–R .....	203
(19) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–S .....	207
(20) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–SA .....	208
(21) Payee "B" Record — Record Layout Positions 544–750 for Form 5498 .....	209
(22) Payee "B" Record — Record Layout Positions 544–750 for Form 5498–ESA .....	211
(23) Payee "B" Record — Record Layout Positions 544–750 for Form 5498–SA .....	211
(24) Payee "B" Record — Record Layout Positions 544–750 for Form W–2G .....	212

SEC. 7. END OF PAYER “C” RECORD — GENERAL FIELD DESCRIPTIONS AND RECORD LAYOUT .....	213
SEC. 8. STATE TOTALS “K” RECORD — GENERAL FIELD DESCRIPTIONS AND RECORD LAYOUT .....	215
SEC. 9. END OF TRANSMISSION “F” RECORD — GENERAL FIELD DESCRIPTIONS AND RECORD LAYOUT .....	217
SEC. 10. FILE LAYOUT DIAGRAM .....	218

### Part E. Extensions of Time and Waivers

SEC. 1. GENERAL — EXTENSIONS .....	218
SEC. 2. SPECIFICATIONS FOR ELECTRONIC FILING OR TAPE CARTRIDGE EXTENSIONS OF TIME .....	219
SEC. 3. RECORD LAYOUT — EXTENSION OF TIME .....	220
SEC. 4. EXTENSION OF TIME FOR RECIPIENT COPIES OF INFORMATION RETURNS .....	221
SEC. 5. FORM 8508, REQUEST FOR WAIVER FROM FILING INFORMATION RETURNS ELECTRONICALLY/MAGNETICALLY .....	222

### Part A. General

Revenue Procedures are generally revised annually to reflect legislative and form changes. Comments concerning this Revenue Procedure, or suggestions for making it more helpful, can be addressed to:

Internal Revenue Service  
Enterprise Computing Center — Martinsburg  
Attn: Information Reporting Program  
230 Murall Drive  
Kearneysville, WV 25430

#### Sec. 1. Purpose

.01 The purpose of this Revenue Procedure is to provide the specifications for filing Forms 1098, 1099, 5498, and W-2G with IRS electronically through the IRS FIRE System or magnetically, using IBM 3480, 3490, 3490E, 3590, or 3590E tape cartridges. This Revenue Procedure must be used for the preparation of Tax Year 2007 information returns and information returns for tax years prior to 2007 filed beginning January 1, 2008. *Tape cartridge files must be received by December 1, 2008 in order to be processed. After December 1, 2008 only electronic files are acceptable.* Specifications for filing the following forms are contained in this Revenue Procedure.

- (a) Form 1098, Mortgage Interest Statement
- (b) Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes
- (c) Form 1098-E, Student Loan Interest Statement
- (d) Form 1098-T, Tuition Statement
- (e) Form 1099-A, Acquisition or Abandonment of Secured Property
- (f) Form 1099-B, Proceeds From Broker and Barter Exchange Transactions
- (g) Form 1099-C, Cancellation of Debt
- (h) Form 1099-CAP, Changes in Corporate Control and Capital Structure
- (i) Form 1099-DIV, Dividends and Distributions
- (j) Form 1099-G, Certain Government Payments
- (k) Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments
- (l) Form 1099-INT, Interest Income
- (m) Form 1099-LTC, Long-Term Care and Accelerated Death Benefits
- (n) Form 1099-MISC, Miscellaneous Income
- (o) Form 1099-OID, Original Issue Discount
- (p) Form 1099-PATR, Taxable Distributions Received From Cooperatives
- (q) Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 and 530)
- (r) Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- (s) Form 1099-S, Proceeds From Real Estate Transactions
- (t) Form 1099-SA, Distributions From an HSA, Archer MSA, or Medicare Advantage MSA



- (u) Form 5498, IRA Contribution Information
- (v) Form 5498-ESA, Coverdell ESA Contribution Information
- (w) Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information
- (x) Form W-2G, Certain Gambling Winnings

.02 All data received at IRS/ECC-MTB for processing will be given the same protection as individual income tax returns (Form 1040). IRS/ECC-MTB will process the data and determine if the records are formatted and coded according to this Revenue Procedure.

.03 Specifications for filing Forms W-2, Wage and Tax Statement, electronically are **only** available from the Social Security Administration (SSA). Filers can call 1-800-SSA-6270 to obtain the telephone number of the SSA Employer Service Liaison Officer for their area.

.04 IRS/ECC-MTB does **not** process Forms W-2. Paper **and/or** electronic filing of Forms W-2 must be sent to SSA. IRS/ECC-MTB does, however, process waiver requests (Form 8508) and extension of time to file requests (Form 8809) for Forms W-2 as well as requests for an extension of time to provide the employee copies of Forms W-2.

.05 Generally, the box numbers on the paper forms correspond with the amount codes used to file electronically/magnetically; however, if discrepancies occur, the instructions in this Revenue Procedure must be followed.

.06 This Revenue Procedure also provides the requirements and specifications for electronic or tape cartridge filing under the Combined Federal/State Filing Program.

.07 The following Revenue Procedures and publications provide more detailed filing procedures for certain information returns:

- (a) *2007 General Instructions for Forms 1099, 1098, 5498, and W-2G* and individual form instructions.
- (b) Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S.
- (c) Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Electronically or Magnetically
- (d) Publication 1187, Specifications for Filing Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Electronically or Magnetically

.08 This Revenue Procedure supersedes Rev. Proc. 2006-33 published as Publication 1220 (Rev. 10-2006), Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically or Magnetically.

## Sec. 2. Nature of Changes — Current Year (Tax Year 2007)

.01 In this publication, all pertinent changes for Tax Year 2007 are emphasized by the use of *italics*. Portions of text that require special attention are in boldface text. Filers are always encouraged to read the publication in its entirety.

### a. General

- (1) ECC-MTB no longer accepts 3 1/2-inch diskettes for the filing of information returns.
- (2) **Tax Year 2007 will be the last year ECC-MTB accepts tape cartridges.** Due to processing deadlines, tape cartridges must be received by December 1, 2008 in order to be processed for the current year. After December 1, 2008, the only acceptable method of filing information returns with ECC-MTB will be electronically through the FIRE System.
- (3) Test procedures have been eliminated from Part A since tape cartridges will not be acceptable after December 1, 2008. Electronic filing specifications, Part B, Sec. 4 details testing procedures for electronic files.
- (4) Form 8809, Application for Extension of Time To File Information Returns, is available as a fill-in form on the FIRE System and is highly encouraged in lieu of the paper Form 8809. (See Part E, Sec. 1.)

### .02 Programming Changes

#### a. Programming Changes — Transmitter "T" Record

- (1) For all Forms, Payment Year, Field Positions 2 – 5, must be incremented to update the four-digit reporting year (2006 to 2007), unless reporting prior year data.

#### b. Programming Changes — Payer "A" Record

- (1) For all Forms, Payment Year, Field Positions 2 – 5, must be incremented to update the four-digit reporting year (2006 to 2007), unless reporting prior year data.
- (2) For Form 1098, Amount Code 4 was changed to Mortgage Insurance Premiums. Amount Code 5 was added for Filer's Use.
- (3) Three fields were deleted from the Payer 'A' Record and are no longer required. The deleted fields are Original File Indicator, position 48, Replacement File Indicator, position 49, and Correction File Indicator, position 50. Positions 48-50 are now blank.

### c. Programming Changes — Payee “B” Record

- (1) For all Forms, Payment Year, Field Positions 2 – 5, must be incremented to update the four-digit reporting year (2006 to 2007), unless reporting prior year data.
- (2) Form 1098–T, Method of Reporting Indicator, position 550, was simplified. A single indicator of ‘1’ is used to indicate if the method of reporting changed from the previous year. A blank indicates no change occurred.
- (3) Form 1099–R, Date of Designated Roth Contribution, position 552–559, changed to First Year of Designated Roth Contribution, positions 552–555. Only the year of the first Roth contribution is required not the complete date.
- (4) For Form 1099–R, Distribution Code ‘B’ may now be used with codes ‘P’ and ‘4’.
- (5) The state of Utah, state code 49, was added to the Combined Federal/State Filing Program. See Part A, Sec. 12 for the Participating States and Their Codes table.

## Sec. 3. Where To File and How to Contact the IRS, Enterprise Computing Center — Martinsburg

.01 All information returns filed electronically or magnetically are processed at IRS/ECC-MTB. Files containing information returns and requests for IRS electronic and tape cartridge filing information should be sent to the following address:

IRS-Enterprise Computing Center — Martinsburg  
Information Reporting Program  
230 Murall Drive  
Kearneysville, WV 25430

.02 All requests for an extension of time to file information returns with IRS/ECC-MTB filed on Form 8809 or request for an extension to provide recipient copies, and requests for undue hardship waivers filed on Form 8508 should be sent to the following address:

IRS-Enterprise Computing Center — Martinsburg  
Information Reporting Program  
**Attn: Extension of Time Coordinator**  
240 Murall Drive  
Kearneysville, WV 25430

.03 The telephone numbers for tape cartridge inquiries or electronic submissions are:

**Information Reporting Program Customer Service Section**  
**TOLL-FREE 1-866-455-7438 or outside the U.S. 1-304-263-8700**  
**email at [mccirp@irs.gov](mailto:mccirp@irs.gov)**  
**304-267-3367 — TDD**  
**(Telecommunication Device for the Deaf)**  
**304-264-5602 — Fax Machine**  
**Electronic Filing — FIRE System**  
**<http://fire.irs.gov>**  
**TO OBTAIN FORMS:**  
**1-800-TAX-FORM (1-800-829-3676)**  
**[www.irs.gov](http://www.irs.gov) — IRS website access to forms (See Note.)**

**Note: Because paper forms are scanned during processing, you cannot use forms printed from the IRS website to file Form 1096, and Copy A of Forms 1098, 1099, or 5498 with the IRS.**

.04 The 2007 *General Instructions for Forms 1099, 1098, 5498, and W-2G* are included in the Publication 1220 for your convenience. Form 1096 is used only to transmit Copy A of **paper** Forms 1099, 1098, 5498, and W-2G. If filing paper returns, follow the mailing instructions on Form 1096 and submit the paper returns to the appropriate IRS Service Center.

.05 Make requests for paper Forms 1096, 1098, 1099, 5498, and W-2G, and publications related to electronic/magnetic filing by calling the IRS toll-free number **1-800-TAX-FORM (1-800-829-3676)** or **ordering online from the IRS website at [www.irs.gov](http://www.irs.gov).**

**.06** Questions pertaining to magnetic media or internet filing of Forms W-2 **must** be directed to the Social Security Administration (SSA). Filers can call 1-800-772-6270 to obtain the phone number of the SSA Employer Service Liaison Officer for their area.

**.07** Payers **should not** contact IRS/ECC-MTB if they have received a penalty notice and need additional information or are requesting an abatement of the penalty. A penalty notice contains an IRS representative's name and/or telephone number for contact purposes; or the payer may be instructed to respond in writing to the address provided. IRS/ECC-MTB does **not** issue penalty notices and does **not** have the authority to abate penalties. For penalty information, refer to the Penalties section of the *2007 General Instructions for Forms 1099, 1098, 5498, and W-2G*.

**.08** A taxpayer or authorized representative may request a copy of a tax return, including Form W-2 filed with a return, by submitting Form 4506, Request for Copy of Tax Return, to IRS. This form may be obtained by calling **1-800-TAX-FORM (1-800-829-3676)** or by **downloading from the IRS website at [www.irs.gov](http://www.irs.gov)**. For any questions regarding this form, call 1-800-829-1040.

**.09** The Information Reporting Program Customer Service Section (IRP/CSS), located at IRS/ECC-MTB, answers electronic/tape cartridge, paper filing, and tax law questions from the payer community relating to the correct preparation and filing of business information returns (Forms 1096, 1098, 1099, 5498, 8027, and W-2G). IRP/CSS also answers questions relating to the electronic/tape cartridge filing of Forms 1042-S and the tax law criteria and paper filing instructions for Forms W-2 and W-3. Inquiries dealing with backup withholding and reasonable cause requirements due to missing and incorrect taxpayer identification numbers are also addressed by IRP/CSS. Assistance is available year-round to payers, transmitters, and employers nationwide, Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Time, by calling toll-free **1-866-455-7438** or via email at [mccirp@irs.gov](mailto:mccirp@irs.gov). **Do not include SSNs or EINs in emails or in attachments since this is not a secure line.** The Telecommunications Device for the Deaf (TDD) toll number is **304-267-3367**. Call as soon as questions arise to avoid the busy filing seasons at the end of January and February. Recipients of information returns (payees) should continue to contact 1-800-829-1040 with any questions on how to report the information returns data on their tax returns.

**.10** IRP/CSS cannot advise filers where to send state copies of paper forms. Filers must contact the Tax Department in the state where the recipient resides to obtain the correct address and filing requirements.

**.11** Form 4419, Application for Filing Information Returns Electronically, Form 8809, Application for Extension of Time To File Information Returns, and Form 8508, Request for Waiver From Filing Information Returns Electronically/Magnetically, may be faxed to IRS/ECC-MTB at 304-264-5602. Form 4804, Transmittal of Information Returns Reported Magnetically, **must** always be included with media shipments.

## **Sec. 4. Filing Requirements**

**.01** The regulations under section 6011(e)(2)(A) of the Internal Revenue Code provide that any person, including a corporation, partnership, individual, estate, and trust, who is required to file 250 or more information returns must file such returns electronically/magnetically. **The 250\* or more requirement applies separately for each type of return and separately to each type of corrected return.**

**\*Even though filers may submit up to 249 information returns on paper, IRS encourages filers to transmit those information returns electronically or magnetically.**

**.02** All filing requirements that follow apply individually to each reporting entity as defined by its separate Taxpayer Identification Number (TIN), which may be either a Social Security Number (SSN), Employer Identification Number (EIN), or Individual Taxpayer Identification Number (ITIN). For example, if a corporation with several branches or locations uses the same EIN, the corporation must aggregate the total volume of returns to be filed for that EIN and apply the filing requirements to each type of return accordingly.

**.03** Payers who are required to submit their information returns on magnetic media may choose to submit their documents by electronic filing. Payers, who submit their information returns electronically by March 31, 2008, are considered to have satisfied the magnetic media filing requirements.

**.04** IRS/ECC-MTB has one method for filing information returns electronically; see Part B.

**.05** The following requirements apply separately to both originals and corrections filed electronically/magnetically:

---

1098  
1098-C  
1098-E  
1098-T  
1099-A  
1099-B  
1099-C  
1099-CAP  
1099-DIV  
1099-G  
1099-H  
1099-INT  
1099-LTC  
1099-MISC  
1099-OID  
1099-PATR  
1099-Q  
1099-R  
1099-S  
1099-SA  
5498  
5498-ESA  
5498-SA  
W-2G

---

**250 or more of any** of these forms require electronic or magnetic media filing with IRS. These are stand-alone documents and may not be aggregated for purposes of determining the 250 threshold. For example, if you must file 100 Forms 1099-B and 300 Forms 1099-INT, Forms 1099-B need not be filed electronically or magnetically since they do not meet the threshold of 250. However, Forms 1099-INT must be filed electronically or magnetically since they meet the threshold of 250.

.06 The above requirements do not apply if the payer establishes undue hardship (See Part E, Sec. 5).

## Sec. 5. Vendor List

.01 IRS/ECC-MTB prepares a list of vendors who support electronic or tape cartridge filing. The Vendor List (Pub. 1582) contains the names of service bureaus that will produce or submit files for electronic filing or on tape cartridges. It also contains the names of vendors who provide software packages for payers who wish to produce electronic files or tape cartridges on their own computer systems. This list is compiled as a courtesy and in no way implies IRS/ECC-MTB approval or endorsement.

.02 If filers engage a service bureau to prepare files on their behalf, the filers must not report duplicate data, which may cause penalty notices to be generated.

.03 The Vendor List, Publication 1582, is updated periodically. The most recent revision is available on the IRS website at [www.irs.gov](http://www.irs.gov). For an additional list of software providers, log on to [www.irs.gov](http://www.irs.gov) and go to the [Approved IRS e-file for Business Providers link](#).

.04 A vendor, who offers a software package, or has the capability to electronically file information returns, or has the ability to produce tape cartridges for customers, and who would like to be included in Publication 1582 must submit a letter or email to IRS/ECC-MTB. The request should include:

- (a) Company name
- (b) Address (include city, state, and ZIP code)
- (c) Telephone and FAX number (include area code)
- (d) Email address
- (e) Contact person
- (f) Type(s) of service provided (e.g., service bureau and/or software)
- (g) Type(s) of media offered (e.g., tape cartridge, or electronic filing)
- (h) Type(s) of return(s)

## Sec. 6. Form 4419, Application for Filing Information Returns Electronically

.01 Transmitters are required to submit Form 4419, Application for Filing Information Returns Electronically, to request authorization to file information returns with IRS/ECC-MTB. A single Form 4419 should be filed no matter how many types of returns the transmitter will be submitting electronically. For example, if a transmitter plans to file Forms 1099-INT, one Form 4419 should be submitted. If, at a later date, another type of form (Forms 1098, 1099, 5498 and W-2G) will be filed, the transmitter should not submit a new Form 4419.

**Note: EXCEPTIONS – An additional Form 4419 is required for filing each of the following types of returns: Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding, and Form 8027, Employer’s Annual Information Return of Tip Income and Allocated Tips. See the back of Form 4419 for detailed instructions.**

**.02** Tape cartridge and electronically filed returns may not be submitted to IRS/ECC-MTB until the application has been approved. Please read the instructions on the back of Form 4419 carefully. Form 4419 is included in the Publication 1220 for the filer’s use. This form may be photocopied. Additional forms may be obtained by calling **1-800-TAX-FORM (1-800-829-3676)**. The form is also available on the IRS website at [www.irs.gov](http://www.irs.gov).

**.03** Upon approval, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned and included in an approval letter. The TCC **must** be coded in the Transmitter “T” Record. IRS/ECC-MTB uses the TCC to identify payer/transmitters and to track their files through the processing system. The same TCC can be used regardless of the method of filing. For example, a payer may send their production data on a tape cartridge and then later file a correction file electronically. The same TCC can be used for each filing.

**.04** IRS/ECC-MTB encourages transmitters who file for multiple payers to submit one application and to use the assigned TCC for all payers. While not encouraged, multiple TCCs can be issued to payers with multiple TINs. Transmitters cannot use more than one TCC in a file. Each TCC must be reported in separate transmissions if filing electronically or on separate media if filing magnetically.

**.05** If a payer’s files are prepared by a service bureau, the payer may not need to submit an application to obtain a TCC. Some service bureaus will produce files, code their own TCC in the file, and send it to IRS/ECC-MTB for the payer. Other service bureaus will prepare the file and return the file to the payer for submission to IRS/ECC-MTB. These service bureaus may require the payer to obtain a TCC, which is coded in the Transmitter “T” Record. Payers should contact their service bureaus for further information.

**.06** Form 4419 may be submitted anytime during the year; however, it **must** be submitted to IRS/ECC-MTB at least 30 days before the due date of the return(s) for current year processing. This allows IRS/ECC-MTB the time necessary to process and respond to applications. Form 4419 may be faxed to IRS/ECC-MTB at 304-264-5602. In the event that computer equipment or software is not compatible with IRS/ECC-MTB, a waiver may be requested to file returns on paper documents (See Part E, Sec. 5).

**.07** Once a transmitter is approved to file electronically/magnetically, it is not necessary to reapply **unless**:

- (a) The payer has discontinued filing electronically or magnetically for two consecutive years. The payer’s TCC may have been reassigned by IRS/ECC-MTB. Payers who know that the assigned TCC will no longer be used, are requested to notify IRS/ECC-MTB so these numbers may be reassigned.
- (b) The payer’s files were transmitted in the past by a service bureau using the service bureau’s TCC, but now the payer has computer equipment compatible with that of IRS/ECC-MTB and wishes to prepare his or her own files. The payer must request a TCC by filing Form 4419.

**.08** In accordance with Regulations section 1.6041-7(b), payments by separate departments of a health care carrier to providers of medical and health care services may be reported on separate returns filed electronically or magnetically. In this case, the headquarters will be considered the transmitter, and the individual departments of the company filing reports will be considered payers. A single Form 4419 covering all departments filing electronically should be submitted. One TCC may be used for all departments.

**.09** Copies of Publication 1220 can be obtained by downloading from the IRS website at [www.irs.gov](http://www.irs.gov).

**.10** If **any** of the information (name, TIN or address) on Form 4419 changes, please notify IRS/ECC-MTB in writing so the IRS/ECC-MTB database can be updated. The email address, [mccirp@irs.gov](mailto:mccirp@irs.gov), may be used for basic name and address changes. A change in the method by which information returns are submitted is not information that needs to be updated (e.g., cartridge to electronic). The transmitter should include the TCC in all correspondence.

**.11** Approval to file does not imply endorsement by IRS/ECC-MTB of any computer software or of the quality of tax preparation services provided by a service bureau or software vendor.

## **Sec. 7. Filing of Information Returns Magnetically and Retention Requirements**

**.01** Form 4804, Transmittal of Information Returns Reported Magnetically, or a computer-generated substitute, must accompany **all** tape cartridge shipments except for replacements, when Form 4804 is not always required (See Part A, Sec. 10).

**.02** IRS/ECC-MTB allows for the use of computer-generated substitutes for Form 4804. The substitutes must contain all information requested on the original forms including the affidavit and signature line. Photocopies are acceptable, however, an original signature is required. When using computer-generated forms, be sure to clearly mark the tax year being reported. This will eliminate a telephone communication from IRS/ECC-MTB to verify the tax year.

**.03** Form 4804 may be signed by the payer or the transmitter, service bureau, paying agent, or disbursing agent (all hereafter referred to as agent) on behalf of the payer. Failure to sign the affidavit on Form 4804 may delay processing or could result in the files not being processed. An agent may sign Form 4804 if the agent has the authority to sign the affidavit under an agency agreement (either oral, written, or implied) that is valid under state law and adds the caption “FOR: (name of payer).”

**.04** Although an authorized agent may sign the affidavit, the payer is responsible for the accuracy of Form 4804 and the returns filed. The payer will be liable for penalties for failure to comply with filing requirements.

**.05** Current and prior year data may be submitted in the same shipment; however, each tax year must be on separate media, and a separate Form 4804 must be prepared to clearly indicate each tax year.

**.06** Filers who have prepared their information returns in advance of the due date are encouraged to submit this information to IRS/ECC-MTB no earlier than January 1 of the year the returns are due. Filers may submit multiple original files by the due date as long as duplicate information is not reported.

**.07 Do not report duplicate information. If a filer submits returns electronically or magnetically, identical paper documents must not be filed. This may result in erroneous penalty notices being sent to the recipients.**

**.08** A self-adhesive external media label, created by the filer, must be affixed to each tape cartridge. For instructions on how to prepare an external media label, refer to Notice 210 in the forms section of this publication.

**.09** When submitting files on tape cartridges include the following:

- (a) A **signed** Form 4804
- (b) External media label (created by filer) affixed to the tape cartridge
- (c) IRB Box \_\_\_\_\_ of \_\_\_\_\_ labeled on outside of each package

**.10** IRS/ECC-MTB will not return media after processing. Therefore, if the transmitter wants proof that IRS/ECC-MTB received a shipment, the transmitter should select a service with tracking capabilities or one that will provide proof of delivery. Shipping containers will not be returned to the filer.

**.11** IRS/ECC-MTB will not pay for or accept “Cash-on-Delivery” or “Charge to IRS” shipments of tax information that an individual or organization is legally required to submit.

**.12 Payers should retain a copy of the information returns filed with IRS or have the ability to reconstruct the data for at least 3 years from the reporting due date, except:**

- (a) Retain for 4 years all information returns when backup withholding is imposed.
- (b) A financial entity must retain a copy of Form 1099-C, Cancellation of Debt, or have the ability to reconstruct the data required to be included on the return, for at least 4 years from the date such return is required to be filed.

## Sec. 8. Due Dates

**.01** The due dates for filing paper returns with IRS also apply to tape cartridges. Filing of information returns is on a calendar year basis, except for Forms 5498, 5498-ESA and 5498-SA, which are used to report amounts contributed during or after the calendar year (but not later than April 15). The following due dates will apply to Tax Year 2007:

### Due Dates

Electronic Filing	Tape Cartridge Filing (See Note.)
Forms 1098, 1099, and W-2G Recipient Copy – January 31, 2008 IRS Copy – March 31, 2008	Forms 1098, 1099, and W-2G Recipient Copy – January 31, 2008 IRS Copy – February 28, 2008

<p><b>Electronic/Tape Cartridge Filing</b> Forms 5498*, 5498-SA and 5498-ESA IRS Copy – June 2, 2008 Forms 5498 and 5498-SA Participant Copy – June 2, 2008 Form 5498-ESA Participant Copy – April 30, 2008</p> <p>* Participants’ copies of Forms 5498 to furnish fair market value information — January 31, 2008</p>
---

**.02** If any due date falls on a Saturday, Sunday, or legal holiday, the return or statement is considered timely if filed or furnished on the next day that is not a Saturday, Sunday, or legal holiday.

**.03** Tape cartridges postmarked by the United States Postal Service (USPS) on or before February 28, 2008, and delivered by United States mail to the IRS/ECC-MTB after the due date, are treated as timely under the “timely mailing as timely filing” rule. **Refer to the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G, When to File, located in the back of this publication for more detailed information.** Notice 97-26, 1997-1 C.B. 413, provides rules for determining the date that is treated as the postmark date. For items delivered by a non-designated Private Delivery Service (PDS), the actual date of receipt by IRS/ECC-MTB will be used as the filing date. For items delivered by a designated PDS, but through a type of service not designated in Notice 2004-83, 2004-2 C.B. 1030, the actual date of receipt by IRS/ECC-MTB will be used as the filing date. The timely mailing rule also applies to furnishing statements to recipients and participants.

**Note: Due to security regulations at ECC-MTB, the Internal Revenue police officers will only accept media from PDSs or couriers from 8:00 a.m. to 3:00 p.m., Monday through Friday.**

.04 Tape Cartridges must be received by December 1, 2008 in order to be processed for the current year. After December 1, 2008 the only acceptable method of filing information returns with ECC-MTB will be electronically through the FIRE System. See Part B for electronic reporting.

## **Sec. 9. Replacement Tape Cartridges**

**Note: Replacement Electronic files are detailed in Part B, Sec. 5.**

.01 A replacement is an information return file sent by the filer **at the request of IRS/ECC-MTB** because of errors encountered while processing the filer's original file or correction file. After the necessary changes have been made, the entire file must be returned for processing along with the Media Tracking Slip (Form 9267) which was included in the correspondence from IRS/ECC-MTB. (See Note.)

**Note: Filers should never send anything to IRS/ECC-MTB marked "Replacement" unless IRS/ECC-MTB has requested a replacement file in writing or via the FIRE System.**

.02 Tape cartridge filers will receive a Media Tracking Slip (Form 9267), listing, and letter detailing the reason(s) their media could not be processed. It is imperative that filers maintain backup copies and/or recreate capabilities for their information return files. Open all correspondence from IRS/ECC-MTB immediately.

.03 When possible, sample records identifying errors encountered will be provided with the returned information. It is the responsibility of the transmitter to check the entire file for similar errors.

.04 Before sending replacement media make certain the following items are addressed:

- (a) Make the required changes noted in the enclosed correspondence and check entire file for other errors.
- (b) Enclose Form 9267, Media Tracking Slip, with your replacement media.
- (c) Label your media "**Replacement Data**" and indicate the appropriate Tax Year.
- (d) Complete a new Form 4804 **if any of your information has changed.**

.05 Replacement files must be corrected and returned to IRS/ECC-MTB within 45 days from the date of the letter. (See Note.) Refer to Part B, Sec. 5, for procedures for files submitted electronically. A penalty for failure to return a replacement file will be assessed if the files are not corrected and returned within the 45 days **or if filers are notified by IRS/ECC-MTB of the need for a replacement file more than two times.** A penalty for intentional disregard of filing requirements will be assessed if a replacement file is not received. (For penalty information, refer to the Penalty section of the *2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.*)

**Note: Tape Cartridges must be received at IRS/ECC-MTB by December 1, 2008. After December 1, 2008 only electronic files will be accepted.**

## **Sec. 10. Corrected Returns**

- A **correction** is an information return submitted by the transmitter to correct an information return that was previously submitted to and successfully processed by IRS/ECC-MTB, but contained erroneous information.
- While we encourage you to file your corrections electronically/magnetically, you may file up to 249 paper corrections even though your originals were filed electronically or magnetically.
- **DO NOT SEND YOUR ENTIRE FILE AGAIN.** Only correct the information returns which were erroneous.
- Information returns omitted from the original file **must not** be coded as corrections. Submit these returns under a separate Payer "A" Record as original returns.
- Be sure to use the same payee account number that was used on the original submission. The account number is used to match a correction record to the original information return.
- Before creating your correction file, review the correction guidelines chart carefully.

.01 The magnetic media filing requirement of information returns of 250 or more applies separately to both original and corrected returns.

If a payer has 100 Forms 1099–A to be corrected, they can be filed on paper because they fall under the 250 threshold. However, if the payer has 300 Forms 1099–B to be corrected, they must be filed electronically or magnetically because they meet the 250 threshold. If for some reason a payer cannot file the 300 corrections electronically or magnetically, to avoid penalties, a request for a waiver must be submitted before filing on paper. If a waiver is approved for original documents, any corrections for the same type of return will be covered under this waiver.

**.02** Corrections should be filed **as soon as possible**. Corrections filed after August 1 may be subject to the maximum penalty of \$50 per return. Corrections filed by August 1 may be subject to a lesser penalty. (For information on penalties, refer to the Penalties section of the *2007 General Instructions for Forms 1099, 1098, 5498, and W-2G*.) However, if payers discover errors after August 1, they should file corrections, as prompt correction is a factor considered in determining whether the intentional disregard penalty should be assessed or whether a waiver of the penalty for reasonable cause may be granted. All fields must be completed with the correct information, not just the data fields needing correction. Submit corrections only for the returns filed in error, not the entire file. Furnish corrected statements to recipients as soon as possible.

**Note: Do NOT resubmit your entire file as corrections. This will result in duplicate filing and erroneous notices may be sent to payees. Submit only those returns which require correction.**

**.03** There are numerous types of errors, and in some cases, more than one transaction may be required to correct the initial error. If the original return was filed as an aggregate, the filers must consider this in filing corrected returns.

**.04** The payee’s account number should be included on **all** correction records. This is especially important when more than one information return of the same type is reported for a payee. The account number is used to determine which information return is being corrected. It is vital that each information return reported for a payee have a unique account number. See Part D, Sec. 6, Payer’s Account Number For Payee.

**.05** Corrected returns may be included on the same media as original returns; however, separate “A” Records are required. Corrected returns must be identified on Form 4804 and the external media label by indicating “Correction.” If filers discover that certain information returns were omitted on their original file, they must not code these documents as corrections. The file must be coded and submitted as originals.

**.06** If a payer realizes duplicate reporting has occurred, IRS/ECC-MTB should be contacted **immediately** for instructions on how to avoid notices. The standard correction process will not resolve duplicate reporting.

**.07** If a payer discovers errors that affect a large number of payees, in addition to sending IRS the corrected returns and notifying the payees, IRS/ECC-MTB underreporter section should be contacted toll-free 1–866–455–7438 for additional requirements. Corrections must be submitted on actual information return documents or filed electronically/magnetically. Form 4804 must be submitted with corrected files submitted magnetically. If filing magnetically, provide the correct tax year in Block 2 of Form 4804 and on the external media label. A separate Form 4804 must be submitted for each tax year reported magnetically. Form 4804 is not required for electronic filing.

**.08** Prior year data, original and corrected, **must** be filed according to the requirements of this Revenue Procedure. When submitting prior year data, use the record format for the current year. Each tax year must be submitted on separate media. However, use the actual year designation of the data in Field Positions 2–5 of the “T”, “A”, and “B” Records. Field position 6, Prior Year Data Indicator, in the Transmitter “T” Record must contain a ‘P’. If filing electronically, a separate transmission must be made for each tax year.

**.09** In general, filers should submit corrections for returns filed within the last 3 calendar years (4 years if the payment is a reportable payment subject to backup withholding under section 3406 of the Code and also for Form 1099–C, Cancellation of Debt).

**.10** All paper returns, whether original or corrected, must be filed with the appropriate service center. **IRS/ECC-MTB does not process paper returns.**

**.11** If a payer discovers an error(s) in reporting the **payer** name and/or TIN, write a letter to IRS/ECC-MTB (See Part A, Sec. 3) containing the following information:

- (a) Name and address of payer
- (b) Type of error (please include the incorrect payer name/TIN that was reported)
- (c) Tax year
- (d) Payer TIN
- (e) TCC
- (f) Type of return
- (g) Number of payees
- (h) Filing method, paper, electronic, or tape cartridge

**.12** The “B” Record provides a 20-position field for a unique Payer’s Account Number for Payee. If a payee has more than one reporting of the same document type, it is vital that each reporting is assigned a unique account number. This number will help



identify the appropriate incorrect return if more than one return is filed for a particular payee. **Do not enter a TIN in this field.** A payer’s account number for the payee may be a checking account number, savings account number, serial number, or any other number assigned to the payee by the payer that will distinguish the specific account. This number should appear on the initial return and on the corrected return in order to identify and process the correction properly.

**.13** The record sequence for filing corrections is the same as for original returns.

**.14** Review the chart that follows. Errors normally fall under one of the two categories listed. Next to each type of error is a list of instructions on how to file the corrected return.

---

**Guidelines for Filing Corrected Returns Electronically/Magnetically**

---

**Note: References to Form 4804 apply to magnetically filed returns only. Form 4804 is not required for files submitted electronically through the FIRE System.**

---

**One transaction is required to make the following corrections properly. (See Note 3.)**

---

Error Made on the Original Return	How To File the Corrected Return
<p><b><u>ERROR TYPE 1</u></b></p> <p><b>1.</b> Original return was filed with one or more of the following errors:</p> <p>(a) Incorrect payment amount codes in the Payer “A” Record</p> <p>(b) Incorrect payment amounts in the Payee “B” Record</p> <p>(c) Incorrect code in the distribution code field in Payee “B” Record</p> <p>(d) Incorrect payee address (See Note 3.)</p> <p>(e) Incorrect payee indicator (See Note 1.)</p> <p>(f) Incorrect payee name (See Notes 2 &amp; 3.)</p> <p><b>Note 1: Payee indicators are non-money amount indicator fields located in the specific form record layouts of the Payee “B” Record between field positions 544–748.</b></p> <p><b>Note 2: For information on errors to the payer’s name and TIN (See Part A, Sec. 10, .11).</b></p> <p><b>Note 3: To correct a TIN and/or payee name and address follow the instructions under Error Type 2.</b></p>	<p><b><u>CORRECTION</u></b></p> <p><b>A.</b> Prepare a new Form 4804 that includes information relating to this new file.</p> <p><b>B.</b> Mark “Correction” in Block 1 of Form 4804.</p> <p><b>C.</b> Prepare a new file. The first record on the file will be the Transmitter “T” Record.</p> <p><b>D.</b> Make a separate “A” Record for each type of return and each payer being reported. Payer information in the “A” Record must be the same as it was in the original submission.</p> <p><b>E.</b> The Payee “B” Records must show the correct record information as well as a Corrected Return Indicator Code of “G” in Field Position 6.</p> <p><b>F.</b> Corrected returns using “G” coded “B” Records may be on the same file as those returns submitted without the “G” coded “B” Records; however, <b>separate “A” Records are required.</b></p> <p><b>G.</b> Prepare a separate “C” Record for each type of return and each payer being reported.</p> <p><b>H.</b> The last record on the file will be the End of Transmission “F” Record.</p> <p><b>I.</b> Indicate “Correction” on the external media label.</p>

---

File layout **one** step corrections

Transmitter “T” Record	Payer “A” Record	“G” coded Payee “B” Record	“G” coded Payee “B” Record	End of Payer “C” Record	End of Transmission “F” Record
------------------------------	------------------------	-------------------------------------	-------------------------------------	-------------------------------	--------------------------------------

---

**Guidelines for Filing Corrected Returns Electronically/Magnetically (Continued)**

---

**Two (2) separate transactions are required to make the following corrections properly. Follow the directions for both Transactions 1 and 2. (See Note 5.) DO NOT use the two step correction process to correct money amounts.**

---

Error Made on the Original Return

How To File the Corrected Return

---

**ERROR TYPE 2**

**CORRECTION**

**1.** Original return was filed with one or more of the following errors:

**Transaction 1:** Identify incorrect returns.

- (a) No payee TIN (SSN, EIN, ITIN, QI-EIN)
- (b) Incorrect payee TIN
- (c) Incorrect payee name and address
- (d) Wrong type of return indicator

- A.** Prepare a new Form 4804 that includes information related to this new file.
- B.** Mark "Correction" in Block 1 of Form 4804.
- C.** Prepare a new file. The first record on the file will be the Transmitter "T" Record.
- D.** Make a separate "A" Record for each type of return and each payer being reported. The information in the "A" Record will be **exactly** the same as it was in the original submission. **(See Note 4.)**
- E.** The Payee "B" Records must contain **exactly the same** information as submitted previously, **except**, insert a Corrected Return Indicator Code of "G" in Field Position 6 of the "B" Records, and enter "0" (zeros) in all payment amounts. **(See Note 4.)**
- F.** Corrected returns using "G" coded "B" Records may be on the same file as those returns submitted with a "C" code; **however, separate "A" Records are required.**
- G.** Prepare a separate "C" Record for each type of return and each payer being reported.
- H.** Continue with Transaction 2 to complete the correction.

**Note 4: The Record Sequence Number will be different since this is a counter number and is unique to each file. For 1099-R corrections, if the corrected amounts are zeros, certain indicators will not be used.**

**Transaction 2:** Report the correct information.

- A.** Make a separate "A" Record for each type of return and each payer being reported.
  - B.** The Payee "B" Records must show the correct information as well as a Corrected Return Indicator Code of "C" in Field Position 6.
  - C.** Corrected returns submitted to IRS/ECC-MTB using "C" coded "B" Records may be on the same file as those returns submitted with "G" codes; **however, separate "A" Records are required.**
-

**Guidelines for Filing Corrected Returns Electronically/Magnetically (Continued)**

**Two (2) separate transactions are required to make the following corrections properly. Follow the directions for both Transactions 1 and 2. (See Note 5.) DO NOT use the two step correction process to correct money amounts.**

Error Made on the Original Return

How To File the Corrected Return

**ERROR TYPE 2**

**CORRECTION**

**Transaction 2:** Report the correct information.

- D.** Prepare a separate "C" Record for each type of return and each payer being reported.
- E.** The last record on the file will be the End of Transmission "F" Record.
- F.** Indicate "Correction" on the external media label.

**Note 5: See the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G for additional information on regulations affecting corrections and related penalties.**

File layout **two** step corrections

Transmitter "T" Record	Payer "A" Record	"G" coded Payee "B" Record	"G" coded Payee "B" Record	End of Payer "C" Record	Payer "A" Record
------------------------------	------------------------	-------------------------------------	-------------------------------------	-------------------------------	------------------------

"C" coded Payee "B" Record	"C" coded Payee "B" Record	End of Payer "C" Record	End of Transmission "F" Record
-------------------------------------	-------------------------------------	-------------------------------	--------------------------------------

**Note 6: If a filer is reporting "G" coded, "C" coded, and/or "Non-coded" (original) returns on the same file, each category must be reported under separate "A" Records.**

**Sec. 11. Effect on Paper Returns and Statements to Recipients**

**.01** Electronic/Magnetic reporting of information returns eliminates the need to submit paper documents to the IRS. **CAUTION: Do not send Copy A of the paper forms to IRS/ECC-MTB for any forms filed electronically or magnetically.** This will result in duplicate filing; therefore, erroneous notices could be generated.

**.02** Payers are responsible for providing statements to the payees as outlined in the *2007 General Instructions for Forms 1099, 1098, 5498, and W-2G*. Refer to those instructions for filing information returns on paper with the IRS and furnishing statements to recipients.

**.03** Statements to recipients should be clear and legible. If the official IRS form is not used, the filer must adhere to the specifications and guidelines in Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G and 1042-S.

**Sec. 12. Combined Federal/State Filing Program**

- Through the Combined Federal/State Filing (CF/SF) Program, IRS/ECC-MTB will forward original and corrected information returns filed electronically or magnetically to participating states for approved filers.
- For approval, the filer must submit a test file coded for this program. See Part B, Sec. 4, Test Files.
- For tape cartridge test files, attach a letter to Form 4804 requesting approval to participate in the CF/SF Program. Form 4804 or letter is not required for tests sent electronically.

- Approved filers are sent Form 6847, Consent for Internal Revenue Service to Release Tax Information, which must be completed and returned to IRS/ECC-MTB. A separate form is required for each payer.

**.01** The Combined Federal/State Filing (CF/SF) Program was established to simplify information returns filing for the taxpayer. IRS/ECC-MTB will forward this information to participating states free of charge for approved filers. Separate reporting to those states is not required. The following information returns may be filed under the Combined Federal/State Filing Program:

Form 1099-DIV	Dividends and Distributions
Form 1099-G	Certain Government Payments
Form 1099-INT	Interest Income
Form 1099-MISC	Miscellaneous Income
Form 1099-OID	Original Issue Discount
Form 1099-PATR	Taxable Distributions Received From Cooperatives
Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
Form 5498	IRA Contribution Information

**.02** To request approval to participate, a tape cartridge test file coded for this program **must** be submitted to IRS/ECC-MTB between *November 1, 2007, and December 15, 2007*. Media must be **postmarked no later than December 1, 2007** in order to be received at ECC-MTB by *December 15* for processing. Electronic test files coded for this program must be submitted between *November 1, 2007, and February 15, 2008*.

**.03** Attach a letter to Form 4804 submitted with the test file to indicate the filer is requesting approval to participate in the Combined Federal/State Filing Program. Test files sent electronically do not require Form 4804 or letter. If the test file is coded for the Combined Federal/State Filing Program and is acceptable, an approval letter and Form 6847, Consent for Internal Revenue Service to Release Tax Information, will be sent to the filer.

**.04** Form 6847, Consent for Internal Revenue Service to Release Tax Information, **must** be completed and signed by the payer, and returned to IRS/ECC-MTB before any tax information can be released to the state. Filers must write their TCC on Form 6847.

**.05** While a test file is only required for the first year when a filer applies to participate in the Program, it is highly recommended that a test be sent every year you participate in the Combined Federal/State Filing program. Each record, both in the test and the actual data file, must conform to the current Revenue Procedure.

**.06** If the test file is not acceptable, IRS/ECC-MTB will send tape cartridge filers information indicating the problems. Electronic filers must log on to the FIRE System within two business days to check the acceptability of their test file. The new test file must be postmarked no later than December 1, 2007 for tape cartridges, or transmitted by February 15, 2008 for an electronically filed test.

**.07** A separate Form 6847 is **required** for each payer. A transmitter may not combine payers on one Form 6847 even if acting as Attorney-in-Fact for several payers. Form 6847 may be computer-generated as long as it includes all information on the original form, or it may be photocopied. If Form 6847 is signed by an Attorney-in-Fact, the written consent from the payer must clearly indicate that the Attorney-in-Fact is empowered to authorize release of the information.

**.08** Only code the records for participating states and for those payers who have submitted Form 6847.

**.09** If a payee has a reporting requirement for more than one state, separate "B" records must be created for each state. Payers must pro-rate the amounts to determine what should be reported to each state. Do **not** report the total amount to each state. This will cause duplicate reporting.

**.10** Some participating states require separate notification that the payer is filing in this manner. Since IRS/ECC-MTB acts as a forwarding agent only, it is the payer's responsibility to contact the appropriate states for further information.

**.11** All corrections properly coded for the Combined Federal/State Filing Program will be forwarded to the participating states. Only send corrections which affect the Federal reporting. Errors which apply only to the state filing requirement should be sent directly to the state.

**.12** Participating states and corresponding valid state codes are listed in **Table 1** of this section. The appropriate state code **must** be entered for those documents that meet the state filing requirements; **do not use state abbreviations**.

**.13** Each state's filing requirements are subject to change by the state. It is the payer's responsibility to contact the participating states to verify their criteria.

**.14** Upon submission of the actual files, the transmitter **must** be sure of the following:

- All records are coded exactly as required by this Revenue Procedure.
- A State Total "K" Record(s) for each state(s) being reported follows the "C" Record.
- Payment amount totals and the valid participating state code are included in the State Totals "K" Record(s).
- The last "K" Record is followed by an "A" Record or an End of Transmission "F" Record (if this is the last record of the entire file).

**Table 1. Participating States and Their Codes \***

State	Code	State	Code	State	Code
Alabama	01	Indiana	18	Nebraska	31
Arizona	04	Iowa	19	New Jersey	34
Arkansas	05	Kansas	20	New Mexico	35
California	06	Louisiana	22	North Carolina	37
Colorado	07	Maine	23	North Dakota	38
Connecticut	08	Maryland	24	Ohio	39
Delaware	10	Massachusetts	25	South Carolina	45
District of Columbia	11	Minnesota	27	Utah	49
Georgia	13	Mississippi	28	Virginia	51
Hawaii	15	Missouri	29	Wisconsin	55
Idaho	16	Montana	30		

\* The codes listed above are correct for the IRS Combined Federal/State Filing Program and may not correspond to the state codes of other agencies or programs.

**Sample File Layout for Combined Federal/State Filer**

Transmitter "T" Record	Payer "A" Record coded with 1 in position 26	Payee "B" Record with state code 15 in position 747-748	Payee "B" Record with state code 06 in position 747-748	Payee "B" Record, no state code	End of Payer "C" Record
------------------------------	--	---	---	---------------------------------------	----------------------------

State Total "K" Record for "B" records coded 15. "K" record coded 15 in positions 747-748.	State Total "K" Record for "B" records coded 06. "K" record coded 06 in positions 747-748.	End of Transmission "F" Record
---	---	-----------------------------------

**Sec. 13. Penalties Associated With Information Returns**

.01 The following penalties generally apply to the person required to file information returns. The penalties apply to electronic/magnetic media filers as well as to paper filers.

.02 **Failure To File Correct Information Returns by the Due Date (Section 6721).** If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file either electronically or magnetically, you report an incorrect TIN or fail to report a TIN, or you fail to file paper forms that are machine readable.

The amount of the penalty is based on when you file the correct information return. The penalty is:

- **\$15** per information return if you correctly file within 30 days of the due date of the return (See Part A, Sec. 8, .01); maximum penalty \$75,000 per year (\$25,000 for small businesses).
- **\$30** per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$150,000 per year (\$50,000 for small businesses).
- **\$50** per information return if you file after August 1 or you do not file required information returns; maximum penalty \$250,000 per year (\$100,000 for small businesses).

.03 A late filing penalty may be assessed for a replacement file which is not returned by the required date. Depending on your method of reporting, replacement files may be subject to penalty. See Part A, Sec. 9, or Part B, Sec. 5, .06 for more information on replacement files.

**.04 Intentional disregard of filing requirements.** If failure to file a correct information return is due to intentional disregard of the filing or correct information requirements, the penalty is at least \$100 per information return with no maximum penalty.

**.05 Failure To Furnish Correct Payee Statements (Section 6722).** For information regarding penalties which may apply to failure to furnish correct payee statements, see *2007 General Instructions for Forms 1099, 1098, 5498, and W-2G*.

## Sec. 14. State Abbreviations

**.01** The following state and U.S. territory abbreviations are to be used when developing the state code portion of address fields. This table provides state and territory abbreviations only, and does not represent those states participating in the Combined Federal/State Filing Program.

State	Code	State	Code	State	Code
Alabama	AL	Kentucky	KY	No. Mariana Islands	MP
Alaska	AK	Louisiana	LA	Ohio	OH
American Samoa	AS	Maine	ME	Oklahoma	OK
Arizona	AZ	Marshall Islands	MH	Oregon	OR
Arkansas	AR	Maryland	MD	Pennsylvania	PA
California	CA	Massachusetts	MA	Puerto Rico	PR
Colorado	CO	Michigan	MI	Rhode Island	RI
Connecticut	CT	Minnesota	MN	South Carolina	SC
Delaware	DE	Mississippi	MS	South Dakota	SD
District of Columbia	DC	Missouri	MO	Tennessee	TN
Federated States of Micronesia	FM	Montana	MT	Texas	TX
Florida	FL	Nebraska	NE	Utah	UT
Georgia	GA	Nevada	NV	Vermont	VT
Guam	GU	New Hampshire	NH	Virginia	VA
Hawaii	HI	New Jersey	NJ	(U.S.) Virgin Islands	VI
Idaho	ID	New Mexico	NM	Washington	WA
Illinois	IL	New York	NY	West Virginia	WV
Indiana	IN	North Carolina	NC	Wisconsin	WI
Iowa	IA	North Dakota	ND	Wyoming	WY
Kansas	KS				

**.02** Filers must adhere to the city, state, and ZIP Code format for U.S. addresses in the “B” Record. This also includes American Samoa, Federated States of Micronesia, Guam, Marshall Islands, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

**.03** For foreign country addresses, filers may use a 51 position free format which should include city, province or state, postal code, and name of country in this order. This is allowable only if a “1” (one) appears in the Foreign Country Indicator, Field Position 247, of the “B” Record.

**.04** When reporting APO/FPO addresses, use the following format:

**EXAMPLE:**

Payee Name	PVT Willard J. Doe
Mailing Address	Company F, PSC Box 100 167 Infantry REGT
Payee City	APO (or FPO)
Payee State	AE, AA, or AP*
Payee ZIP Code	098010100

\*AE is the designation for ZIPs beginning with 090–098, AA for ZIP 340, and AP for ZIPs 962–966.

## Sec. 15. Major Problems Encountered

IRS/ECC-MTB encourages filers to verify the format and content of each type of record to ensure the accuracy of the data. This may eliminate the need for IRS/ECC-MTB to request replacement files. This may be important for those payers who have either had their files prepared by a service bureau or who have purchased software packages.

**Filers who engage a service bureau to prepare media on their behalf should be careful not to report duplicate data, which may generate penalty notices.**

The Major Problems Encountered lists some of the problems most frequently encountered with electronic/magnetic files submitted to IRS/ECC-MTB. These problems may result in IRS/ECC-MTB requesting replacement files.

---

### 1. Unable to read tape cartridge.

Please review all tape cartridge specifications carefully (See Part C, Sections 1 and 2.)

---

### 2. No Form 4804, Transmittal of Information Returns Reported Magnetically

Each shipment of media sent to IRS/ECC-MTB must include a **signed** Form 4804.

---

### 3. Discrepancy Between IRS/ECC-MTB Totals and Totals in Payer "C" Records

The "C" Record is a summary record for a type of return for a given payer. IRS compares the total number of payees and payment amounts in the "B" records with totals in the "C" Records. The two totals **must** agree. Do **NOT** enter negative amounts except when reporting Forms 1099-B or 1099-Q. Money amounts must be all numeric, right-justified and zero (0) fill unused positions. **Do Not Use Blanks.**

---

### 4. The Payment Amount Fields in the "B" Record Do Not Correspond to the Amount Codes in the "A" Record.

The Amount Codes used in the "A" record **MUST** correspond with the payment amount fields used in the "B" records. The amount codes must be left-justified, in ascending order with the unused positions blank. For Example: If the "B" records show payment amounts in payment amount fields 2, 4, and 7, then the "A" record must correspond with 2, 4, and 7 in the amount codes field.

---

### 5. Incorrect TIN in Payer "A" Record.

The Payer's TIN reported in positions 12-20 of the "A" record must be nine numeric characters only. (**Do Not Enter Hyphen.**) The TIN and the First Payer Name Line provided in the "A" record must correspond.

---

### 6. Incorrect Tax Year in the Transmitter "T" Record, Payer "A" Record and the Payee "B" Records.

The tax year in the transmitter, payer and payee records should reflect the tax year of the information return being reported. For prior tax year data, there must be a "P" in position 6 of the Transmitter "T" record. Media postmarked December 2, 2007 or later **must** have the Prior Year Data Indicator coded with a "P" in position 6 of the Transmitter "T" Record. This position must be blank for current tax year data.

---

### 7. Incorrect use of Test Indicator.

When sending a test file, position 28 of the Transmitter "T" record must contain a "T", otherwise blank fill.

---

### 8. Incorrect Format for TINs in the Payee "B" Record.

TINs entered in position 12-20 of the Payee "B" record must consist of nine numerics only. (**Do Not Enter Hyphens.**) Incorrect formatting of TINs may result in a penalty.

---

### 9. Distribution Codes for Form 1099-R Reported Incorrectly.

For Forms 1099-R, there must be valid Distribution Code(s) in position 545-546 of the Payee "B" record. For valid codes (and combinations), see Guide to Distribution Codes in Part D. If only one distribution code is required, it must be entered in position 545 and position 546 must be blank. A blank in position 545 is not acceptable.

---

### 10. Incorrect Record Totals Listed on Form 4804.

The Combined Total Payee Records listed on Form 4804 (Block 6) are used in the verification process of information returns. The figure in this block **must** be the total number of payee "B" records contained on each individual piece of media submitted. A separate Form 4804 should be sent for each piece of media that contains a file.

---

---

## 11. Missing Correction Indicator in Payee “B” Record.

When a file is submitted as a correction file, there must be a correction indicator, “G” or “C” in position 6 of the Payee “B” record. See Part A, Sec. 10.

---

## Part B. Electronic Filing Specifications

**Note: The FIRE System DOES NOT provide fill-in forms, except for Form 8809, Application for Extension of Time To File Information Returns. Filers must program files according to the Record Layout Specifications contained in this publication. For a list of software providers, log on to [www.irs.gov](http://www.irs.gov) and go to the [Approved IRS e-file for Business Providers](#) link.**

### Sec. 1. General

.01 Electronic filing of Forms 1098, 1099, 5498, and W-2G information returns, originals, corrections, and replacements is offered as an alternative to tape cartridges or paper filing. Filing electronically will fulfill the magnetic media requirements for those payers who are required to file magnetically. Payers who are under the filing threshold requirement, are encouraged to file electronically. If the original file was sent magnetically, but IRS/ECC-MTB has requested a replacement file, the replacement may be transmitted electronically. Also, if the original file was submitted via tape cartridge, any corrections may be transmitted electronically.

.02 All electronic filing of information returns are received at IRS/ECC-MTB via the FIRE (Filing Information Returns Electronically) System. To connect to the FIRE System, point your browser to <http://fire.irs.gov>. The system is designed to support the electronic filing of information returns only.

.03 The electronic filing of information returns is not affiliated with any other IRS electronic filing programs. Filers must obtain separate approval to participate in each program. Only inquiries concerning electronic filing of information returns should be directed to IRS/ECC-MTB.

.04 Files submitted to IRS/ECC-MTB electronically must be in standard ASCII code. Do not send tape cartridges or paper forms with the same information as electronically submitted files. This would create duplicate reporting resulting in penalty notices.

.05 The record formats of the “T”, “A”, “B”, “C”, “K”, and “F” records are the same for both electronically or magnetically filed records. See Part D, Record Format Specifications and Record Layouts.

### Sec. 2. Advantages of Filing Electronically

Some of the advantages of filing electronically are:

- (1) Paperless, no Form 4804 requirements.
- (2) Security — Secure Socket Layer (SSL) 128-bit encryption.
- (3) The File Status results will be emailed to you in 1–2 business days if the correct email address is provided. It is the filer’s responsibility to log into the system and check results if the file is bad or you disagree with the count of payees.
- (4) Later due date than tape cartridge or paper for electronically filed Forms 1098, 1099, and W-2G (refer to Part A, Sec. 8, .01).
- (5) Allows more attempts than a tape cartridge filing to replace bad files within a specific time frame before imposing penalties (refer to Part B, Sec. 5, .06).
- (6) Better customer service due to on-line availability of transmitter’s files for research purposes.
- (7) Extended period to test electronic files: November 1, 2007 to February 15, 2008.

### Sec. 3. Electronic Filing Approval Procedure

.01 Filers must obtain a Transmitter Control Code (TCC) prior to submitting files electronically. Filers who currently have a TCC for magnetic media filing may use their assigned TCC for electronic filing. Refer to Part A, Sec. 6, for information on how to obtain a TCC.

.02 Once a TCC is obtained, electronic filers assign their own user ID, password and PIN (Personal Identification Number) and do not need prior or special approval. See Part B, Sec. 6, for more information on the PIN.

.03 If a filer is submitting files for more than one TCC, it is not necessary to create a separate logon and password for each TCC.

.04 For all passwords, it is the user’s responsibility to remember the password and not allow the password to be compromised. Passwords are user assigned at first logon and must be 8 alpha/numerics containing at least 1 uppercase, 1 lowercase, and 1 numeric. However, filers who forget their password or PIN, can call **toll-free 1-866-455-7438 extension 3** for assistance. The FIRE System may require users to change their passwords on a yearly basis.



## Sec. 4. Test Files

**.01** Filers are not required to submit a test file; however, the submission of a test file is encouraged for all new electronic filers to test hardware and software. If filers wish to submit an electronic test file for Tax Year 2007 (returns to be filed in 2008), it **must** be submitted to IRS/ECC-MTB **no earlier than** November 1, 2007, and **no later than** February 15, 2008.

**.02** Filers who encounter problems while transmitting the electronic test file can contact IRS/ECC-MTB **toll-free 1-866-455-7438 extension 3** for assistance.

**.03** Within 1–2 days after your file has been sent, you will be notified via email as to the acceptability of your file if you provide a valid email address on the ‘Verify Your Filing Information’ screen. If the file is bad, the filer must return to <http://fire.irs.gov> to determine what the errors are in the file by clicking on CHECK FILE STATUS. If your results indicate:

- (a) **“Good, Federal Reporting”** — Your test file is good for federal reporting only. Click on the filename for additional details.
- (b) **“Good, Federal/State Reporting”** — Your file is good for the Combined Federal and State Filing Program (see Part A, Section 12 for further details). Click on the filename for additional details.
- (c) **“Bad”** — This means that your test file contained errors. Click on the filename for a list of the errors. If you want to send another test file, send it as another test (not a replacement, original or correction).
- (d) **“Not Yet Processed”** — The file has been received, but we do not have results available yet. Please allow another day for results.

**.04** Form 4804 is not required for test files submitted electronically. See Part B, Sec. 4.

**.05** A test file is required from filers who want approval for the Combined Federal/State Filing Program. See Part A, Sec. 12, for further details.

## Sec. 5. Electronic Submissions

**.01** Electronically filed information may be submitted to IRS/ECC-MTB 24 hours a day, 7 days a week. Technical assistance is available Monday through Friday between 8:30 a.m. and 4:30 p.m. Eastern time by calling **toll-free 1-866-455-7438 extension 3**.

**.02** The FIRE System will be down from 2 p.m. EST December 20, 2007, through January 2, 2008. This allows IRS/ECC-MTB to update its system to reflect current year changes.

**.03** If you are sending files larger than 10,000 records electronically, data compression is encouraged. When transmitting files larger than 5 million records, please contact IRS/ECC-MTB for additional information. WinZip and PKZIP are the only acceptable compression packages. IRS/ECC-MTB cannot accept self-extracting zip files or compressed files containing multiple files. The time required to transmit information returns electronically will vary depending upon the type of connection to the internet and if data compression is used. **The time required to transmit a file can be reduced up to 95 percent by using compression.**

**.04** The FIRE System can accept multiple files for the same type of return providing duplicate data is not transmitted. For example, if your company has several branches issuing 1099–INT forms; it is not necessary to consolidate all the forms into one transmission. Each file may be sent separately, **providing duplicate data is not transmitted.**

**.05** Transmitters may create files using self assigned filename(s). Files submitted electronically will be assigned a new unique file name by the FIRE System. The filename assigned by the FIRE System will consist of submission type (TEST, ORIG [original], CORR [correction], and REPL [replacement]), the filer’s TCC and a four-digit number sequence. The sequence number will be incremented for every file sent. For example, if it is your first original file for the calendar year and your TCC is 44444, the IRS assigned filename would be ORIG.44444.0001. **Record the filename.** This information will be needed by ECC-MTB to identify the file, if assistance is required.

**.06** If a file was submitted timely and is bad, the filer will have up to 60 days from the day the file was transmitted to transmit an acceptable file. If an acceptable file is not received within 60 days, the payer could be subject to late filing penalties. This only applies to files originally submitted electronically.

**.07** The following definitions have been provided to help distinguish between a correction and a replacement:

- A **correction** is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS/ECC-MTB, but contained erroneous information. (See Note.)

**Note: Corrections should only be made to records that have been submitted incorrectly, not the entire file.**

- A **replacement** is an information return file sent by the filer because the CHECK FILE STATUS option on the FIRE System indicated the original/correction file was bad. After the necessary changes have been made, the file must be transmitted through the FIRE System. (See Note.)

**Note: Filers should never transmit anything to IRS/ECC-MTB as a “Replacement” file unless the CHECK FILE STATUS option on the FIRE System indicates the file is bad.**

.08 The TCC in the Transmitter “T” Record must be the TCC used to transmit the file; otherwise, the file will be considered an error.

## Sec. 6. PIN Requirements

.01 Form 4804 is not required for electronic files. Instead, the user will be prompted to create a PIN consisting of 10 numerics when establishing their initial logon name and password.

.02 The PIN is required each time an ORIGINAL, CORRECTION, or REPLACEMENT file is sent electronically and is permission to release the file. It is not needed for a TEST file. An authorized agent may enter their PIN, however, the payer is responsible for the accuracy of the returns. The payer will be liable for penalties for failure to comply with filing requirements. If you forget your PIN, please call **toll-free 1-866-455-7438 extension 3** for assistance.

.03 If the file is good, it is released for mainline processing after 10 calendar days from receipt. Contact us **toll-free 1-866-455-7438 extension 3** within this 10-day period if there is a reason the file should not be released for further processing. If the file is bad, follow normal replacement procedures.

## Sec. 7. Electronic Filing Specifications

.01 The FIRE System is designed exclusively for the filing of Forms 1042-S, 1098, 1099, 5498, 8027, and W-2G.

.02 A transmitter must have a TCC (see Part A, Sec. 6) before a file can be transmitted. A TCC assigned for magnetic media filing should also be used for electronic filing.

.03 After 1–2 business days, the results of the electronic transmission will be emailed to you providing you provide an accurate email address on the ‘Verify Your Filing Information’ screen. If you are using email filtering software, configure your software to accept emails from [fire@irs.gov](mailto:fire@irs.gov). If after receiving the email it indicates that your file is bad, you must log into the FIRE System and go to the CHECK FILE STATUS area of the FIRE System to determine what the errors are in your file. Forms 1042-S and 8027 require a longer processing time and emails are not sent for these forms.

## Sec. 8. Connecting to the FIRE System

.01 Point your browser to <http://fire.irs.gov> to connect to the FIRE System.

.02 Filers should turn off their pop-up blocking software before transmitting their files.

.03 Before connecting, have your TCC and EIN available.

.04 Your browser must support SSL 128-bit encryption.

.05 Your browser must be set to receive “cookies”. Cookies are used to preserve your User ID status.

**First time connection to The FIRE System** (If you have logged on previously, skip to Subsequent Connections to the FIRE System.)

Click “*Create New Account*”.

Fill out the registration form and click “*Submit*”.

Enter your *User ID* (most users logon with their first and last name).

Enter and verify your *password* (the password is user assigned and must be 8 alpha/numerics, containing at least 1 uppercase, 1 lowercase and 1 numeric). FIRE may require you to change the password once a year.

Click “*Create*”.

If you receive the message “**Account Created**”, click “*OK*”.

Enter and verify your 10-digit self-assigned PIN (Personal Identification Number).

Click “*Submit*”.

If you receive the message “**Your PIN has been successfully created!**”, click “*OK*”.

Read the bulletin(s) and/or “**Click here to continue**”.

### **Subsequent connections to The FIRE System**

Click “*Log On*”.

Enter your *User ID* (most users logon with their first and last name).

Enter your *password* (the password is user assigned and is case sensitive).

Read the bulletin(s) and/or “**Click here to continue**”.

## Uploading your file to the FIRE System

At Menu Options:

Click ***“Send Information Returns”***

Enter your ***TCC:***

Enter your ***EIN:***

Click ***“Submit”***.

The system will then display the company name, address, city, state, ZIP Code, phone number, contact and email address. This information will be used to email the transmitter regarding their transmission. Update as appropriate and/or Click ***“Accept”***.

**Note: Please ensure that the email is accurate so that the correct person receives the email and it does not return to us undeliverable. If you are using SPAM filtering software, please configure it to allow an email from [fire@irs.gov](mailto:fire@irs.gov).**

Click one of the following:

***Original File***

***Correction File***

***Test File*** (This option will only be available from 11/1/2007 - 02/15/2008.)

***Replacement File*** (if you select this option, select one of the following):

***Electronic Replacement*** (file was originally transmitted on this system)  
Click on the file to be replaced.

***Magnetic Media Replacement***

Enter the alpha character from Form 9267, Media Tracking Slip, that was sent with the request for replacement file. Click ***“Submit”***.

Enter your 10-digit PIN (not prompted for this if a test is being sent).

Click ***“Submit”***.

Click ***“Browse”*** to locate the file and open it.

Click ***“Upload”***.

**When the upload is complete, the screen will display the total bytes received and tell you the name of the file you just uploaded.**

If you have more files to upload for that TCC:

Click ***“File Another?”***; otherwise,

Click ***“Main Menu”***.

<p><b>It is your responsibility to check the acceptability of your file; therefore, be sure to check back into the system in 1–2 business days using the CHECK FILE STATUS option.</b></p>
--

## Checking your FILE STATUS

If the correct email address was provided on the “Verify Your Filing Information” screen when the file was sent, an email will be sent regarding your FILE STATUS. If the results in the email indicate “Good, not Released” and you agree with the “Count of Payees”, then you are finished with this file. If you have any other results, please follow the instructions below.

At the Main Menu:

Click ***“Check File Status”***.

Enter your ***TCC:***

Enter your ***EIN:***

Click ***“Search”***.

If “Results” indicate:

“**Good, Not Released**” and you agree with the “Count of Payees”, you are finished with this file. The file will automatically be released after 10 calendar days unless you contact us within this timeframe.

“**Good, Released**” – File has been released to our mainline processing.

“**Bad**” – Correct the errors and timely resubmit the file as a “replacement”.

“**Not yet processed**” – File has been received, but we do not have results available yet. Please check back in a few days.

Click on the desired file for a detailed report of your transmission.

When you are finished, click on **Main Menu**.

Click “**Log Out**”.

Close your Web Browser.

## Sec. 9. Common Problems and Questions Associated with Electronic Filing

.01 Refer to Part A, Sec. 15, for common format errors associated with electronic/magnetic files.

.02 The following are the major errors associated with electronic filing:

### NON-FORMAT ERRORS

---

#### 1. Transmitter does not check the FIRE System to determine why the file is bad.

The results of your file transfer are posted to the FIRE System within two business days. If the correct email address was provided on the “Verify Your Filing Information” screen when the file was sent, an email will be sent regarding your FILE STATUS. If the results in the email indicate “Good, not Released” and you agree with the “Count of Payees”, then you are finished with this file. If you have any other results, please follow the instructions in the Check File Status option. If the file contains errors, you can get an online listing of the errors. Date received and number of payee records are also displayed. If the file is good, but you do not want the file processed, you must contact IRS/ECC-MTB within 10 calendar days from the transmission of your file.

---

#### 2. Incorrect file is not replaced timely.

If your file is bad, correct the file and timely resubmit as a replacement.

---

#### 3. Transmitter compresses several files into one.

Only compress one file at a time. For example, if you have 10 uncompressed files to send, compress each file separately and send 10 separate compressed files.

---

#### 4. Transmitter sends a file and CHECK FILE STATUS indicates that the file is good, but the transmitter wants to send a replacement or correction file to replace the original/correction/replacement file.

Once a file has been transmitted, you cannot send a replacement file unless CHECK FILE STATUS indicates the file is bad (1–2 business days after file was transmitted). If you do not want us to process the file, you must first contact us **toll-free 1–866–455–7438 extension 3** to see if this is a possibility.

---

#### 5. Transmitter sends an original file that is good, and then sends a correction file for the entire file even though there are only a few changes.

The correction file, containing the proper coding, should only contain the records needing correction, not the entire file.

---

#### 6. File is formatted as EBCDIC.

All files submitted electronically must be in standard ASCII code.

---

---

**7. Transmitter has one TCC number, but is filing for multiple companies, which EIN should be used when logging into the system to send the file?**

When sending the file electronically, you will need to enter the EIN of the company assigned to the TCC. When you upload the file, it will contain the EIN's of the other companies for which you are filing. This is the information that will be passed forward.

---

**8. Transmitter sent the wrong file, what should be done?**

Call us as soon as possible toll-free at **1-866-455-7438 extension 3**. We may be able to stop the file before it has been processed. **Please do not send a replacement for a file that is marked as a good file.**

---

## **Part C. Tape Cartridge Specifications**

**.01** Transmitters should be consistent in the use of recording codes and density on files. If the tape cartridge does not meet these specifications, IRS/ECC-MTB will request a replacement file. Filers are encouraged to submit a test prior to submitting the actual file. Contact IRS/ECC-MTB **toll-free 1-866-455-7438 extension 5** for further information. Transmitters should also check media for viruses before submitting to IRS/ECC-MTB.

**.02** In most instances, IRS/ECC-MTB can process tape cartridges that meet the following specifications:

- (a) Must be IBM 3480, 3490, 3490E, 3590, or 3590E.
- (b) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
  - (1) Tape cartridges must be 1/2-inch tape contained in plastic cartridges that are approximately 4-inches by 5-inches by 1-inch in dimension.
  - (2) Magnetic tape must be chromium dioxide particle based 1/2-inch tape.
  - (3) Cartridges must be 18-track, 36-track, 128-track or 256-track parallel (**See Note.**)
  - (4) Cartridges will contain 37,871 CPI, 75,742 CPI, or 3590 CPI (characters per inch).
  - (5) Mode will be full function.
  - (6) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
  - (7) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used.

**.03** The tape cartridge records defined in this Revenue Procedure may be blocked subject to the following:

- (a) A block **must not** exceed 32,250 tape positions.
- (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9s; however, the last block of the file may be filled with 9s or truncated. **Do not pad a block with blanks.**
- (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields, which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block, which may be shorter (see item (b) above). The block length must be evenly divisible by 750.
- (d) Records may not span blocks.

**.04** Tape cartridges may be labeled or unlabeled.

**.05** Do **not** send encrypted data.

**.06** For the purposes of this Revenue Procedure, the following must be used:

Tape Mark:

- (a) Signifies the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111 (8421).
- (c) May follow the header label and precede and/or follow the trailer label.

**Note: Filers should indicate on the external media label whether the cartridge is 18-track, 36-track, 128-track or 256-track.**

## **Part D. Record Format Specifications and Record Layouts**

### **Sec. 1. General**

**.01** The specifications contained in this part of the Revenue Procedure define the required formation and contents of the records to be included in the electronic or tape cartridge files.

**.02** A provision is made in the "B" Records for entries which are optional. If the field is not used, enter blanks to maintain a fixed record length of 750 positions. Each field description explains the intended use of specific field positions.

## Sec. 2. Transmitter “T” Record — General Field Descriptions

.01 The Transmitter “T” Record identifies the entity transmitting the electronic/tape cartridge file and contains information which is critical if it is necessary for IRS/ECC-MTB to contact the filer.

.02 The Transmitter “T” Record is the first record on each file and is followed by a Payer “A” Record. A file format diagram is located at the end of Part D. A replacement file will be requested by IRS/ECC-MTB if the “T” Record is not present.

.03 For all fields marked “**Required**”, the transmitter must provide the information described under Description and Remarks. For those fields not marked “**Required**”, a transmitter must allow for the field but may be instructed to enter blanks or zeros in the indicated field positions and for the indicated length.

.04 All records must be a fixed length of 750 positions.

.05 All alpha characters entered in the “T” Record must be upper-case, except email addresses which may be case sensitive. **Do not** use punctuation in the name and address fields.

---

### Record Name: Transmitter “T” Record

---

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “T”.
2–5	Payment Year	4	<b>Required.</b> Enter “2007”. If reporting prior year data, report the year which applies (2005, 2006, etc.) and set the Prior Year Data Indicator in field position 6.
6	Prior Year Data Indicator	1	<b>Required.</b> Enter “P” <b>only</b> if reporting prior year data; otherwise, enter blank. Do not enter a “P” if tax year is 2007. (See Note.)
<b>Note: Current year data MAILED December 2 or later or electronic files SENT December 21 or later must be coded with a “P”. Current year processing ends in December and programs are converted for the next processing year.</b>			
7–15	Transmitter’s TIN	9	<b>Required.</b> Enter the transmitter’s nine-digit Taxpayer Identification Number (TIN). May be an EIN or SSN.
16–20	Transmitter Control Code	5	<b>Required.</b> Enter the five-character alpha/numeric Transmitter Control Code (TCC) assigned by IRS/ECC-MTB. A TCC must be obtained to file data with this program.
21–27	Blank	7	Enter blanks.
28	Test File Indicator	1	<b>Required for test files only.</b> Enter a “T” if this is a test file; otherwise, enter a blank.
29	Foreign Entity Indicator	1	Enter a “1” (one) if the transmitter is a foreign entity. If the transmitter is not a foreign entity, enter a blank.
30–69	Transmitter Name	40	<b>Required.</b> Enter the name of the transmitter in the manner in which it is used in normal business. Left-justify and fill unused positions with blanks.
70–109	Transmitter Name (Continuation)	40	<b>Required.</b> Enter any additional information that may be part of the name. Left-justify information and fill unused positions with blanks.
110–149	Company Name	40	<b>Required.</b> Enter the name of the company to be associated with the address where correspondence should be sent.
150–189	Company Name (Continuation)	40	Enter any additional information that may be part of the name of the company where correspondence should be sent.
190–229	Company Mailing Address	40	<b>Required.</b> Enter the mailing address where correspondence should be sent.

**Note: Any correspondence relating to problem media or electronic files will be sent to this address. This should be the same address as in box 5 of Form 4804.**

**For U.S. addresses,** the payer city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. **Filers must adhere to the correct format for the payer city, state, and ZIP Code. For foreign addresses,** filers may use the payer city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 29 must contain a “1” (one).

---

**Record Name: Transmitter "T" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
230-269	Company City	40	<b>Required.</b> Enter the city, town, or post office where correspondence should be sent.
270-271	Company State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviation. Refer to the chart for valid state codes in Part A, Sec. 14.
272-280	Company ZIP Code	9	<b>Required.</b> Enter the valid nine-digit ZIP assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill unused positions with blanks.
281-295	Blank	15	Enter blanks.
296-303	Total Number of Payees	8	Enter the total number of Payee "B" Records reported in the file. Right-justify information and fill unused positions with zeros.
304-343	Contact Name	40	<b>Required.</b> Enter the name of the person to be contacted if IRS/ECC-MTB encounters problems with the file or transmission.
344-358	Contact Phone Number & Extension	15	<b>Required.</b> Enter the telephone number of the person to contact regarding electronic or magnetic files. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks. For example, the IRS/ECC-MTB Customer Service Section phone number of <b>866-455-7438</b> with an extension of <b>52345</b> would be <b>866455743852345</b> .
359-408	Contact Email Address	50	<b>Required if available.</b> Enter the email address of the person to contact regarding electronic or magnetic files. Left-justify information. If no email address is available, enter blanks.
409-410	Cartridge Tape File Indicator	2	<b>Required for tape cartridge filers only.</b> Enter the letters "LS" (in uppercase only). Use of this field by filers using other types of media will be acceptable but is not required.
411-416	Transmitter's Media Number	6	For tape cartridge filers only. If your organization uses an in-house numbering system to identify tape cartridges, enter that number; otherwise, enter blanks.
417-499	Blank	83	Enter blanks.
500-507	Record Sequence Number	8	<b>Required.</b> Enter the number of the record as it appears within your file. The record sequence number for the "T" record will always be "1" (one), since it is the first record on your file and you can have only one "T" record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e., 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" record sequence number would appear as "00000001" in the field, the first "A" record would be "00000002", the first "B" record, "00000003", the second "B" record, "00000004" and so on until you reach the final record of the file, the "F" record.
508-517	Blank	10	Enter blanks.
518	Vendor Indicator	1	<b>Required.</b> Enter the appropriate code from the table below to indicate if your software was provided by a vendor or produced in-house.
		<b>Indicator</b>	<b>Usage</b>
		V	Your software was purchased from a vendor or other source.
		I	Your software was produced by in-house programmers.

**Note: In-house programmer is defined as an employee or a hired contract programmer. If your software is produced in-house, the following Vendor information fields are not required.**

**Record Name: Transmitter "T" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
519-558	Vendor Name	40	<b>Required.</b> Enter the name of the company from whom you purchased your software.
559-598	Vendor Mailing Address	40	<b>Required.</b> Enter the mailing address.
<p><b>For U.S. addresses,</b> the vendor city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. <b>Filers must adhere to the correct format for the payer city, state, and ZIP Code.</b></p> <p><b>For foreign addresses,</b> filers may use the payer city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country.</p>			
599-638	Vendor City	40	<b>Required.</b> Enter the city, town, or post office.
639-640	Vendor State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviation. Refer to the chart of valid state codes in Part A, Sec. 14.
641-649	Vendor ZIP Code	9	<b>Required.</b> Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill unused positions with blanks.
650-689	Vendor Contact Name	40	<b>Required.</b> Enter the name of the person who can be contacted concerning any software questions.
690-704	Vendor Contact Phone Number & Extension	15	<b>Required.</b> Enter the telephone number of the person to contact concerning software questions. Omit hyphens. If no extension is available, left-justify information and fill unused positions with blanks.
705-739	Blank	35	Enter Blanks.
740	Vendor Foreign Entity Indicator	1	Enter a "1" (one) if the vendor is a foreign entity. Otherwise, enter a blank.
741-748	Blank	8	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed characters (CR/LF).

**Sec. 3. Transmitter "T" Record — Record Layout**

Record Type	Payment Year	Prior Year Data Indicator	Transmitter's TIN	Transmitter Control Code	Blank
1	2-5	6	7-15	16-20	21-27

Test File Indicator	Foreign Entity Indicator	Transmitter Name	Transmitter Name (Continuation)	Company Name	Company Name (Continuation)
28	29	30-69	70-109	110-149	150-189

Company Mailing Address	Company City	Company State	Company ZIP Code	Blank	Total Number of Payees	Contact Name
190-229	230-269	270-271	272-280	281-295	296-303	304-343



Contact Phone Number & Extension	Contact Email Address	Cartridge Tape File Indicator	Transmitter's Media Number	Blank	Record Sequence Number
344-358	359-408	409-410	411-416	417-499	500-507

Blank	Vendor Indicator	Vendor Name	Vendor Mailing Address	Vendor City	Vendor State
508-517	518	519-558	559-598	599-638	639-640

Vendor ZIP Code	Vendor Contact Name	Vendor Contact Phone Number & Extension	Blank	Vendor Foreign Entity Indicator	Blank	Blank or CR/LF
641-649	650-689	690-704	705-739	740	741-748	749-750

#### Sec. 4. Payer "A" Record — General Field Descriptions

.01 The Payer "A" Record identifies the person making payments, a recipient of mortgage or student loan interest payments, an educational institution, a broker, a person reporting a real estate transaction, a barter exchange, a creditor, a trustee or issuer of any IRA or MSA plan, and a lender who acquires an interest in secured property or who has a reason to know that the property has been abandoned. The payer will be held responsible for the completeness, accuracy, and timely submission of electronic/magnetic files.

.02 The second record on the file must be an "A" Record. A transmitter may include Payee "B" records for more than one payer in a file. However, **each group** of "B" records must be preceded by an "A" Record and followed by an End of Payer "C" Record. A single file may contain different types of returns but the types of returns **must not** be intermingled. A separate "A" Record is required for each payer and each type of return being reported.

.03 The number of "A" Records depends on the number of payers and the different types of returns being reported. Do not submit separate "A" Records for each payment amount being reported. For example, if a payer is filing Form 1099-DIV to report Amount Codes 1, 2, and 3, all three amount codes should be reported under one "A" Record, not three separate "A" Records.

.04 The maximum number of "A" Records allowed on a file is 90,000.

.05 All records must be a fixed length of 750 positions.

.06 All alpha characters entered in the "A" Record must be upper case.

.07 For all fields marked "**Required**", the transmitter must provide the information described under Description and Remarks. For those fields not marked "**Required**", a transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated media position(s) and for the indicated length.

#### Record Name: Payer "A" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter an "A".
2-5	Payment Year	4	<b>Required.</b> Enter "2007". If reporting prior year data, report the year which applies (2005, 2006, etc.).
6-11	Blank	6	Enter blanks.
12-20	Payer's Taxpayer Identification Number (TIN)	9	<b>Required.</b> Must be the valid nine-digit Taxpayer Identification Number assigned to the payer. <b>Do not enter blanks, hyphens, or alpha characters.</b> All zeros, ones, twos, etc., will have the effect of an incorrect TIN.

---

**Record Name: Payer "A" Record (Continued)**

---

Field Position	Field Title	Length	Description and Remarks
----------------	-------------	--------	-------------------------

---

**Note: For foreign entities that are not required to have a TIN, this field must be blank. However, the Foreign Entity Indicator, position 52 of the "A" Record, must be set to "1"(one).**

---

21-24	Payer Name Control	4	The Payer Name Control can be obtained only from the mail label on the Package 1099 that is mailed to most payers each December. Package 1099 contains Form 7018-C, Order Blank for Forms, and the mail label on the package contains a four (4) character name control. If a Package 1099 has not been received, you can determine your name control using the following simple rules or you can leave the field blank. For a business, use the first four significant characters of the business name. Disregard the word "the" when it is the first word of the name, unless there are only two words in the name. A dash (-) and an ampersand (&) are the only acceptable special characters. Names of less than four (4) characters should be left-justified, filling the unused positions with blanks.
-------	--------------------	---	--

---

25	Last Filing Indicator	1	Enter a "1" (one) if this is the <b>last year</b> this payer name and TIN will file information returns electronically, magnetically or on paper; otherwise, enter blank.
----	-----------------------	---	---

---

26	Combined Federal/State Filer	1	<b>Required for the Combined Federal/State Filing Program.</b> Enter "1" (one) if approved or submitting a test to participate in the Combined Federal/State Filing Program; otherwise, enter a blank.
----	------------------------------	---	--

**Note: If the Payer "A" Record is coded for combined Federal/State filing there must be coding in the Payee "B" Records and the State Totals "K" Records.**

**Note: If you entered "1" (one) in this field position, be sure to code the Payee "B" Records with the appropriate state code. Refer to Part A, Sec. 12, for further information.**

---

27	Type of Return	1	<b>Required.</b> Enter the appropriate code from the table below:
----	----------------	---	---

<u>Type of Return</u>	<u>Code</u>
1098	3
1098-C	X
1098-E	2
1098-T	8
1099-A	4
1099-B	B
1099-C	5
1099-CAP	P
1099-DIV	1
1099-G	F
1099-H	J
1099-INT	6
1099-LTC	T
1099-MISC	A
1099-OID	D
1099-PATR	7
1099-Q	Q
1099-R	9
1099-S	S
1099-SA	M
5498	L
5498-ESA	V
5498-SA	K
W-2G	W

---

---

**Record Name: Payer "A" Record (Continued)**

---

Field Position	Field Title	Length	Description and Remarks
28-41	Amount Codes (See Note.)	14	<b>Required.</b> Enter the appropriate amount codes for the type of return being reported. In most cases, the box numbers on paper information returns correspond with the amount codes used to file electronically or magnetically. However, if discrepancies occur, this Revenue Procedure governs for filing electronically/magnetically. Enter the amount codes in ascending sequence; numeric characters followed by alphas. Left-justify, and fill unused positions with blanks.

**Note: A type of return and an amount code must be present in every Payer "A" Record even if no money amounts are being reported. For a detailed explanation of the information to be reported in each amount code, refer to the appropriate paper instructions for each form.**

---

Amount Codes **Form 1098** — Mortgage Interest Statement For Reporting Mortgage Interest Received From Payers/Borrowers (Payer of Record) on Form 1098:

<u>Amount Code</u>	<u>Amount Type</u>
1	Mortgage interest received from payer(s)/borrower(s)
2	Points paid on purchase of principal residence
3	Refund (or credit) of overpaid interest
4	<i>Mortgage Insurance Premiums</i>
5	<i>Blank (Filer's use)</i>

Amount Codes **Form 1098-C** — Contributions of Motor Vehicles, Boats, and Airplanes For Reporting Gross Proceeds From Sales on Form 1098-C:

<u>Amount Code</u>	<u>Amount Type</u>
4	Gross proceeds from sales
6	Value of goods or services in exchange for vehicle

Amount Code **Form 1098-E** — Student Loan Interest Statement For Reporting Interest on Student Loans on Form 1098-E:

<u>Amount Code</u>	<u>Amount Type</u>
1	Student loan interest received by lender

Amount Codes **Form 1098-T** — Tuition Statement For Reporting Tuition Payments on Form 1098-T:

<u>Amount Code</u>	<u>Amount Type</u>
1	Payments received for qualified tuition and related expenses
2	Amounts billed for qualified tuition and related expenses
3	Adjustments made for prior year
4	Scholarships or grants
5	Adjustments to scholarships or grants for a prior year
7	Reimbursements or refunds of qualified tuition and related expenses from an insurance contract

---

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
----------------	-------------	--------	-------------------------

**Note 1: For Amount Codes 1 and 2 enter either payments received OR amounts billed. DO NOT report both.**

**Note 2: Amount codes 3 and 5 are assumed to be negative. It is not necessary to code with an over punch or dash to indicate a negative reporting.**

Amount Codes **Form 1099-A** — Acquisition or Abandonment of Secured Property For Reporting the Acquisition or Abandonment of Secured Property on Form 1099-A:

<u>Amount Code</u>	<u>Amount Type</u>
2	Balance of principal outstanding
4	Fair market value of property

Amount Codes **Form 1099-B** — Proceeds From Broker and Barter Exchange Transactions For Reporting Payments on Form 1099-B:

<u>Amount Code</u>	<u>Amount Type</u>
2	Stocks, bonds, etc. (For forward contracts, <b>See Note 1.</b> )
3	Bartering (Do not report negative amounts.)
4	Federal income tax withheld (backup withholding) (Do not report negative amounts.)
6	Profit (or loss) realized in 2007 ( <b>See Note 2.</b> )
7	Unrealized profit (or loss) on open contracts - 12/31/2006 ( <b>See Note 2.</b> )
8	Unrealized profit (or loss) on open contracts - 12/31/2007 ( <b>See Note 2.</b> )
9	Aggregate profit (or loss) ( <b>See Note 2.</b> )

**Note 1: The payment amount field associated with Amount Code 2 may be used to report a loss from a closing transaction on a forward contract. Refer to the "B" Record – General Field Descriptions and Record Layouts, Payment Amount Fields, for instructions on reporting negative amounts.**

**Note 2: Payment Amount Fields 6, 7, 8, and 9 are to be used for the reporting of regulated futures or foreign currency contracts.**

Amount Codes **Form 1099-C** — Cancellation of Debt For Reporting Payments on Form 1099-C:

<u>Amount Code</u>	<u>Amount Type</u>
2	Amount of debt canceled
3	Interest, if included in Amount Code 2
7	Fair market value of property ( <b>See Note.</b> )

**Note: Use Amount Code 7 only if a combined Form 1099-A and 1099-C is being filed.**

Amount Code **Form 1099-CAP** — Changes in Corporate Control and Capital Structure For Reporting Payments on Form 1099-CAP:

<u>Amount Code</u>	<u>Amount Type</u>
2	Aggregate amount received

Amount Codes **Form 1099-DIV** — Dividends and Distributions For Reporting Payments on Form 1099-DIV:

<u>Amount Code</u>	<u>Amount Type</u>
1	Total ordinary dividends
2	Qualified dividends
3	Total capital gain distribution

**Record Name: Payer "A" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
		<u>Amount Code</u>	<u>Amount Type</u>
		6	Unrecaptured Section 1250 gain
		7	Section 1202 gain
		8	Collectibles (28%) rate gain
		9	Nondividend distributions
		A	Federal income tax withheld
		B	Investment expenses
		C	Foreign tax paid
		D	Cash liquidation distributions
		E	Non-cash liquidation distributions
Amount Codes	<b>Form 1099-G</b> — Certain Government Payments		For Reporting Payments on Form 1099-G:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Unemployment compensation
		2	State or local income tax refunds, credits, or offsets
		4	Federal income tax withheld (backup withholding or voluntary withholding on unemployment compensation or Commodity Credit Corporation Loans, or certain crop disaster payments)
		5	Alternative Trade Adjustment Assistance (ATAA) Payments
		6	Taxable grants
		7	Agriculture payments
Amount Codes	<b>Form 1099-H</b> — Health Coverage Tax Credit (HCTC) Advance Payments		For Reporting Payments on Form 1099-H:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Gross amount of health insurance advance payments
		2	Amount of advance payment for January
		3	Amount of advance payment for February
		4	Amount of advance payment for March
		5	Amount of advance payment for April
		6	Amount of advance payment for May
		7	Amount of advance payment for June
		8	Amount of advance payment for July
		9	Amount of advance payment for August
		A	Amount of advance payment for September
		B	Amount of advance payment for October
		C	Amount of advance payment for November
		D	Amount of advance payment for December
Amount Codes	<b>Form 1099-INT</b> — Interest Income		For Reporting Payments on Form 1099-INT:
		<u>Amount Code</u>	<u>Amount Type</u>
		1	Interest income not included in Amount Code 3
		2	Early withdrawal penalty

**Record Name: Payer "A" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
-----------------------	--------------------	---------------	--------------------------------

<u>Amount Code</u>	<u>Amount Type</u>
3	Interest on U.S. Savings Bonds and Treasury obligations
4	Federal income tax withheld (backup withholding)
5	Investment expenses
6	Foreign tax paid
8	Tax-exempt interest
9	Specified Private Activity Bond Interest

Amount Codes **Form 1099-LTC** — Long-Term Care and Accelerated Death Benefits For Reporting Payments on Form 1099-LTC:

<u>Amount Code</u>	<u>Amount Type</u>
1	Gross long-term care benefits paid
2	Accelerated death benefits paid

Amount Codes **Form 1099-MISC** — Miscellaneous Income (See Note 1.) For Reporting Payments on Form 1099-MISC:

<u>Amount Code</u>	<u>Amount Type</u>
1	Rents
2	Royalties (See Note 2.)
3	Other income
4	Federal income tax withheld (backup withholding or withholding on Indian gaming profits)
5	Fishing boat proceeds
6	Medical and health care payments
7	Nonemployee compensation
8	Substitute payments in lieu of dividends or interest
A	Crop insurance proceeds
B	Excess golden parachute payments
C	Gross proceeds paid to an attorney in connection with legal services
D	Section 409A Deferrals
E	Section 409A Income

**Note 1:** If reporting a direct sales indicator *only*, use Type of Return "A" in Field Position 27, and Amount Code 1 in Field Position 28 of the Payer "A" Record. All payment amount fields in the Payee "B" Record will contain zeros.

**Note 2:** Do not report timber royalties under a "pay-as-cut" contract; these must be reported on Form 1099-S.

Amount Codes **Form 1099-OID** — Original Issue Discount For Reporting Payments on Form 1099-OID:

<u>Amount Code</u>	<u>Amount Type</u>
1	Original issue discount for 2007
2	Other periodic interest
3	Early withdrawal penalty
4	Federal income tax withheld (backup withholding)
6	Original issue discount on U.S. Treasury Obligations
7	Investment expenses

**Record Name: Payer "A" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
	Amount Codes <b>Form 1099-PATR</b> — Taxable Distributions Received From Cooperatives		For Reporting Payments on Form 1099-PATR:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		1	Patronage dividends
		2	Nonpatronage distributions
		3	Per-unit retain allocations
		4	Federal income tax withheld (backup withholding)
		5	Redemption of nonqualified notices and retain allocations
		6	Deduction for qualified production activities income
			<b>Pass-Through Credits</b>
		7	Investment credit
		8	Work opportunity credit
		9	Patron's alternative minimum tax (AMT) adjustment
		A	For filer's use for pass-through credits and deductions
	Amount Codes <b>Form 1099-Q</b> — Payments From Qualified Education Programs (Under Sections 529 and 530)		For Reporting Payments on a Form 1099-Q:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		1	Gross distribution
		2	Earnings
		3	Basis
	Amount Codes <b>Form 1099-R</b> — Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		For Reporting Payments on Form 1099-R:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		1	Gross distribution
		2	Taxable amount ( <b>See Note 1.</b> )
		3	Capital gain (included in Amount Code 2)
		4	Federal income tax withheld
		5	Employee contributions or insurance premiums
		6	Net unrealized appreciation in employer's securities
		8	Other
		9	Total employee contributions
		A	Traditional IRA/SEP/SIMPLE distribution or Roth conversion ( <b>See Note 2.</b> )

**Note 1: If the taxable amount cannot be determined, enter a "1" (one) in position 547 of the "B" Record. Payment Amount 2 must contain zeros.**

**Note 2: For Form 1099-R, report the Roth conversion or total amount distributed from an IRA, SEP, or SIMPLE in Payment Amount Field A (IRA/SEP/SIMPLE distribution or Roth conversion) of the Payee "B" Record, and generally, the same amount in Payment Amount Field 1 (Gross Distribution). The IRA/SEP/SIMPLE indicator should be set to "1" (one) in Field Position 548 of the Payee "B" Record.**

**Record Name: Payer "A" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
Amount Codes	<b>Form 1099-S</b> — Proceeds From Real Estate Transactions		For Reporting Payments on Form 1099-S:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		2	Gross proceeds ( <b>See Note.</b> )
		5	Buyer's part of real estate tax
<b>Note: Include payments of timber royalties made under a "pay-as-cut" contract, reportable under IRC section 6050N. If timber royalties are being reported, enter "TIMBER" in the description field of the "B" Record.</b>			
Amount Codes	<b>Form 1099-SA</b> — Distributions From an HSA, Archer MSA or Medicare Advantage MSA		For Reporting Distributions on Form 1099-SA:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		1	Gross distribution
		2	Earnings on excess contributions
		4	Fair market value of the account on date of death
Amount Codes	<b>Form 5498</b> — IRA Contribution Information		For Reporting Information on Form 5498:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		1	IRA contributions (other than amounts in Amount Codes 2, 3, 4, 8, 9, and A) ( <b>See Notes 1 and 2.</b> )
		2	Rollover contributions
		3	Roth conversion amount
		4	Recharacterized contributions
		5	Fair market value of account
		6	Life insurance cost included in Amount Code 1
		8	SEP contributions
		9	SIMPLE contributions
		A	Roth IRA contributions
<b>Note 1: If reporting IRA contributions for a participant in a military operation, see 2007 Instructions for Forms 1099-R and 5498.</b>			
<b>Note 2: Also include employee contributions to an IRA under a SEP plan but not salary reduction contributions. <u>DO NOT include EMPLOYER contributions</u>; these are included in Amount Code 8.</b>			
Amount Codes	<b>Form 5498-ESA</b> — Coverdell ESA Contribution Information		For Reporting Information on Form 5498-ESA:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		1	Coverdell ESA contributions
		2	Rollover contributions
Amount Codes	<b>Form 5498-SA</b> — HSA, Archer MSA, or Medicare Advantage MSA Information		For Reporting Information on Form 5498-SA:
		<u><b>Amount Code</b></u>	<u><b>Amount Type</b></u>
		1	Employee or self-employed person's Archer MSA contributions made in 2007 and 2008 for 2007
		2	Total contributions made in 2007 (See current 2007 Instructions.)
		3	Total HSA/MSA contributions made in 2008 for 2007
		4	Rollover contributions ( <b>See Note.</b> )



**Record Name: Payer "A" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>								
			<table border="0"> <tr> <td align="center"><u>Amount Code</u></td> <td align="center"><u>Amount Type</u></td> </tr> <tr> <td align="center">5</td> <td>Fair market value of HSA, Archer MSA or Medicare Advantage MSA account on Dec. 31, 2007</td> </tr> </table>	<u>Amount Code</u>	<u>Amount Type</u>	5	Fair market value of HSA, Archer MSA or Medicare Advantage MSA account on Dec. 31, 2007				
<u>Amount Code</u>	<u>Amount Type</u>										
5	Fair market value of HSA, Archer MSA or Medicare Advantage MSA account on Dec. 31, 2007										
<p><b>Note: This is the amount of any rollover made to this MSA in 2007 after a distribution from another MSA. For detailed information on reporting, see the 2007 Instructions for Forms 1099-SA and 5498-SA.</b></p>											
<p>Amount Codes <b>Form W-2G</b> — Certain Gambling Winnings For Reporting Payments on Form W-2G:</p>											
			<table border="0"> <tr> <td align="center"><u>Amount Code</u></td> <td align="center"><u>Amount Type</u></td> </tr> <tr> <td align="center">1</td> <td>Gross winnings</td> </tr> <tr> <td align="center">2</td> <td>Federal income tax withheld</td> </tr> <tr> <td align="center">7</td> <td>Winnings from identical wagers</td> </tr> </table>	<u>Amount Code</u>	<u>Amount Type</u>	1	Gross winnings	2	Federal income tax withheld	7	Winnings from identical wagers
<u>Amount Code</u>	<u>Amount Type</u>										
1	Gross winnings										
2	Federal income tax withheld										
7	Winnings from identical wagers										
42-51	Blank	10	Enter blanks.								
52	Foreign Entity Indicator	1	Enter a "1" (one) if the payer is a foreign entity and income is paid by the foreign entity to a U.S. resident. Otherwise, enter a blank.								
53-92	First Payer Name Line	40	<b>Required.</b> Enter the name of the payer whose TIN appears in positions 12-20 of the "A" Record. Any extraneous information must be deleted. Left-justify information, and fill unused positions with blanks. (Filers should not enter a transfer agent's name in this field. Any transfer agent's name should appear in the Second Payer Name Line Field.)								
93-132	Second Payer Name Line	40	If the Transfer (or Paying) Agent Indicator (position 133) contains a "1" (one), this field must contain the name of the transfer (or paying) agent. If the indicator contains a "0" (zero), this field may contain either a continuation of the First Payer Name Line or blanks. Left-justify information and fill unused positions with blanks.								
133	Transfer Agent Indicator	1	<b>Required.</b> Identifies the entity in the Second Payer Name Line Field.								
			<table border="0"> <tr> <td align="center"><u>Code</u></td> <td align="center"><u>Meaning</u></td> </tr> <tr> <td align="center">1</td> <td>The entity in the Second Payer Name Line Field is the transfer (or paying) agent.</td> </tr> <tr> <td align="center">0 (zero)</td> <td>The entity shown is <b>not</b> the transfer (or paying) agent (i.e., the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).</td> </tr> </table>	<u>Code</u>	<u>Meaning</u>	1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.	0 (zero)	The entity shown is <b>not</b> the transfer (or paying) agent (i.e., the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).		
<u>Code</u>	<u>Meaning</u>										
1	The entity in the Second Payer Name Line Field is the transfer (or paying) agent.										
0 (zero)	The entity shown is <b>not</b> the transfer (or paying) agent (i.e., the Second Payer Name Line Field contains either a continuation of the First Payer Name Line Field or blanks).										
134-173	Payer Shipping Address	40	<b>Required.</b> If the Transfer Agent Indicator in position 133 is a "1" (one), enter the shipping address of the transfer (or paying) agent. Otherwise, enter the <b>actual</b> shipping address of the payer. The street address should include number, street, apartment or suite number, or PO Box if mail is not delivered to a street address. Left-justify information, and fill unused positions with blanks.								
<p><b>For U.S. addresses,</b> the payer city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. <b>Filers must adhere to the correct format for the payer city, state, and ZIP Code.</b></p> <p><b>For foreign addresses,</b> filers may use the payer city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 52 must contain a "1" (one).</p>											
174-213	Payer City	40	<b>Required.</b> If the Transfer Agent Indicator in position 133 is a "1" (one), enter the city, town, or post office of the transfer agent. Otherwise, enter the city, town, or post office of the payer. Left-justify information, and fill unused positions with blanks. Do not enter state and ZIP Code information in this field.								

**Record Name: Payer "A" Record (Continued)**

Field Position	Field Title	Length	Description and Remarks
214-215	Payer State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations. Refer to the chart of valid state abbreviations in Part A, Sec. 14.
216-224	Payer ZIP Code	9	<b>Required.</b> Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Entity Indicator, located in Field Position 52 of the "A" Record.
225-239	Payer's Phone Number & Extension	15	Enter the payer's phone number and extension. Omit hyphens. Left-justify information and fill unused positions with blanks.
240-499	Blank	260	Enter blanks.
500-507	Record Sequence Number	8	<b>Required.</b> Enter the number of the record as it appears within your file. The record sequence number for the "T" record will always be "1" (one), since it is the first record on your file and you can have only one "T" record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e., 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" record sequence number would appear as "00000001" in the field, the first "A" record would be "00000002", the first "B" record, "00000003", the second "B" record, "00000004" and so on until you reach the final record of the file, the "F" record.
508-748	Blank	241	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Sec. 5. Payer "A" Record — Record Layout**

Record Type	Payment Year	Blank	Payer TIN	Payer Name Control	Last Filing Indicator
1	2-5	6-11	12-20	21-24	25

Combined Federal/State Filer	Type of Return	Amount Codes	Blank	Foreign Entity Indicator	First Payer Name Line
26	27	28-41	42-51	52	53-92

Second Payer Name Line	Transfer Agent Indicator	Payer Shipping Address	Payer City	Payer State	Payer ZIP Code
93-132	133	134-173	174-213	214-215	216-224

Payer's Phone Number and Extension	Blank	Record Sequence Number	Blank	Blank or CR/LF
225-239	240-499	500-507	508-748	749-750

## Sec. 6. Payee “B” Record — General Field Descriptions and Record Layouts

.01 The “B” Record contains the payment information from the information returns. The record layout for field positions 1 through 543 is the same for all types of returns. Field positions 544 through 750 vary for each type of return to accommodate special fields for individual forms. In the “B” Record, the filer **must** allow for all **fourteen** Payment Amount Fields. **For those fields not used, enter “0s” (zeros).**

.02 The following specifications include a field in the payee records called “Name Control” in which the first four characters of the payee’s surname are to be entered by the filer:

- (a) If filers are unable to determine the first four characters of the surname, the Name Control Field may be left blank. Compliance with the following will facilitate IRS computer programs in identifying the correct name control:
- (1) The surname of the payee whose TIN is shown in the “B” Record should always appear first. If, however, the records have been developed using the first name first, the filer must leave a blank space between the first and last names.
  - (2) In the case of multiple payees, the surname of the payee whose TIN (SSN, EIN, ITIN, or ATIN) is shown in the “B” Record must be present in the First Payee Name Line. Surnames of any other payees may be entered in the Second Payee Name Line.

.03 For all fields marked “**Required**”, the transmitter must provide the information described under “Description and Remarks”. For those fields not marked “**Required**”, the transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated field position(s) and for the indicated length.

.04 All records must be a fixed length of 750 positions.

.05 A field is also provided in these specifications for Special Data Entries. This field may be used to record information required by state or local governments, or for the personal use of the filer. IRS does not use the data provided in the Special Data Entries Field; therefore, the IRS program does not check the content or format of the data entered in this field. It is the filer’s option to use the Special Data Entry Field.

.06 Following the Special Data Entries Field in the “B” Record, payment fields have been allocated for State Income Tax Withheld and Local Income Tax Withheld. These fields are for the convenience of the filers. The information will not be used by IRS/ECC-MTB.

.07 Those payers participating in the Combined Federal/State Filing Program must adhere to all of the specifications in Part A, Sec. 12, to participate in this program.

.08 All alpha characters in the “B” Record must be uppercase.

.09 **Do not** use decimal points (.) to indicate dollars and cents. Payment Amount Fields must be all numeric characters.

<b>Record Name: Payee “B” Record</b>			
<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
1	Record Type	1	<b>Required.</b> Enter “B”.
2–5	Payment Year	4	<b>Required.</b> Enter “2007”. If reporting prior year data, report the year which applies (2005, 2006, etc.).
6	Corrected Return Indicator (See Note.)	1	<b>Required for corrections only.</b> Indicates a corrected return.
		<u><b>Code</b></u>	<u><b>Definition</b></u>
		G	If this is a one-transaction correction or the first of a two-transaction correction
		C	If this is the second transaction of a two-transaction correction
		Blank	If this is not a return being submitted to correct information already processed by IRS

**Note: C, G, and non-coded records must be reported using separate Payer “A” Records. Refer to Part A, Sec. 10, for specific instructions on how to file corrected returns.**

---

**Record Name: Payee “B” Record (Continued)**

---

Field Position	Field Title	Length	Description and Remarks
7–10	Name Control	4	If determinable, enter the first four characters of the surname of the person whose TIN is being reported in positions 12-20 of the “B” Record; otherwise, <b>enter blanks</b> . This usually is the payee. If the name that corresponds to the TIN is not included in the first or second payee name line and the correct name control is not provided, a backup withholding notice may be generated for the record. Surnames of less than four characters should be left-justified, filling the unused positions with blanks. Special characters and imbedded blanks should be removed. In the case of a business, other than a sole proprietorship, use the first four significant characters of the business name. Disregard the word “the” when it is the first word of the name, unless there are only two words in the name. A dash (-) and an ampersand (&) are the only acceptable special characters. Surname prefixes are considered, e.g., for Van Elm, the name control would be VANE. For a sole proprietorship, use the name of the owner to create the name control and report the owner’s name in positions 248–287, First Payee Name Line.

**Note: Imbedded blanks, extraneous words, titles, and special characters (i.e., Mr., Mrs., Dr., period [.] , apostrophe [’]) should be removed from the Payee Name Lines. A dash (-) and an ampersand (&) are the only acceptable special characters.**

---

The following examples may be helpful to filers in developing the Name Control:

<u>Name</u>	<u>Name Control</u>
-------------	---------------------

Individuals:

Jane <b>Brown</b>	BROW
John A. <b>Lee</b>	LEE*
James P. <b>En</b> , Sr.	EN*
John <b>O’Neil</b>	ONEI
Mary <b>Van Buren</b>	VANB
Juan <b>De Jesus</b>	DEJE
Gloria A. <b>El-Roy</b>	EL-R
Mr. John <b>Smith</b>	SMIT
Joe <b>McCarthy</b>	MCCA
Pedro <b>Torres-Lopes**</b>	TORR
Maria <b>Lopez</b> Moreno**	LOPE
Binh To <b>La</b>	LA*
Nhat Thi <b>Pham</b>	PHAM

Corporations:

The <b>First</b> National Bank	FIRS
<b>The Hideaway</b>	THEH
<b>A&amp;B Cafe</b>	A&BC
<b>11TH</b> Street Inc.	11TH

Sole Proprietor:

Mark <b>Hemlock</b>	HEML
DBA The Sunshine Club	
Mark <b>D’Alessandro</b>	DALL

---

**Record Name: Payee "B" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
Partnership:			
	Robert <b>Aspen</b> and Bess Willow	ASPE	
	Harold <b>Fir</b> , Bruce Elm, and Joyce Spruce et al Ptr	FIR*	
Estate:			
	Frank <b>White</b> Estate	WHIT	
	Estate of Sheila <b>Blue</b>	BLUE	
Trusts and Fiduciaries:			
	<b>Daisy</b> Corporation Employee Benefit Trust	DAIS	
	Trust FBO The <b>Cherryblossom</b> Society	CHER	
Exempt Organizations:			
	<b>Laborer's</b> Union, AFL-CIO	LABO	
	<b>St. Bernard's</b> Methodist Church Bldg. Fund	STBE	

\*Name Controls of less than four significant characters must be left-justified and blank-filled.

\*\*For Hispanic names, when two last names are shown for an individual, derive the name control from the first last name.

11	Type of TIN	1	This field is used to identify the Taxpayer Identification Number (TIN) in positions 12–20 as either an Employer Identification Number (EIN), a Social Security Number (SSN), an Individual Taxpayer Identification Number (ITIN) or an Adoption Taxpayer Identification Number (ATIN). Enter the appropriate code from the following table:																		
			<table border="1"> <thead> <tr> <th><u>Code</u></th> <th><u>Type of TIN</u></th> <th><u>Type of Account</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>EIN</td> <td>A business, organization, some sole proprietors, or other entity</td> </tr> <tr> <td>2</td> <td>SSN</td> <td>An individual, including some sole proprietors</td> </tr> <tr> <td>2</td> <td>ITIN</td> <td>An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN</td> </tr> <tr> <td>2</td> <td>ATIN</td> <td>An adopted individual prior to the assignment of a social security number</td> </tr> <tr> <td>Blank</td> <td>N/A</td> <td>If the type of TIN is not determinable, enter a blank</td> </tr> </tbody> </table>	<u>Code</u>	<u>Type of TIN</u>	<u>Type of Account</u>	1	EIN	A business, organization, some sole proprietors, or other entity	2	SSN	An individual, including some sole proprietors	2	ITIN	An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN	2	ATIN	An adopted individual prior to the assignment of a social security number	Blank	N/A	If the type of TIN is not determinable, enter a blank
<u>Code</u>	<u>Type of TIN</u>	<u>Type of Account</u>																			
1	EIN	A business, organization, some sole proprietors, or other entity																			
2	SSN	An individual, including some sole proprietors																			
2	ITIN	An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN																			
2	ATIN	An adopted individual prior to the assignment of a social security number																			
Blank	N/A	If the type of TIN is not determinable, enter a blank																			
12–20	Payee's Taxpayer Identification Number (TIN)	9	<b>Required.</b> Enter the nine-digit Taxpayer Identification Number of the payee (SSN, ITIN, ATIN, or EIN). If an identification number has been applied for but not received, enter blanks. <b>Do not enter hyphens or alpha characters.</b> All zeros, ones, twos, etc., will have the effect of an incorrect TIN. If the TIN is not available, enter blanks.																		

**Record Name: Payee "B" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
<b>Note: If you are required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the 2007 General Instructions for Forms 1099, 1098, 5498 and W-2G for reporting requirements.</b>			
21-40	Payer's Account Number For Payee	20	<b>Required if submitting more than one information return of the same type for the same payee.</b> Enter any number assigned by the payer to the payee that can be used by the IRS to distinguish between information returns. This number must be unique for each information return of the same type for the same payee. If a payee has more than one reporting of the same document type, it is vital that each reporting have a unique account number. For example, if a payer has 3 separate pension distributions for the same payee and 3 separate Forms 1099-R are filed, 3 separate unique account numbers are required. A payee's account number may be given a unique sequencing number, such as 01, 02 or A, B, etc., to differentiate each reported information return. Do not use the payee's TIN since this will not make each record unique. This information is critical when corrections are filed. This number will be provided with the backup withholding notification and may be helpful in identifying the branch or subsidiary reporting the transaction. The account number can be any combination of alpha, numeric or special characters. If fewer than twenty characters are used, filers may either left or right-justify, filling the remaining positions with blanks.
41-44	Payer's Office Code	4	Enter office code of payer; otherwise, enter blanks. For payers with multiple locations, this field may be used to identify the location of the office submitting the information return. This code will also appear on backup withholding notices.
45-54	Blank	10	Enter blanks.
	Payment Amount Fields (Must be numeric)		<b>Required. Filers should allow for all payment amounts. For those not used, enter zeros.</b> Each payment field must contain 12 numeric characters. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. <b>Do not enter dollar signs, commas, decimal points, or negative payments, except those items that reflect a loss on Form 1099-B or 1099-Q.</b> Positive and negative amounts are indicated by placing a "+" (plus) or "-" (minus) sign in the left-most position of the payment amount field. A negative over punch in the unit's position may be used, instead of a minus sign, to indicate a negative amount. If a plus sign, minus sign, or negative over punch is not used, the number is assumed to be positive. Negative over punch cannot be used in PC created files. Payment amounts must be right-justified and unused positions must be zero filled.
55-66	Payment Amount 1*	12	The amount reported in this field represents payments for Amount Code 1 in the "A" Record.
67-78	Payment Amount 2*	12	The amount reported in this field represents payments for Amount Code 2 in the "A" Record.
79-90	Payment Amount 3*	12	The amount reported in this field represents payments for Amount Code 3 in the "A" Record.
91-102	Payment Amount 4*	12	The amount reported in this field represents payments for Amount Code 4 in the "A" Record.
103-114	Payment Amount 5*	12	The amount reported in this field represents payments for Amount Code 5 in the "A" Record.

**Record Name: Payee "B" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
115–126	Payment Amount 6*	12	The amount reported in this field represents payments for Amount Code 6 in the "A" Record.
127–138	Payment Amount 7*	12	The amount reported in this field represents payments for Amount Code 7 in the "A" Record.
139–150	Payment Amount 8*	12	The amount reported in this field represents payments for Amount Code 8 in the "A" Record.
151–162	Payment Amount 9*	12	The amount reported in this field represents payments for Amount Code 9 in the "A" Record.
163–174	Payment Amount A*	12	The amount reported in this field represents payments for Amount Code A in the "A" Record.
175–186	Payment Amount B*	12	The amount reported in this field represents payments for Amount Code B in the "A" Record.
187–198	Payment Amount C*	12	The amount reported in this field represents payments for Amount Code C in the "A" Record.
199–210	Payment Amount D*	12	The amount reported in this field represents payments for Amount Code D in the "A" Record.
211–222	Payment Amount E*	12	The amount reported in this field represents payments for Amount Code E in the "A" Record.

**\*If there are discrepancies between the payment amount fields and the boxes on the paper forms, the instructions in this Revenue Procedure must be followed for electronic/magnetic filing.**

223–246	Reserved	24	Enter blanks.
247	Foreign Country Indicator	1	<b>If the address of the payee is in a foreign country, enter a "1" (one) in this field;</b> otherwise, enter blank. When filers use this indicator, they may use a free format for the payee city, state, and ZIP Code. Enter information in the following order: city, province or state, postal code, and the name of the country. Address information must not appear in the First or Second Payee Name Line.
248–287	First Payee Name Line	40	<b>Required.</b> Enter the name of the payee (preferably surname first) whose Taxpayer Identification Number (TIN) was provided in positions 12–20 of the Payee "B" Record. Left-justify and fill unused positions with blanks. If more space is required for the name, use the Second Payee Name Line Field. If reporting information for a sole proprietor, the individual's name must always be present on the First Payee Name Line. The use of the business name is optional in the Second Payee Name Line Field. End the First Payee Name Line with a full word. Use appropriate spacing. Extraneous words, titles, and special characters (i.e., Mr., Mrs., Dr., period, apostrophe) should be removed from the Payee Name Lines. A dash (-) and an ampersand (&) are the only acceptable special characters for First and Second Payee Name Lines.

**Note: If you are required to report payments made through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099, see the 2007 General Instruction for Forms 1099, 1098, 5498, and W-2G for reporting requirements.**

**Record Name: Payee "B" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
288–327	Second Payee Name Line	40	If there are multiple payees (e.g., partners, joint owners, or spouses), use this field for those names not associated with the TIN provided in positions 12–20 of the "B" Record, or if not enough space was provided in the First Payee Name Line, continue the name in this field. Left-justify information and fill unused positions with blanks. <b>Do not enter address information.</b> It is important that filers provide as much payee information to IRS/ECC-MTB as possible to identify the payee associated with the TIN. Left-justify and fill unused positions with blanks. <b>See Note above in First Payee Name Line.</b>
328–367	Blank	40	Enter blanks.
368–407	Payee Mailing Address	40	<b>Required.</b> Enter mailing address of payee. Street address should include number, street, apartment or suite number, or PO Box if mail is not delivered to street address. This field <b>must not</b> contain any data other than the payee's mailing address.
408–447	Blank	40	Enter blanks.
448–487	Payee City	40	<b>Required.</b> Enter the city, town or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO if applicable. Do not enter state and ZIP Code information in this field.
488–489	Payee State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 14.
490–498	Payee ZIP Code	9	<b>Required.</b> Enter the valid ZIP Code (nine or five-digit) assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Country Indicator, located in position 247 of the "B" Record.
499	Blank	1	Enter blank.
500–507	Record Sequence Number	8	<b>Required.</b> Enter the number of the record as it appears within your file. The record sequence number for the "T" record will always be "1" (one), since it is the first record on your file and you can have only one "T" record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e., 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" record sequence number would appear as "00000001" in the field, the first "A" record would be "00000002", the first "B" record, "00000003", the second "B" record, "00000004" and so on until you reach the final record of the file, the "F" record.
508–543	Blank	36	Enter blanks.



**Standard Payee "B" Record Format For All Types of Returns, Positions 1-543**

Record Type	Payment Year	Corrected Return Indicator	Name Control	Type of TIN	Payee's TIN	Payer's Account Number For Payee
1	2-5	6	7-10	11	12-20	21-40

Payer's Office Code	Blank	Payment Amount 1	Payment Amount 2	Payment Amount 3	Payment Amount 4	Payment Amount 5
41-44	45-54	55-66	67-78	79-90	91-102	103-114

Payment Amount 6	Payment Amount 7	Payment Amount 8	Payment Amount 9	Payment Amount A	Payment Amount B
115-126	127-138	139-150	151-162	163-174	175-186

Payment Amount C	Payment Amount D	Payment Amount E	Reserved	Foreign Country Indicator	First Payee Name Line	Second Payee Name Line	Blank
187-198	199-210	211-222	223-246	247	248-287	288-327	328-367

Payee Mailing Address	Blank	Payee City	Payee State	Payee ZIP Code	Blank	Record Sequence Number	Blank
368-407	408-447	448-487	488-489	490-498	499	500-507	508-543

**The following sections define the field positions for the different types of returns in the Payee "B" Record (positions 544-750):**

- (1) Form 1098
- (2) Form 1098-C
- (3) Form 1098-E
- (4) Form 1098-T
- (5) Form 1099-A
- (6) Form 1099-B
- (7) Form 1099-C
- (8) Form 1099-CAP
- (9) Form 1099-DIV\*
- (10) Form 1099-G\*
- (11) Form 1099-H
- (12) Form 1099-INT\*
- (13) Form 1099-LTC
- (14) Form 1099-MISC\*
- (15) Form 1099-OID\*
- (16) Form 1099-PATR\*
- (17) Form 1099-Q
- (18) Form 1099-R\*
- (19) Form 1099-S

- (20) Form 1099-SA
- (21) Form 5498\*
- (22) Form 5498-ESA
- (23) Form 5498-SA
- (24) Form W-2G

\* These forms may be filed through the Combined Federal/State Filing Program. IRS/ECC-MTB will forward these records to participating states for filers who have been approved for the program. See Part A, Sec. 12, for information about the program, including specific codes for the record layouts.

**(1) Payee “B” Record — Record Layout Positions 544–750 for Form 1098**

Field Position	Field Title	Length	Description and Remarks
544–662	Blank	119	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 1098**

Blank	Special Data Entries	Blank	Blank or CR/LF
544–662	663–722	723–748	749–750

**(2) Payee “B” Record — Record Layout Positions 544–750 for Form 1098-C**

Field Position	Field Title	Length	Description and Remarks
544–545	Blank	2	Enter blanks.
546	Transaction Indicator	1	Enter “1” (one) if the amount reported in Payment Amount Field 4 is an arm’s length transaction to an unrelated party. Otherwise, enter a blank.
547	Transfer After Improvements Indicator	1	Enter “1” (one) if the vehicle will not be transferred for money, other property, or services before completion of material improvements or significant intervening use. Otherwise, enter a blank.
548	Transfer Below Fair Market Value Indicator	1	Enter “1” (one) if the vehicle is transferred to a needy individual for significantly below fair market value. Otherwise, enter a blank.
549–587	Make, Model, Year	39	Enter the make, model and year of vehicle. Left-justify and fill unused positions with blanks.
588–612	Vehicle or Other Identification Number	25	Enter the vehicle or other identification number of the donated vehicle. Left-justify and fill unused positions with blanks.
613–651	Vehicle Description	39	Enter a description of material improvements or significant intervening use and duration of use. Left-justify and fill unused positions with blanks.

**(2) Payee "B" Record — Record Layout Positions 544–750 for Form 1098–C (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>						
652–659	Date of Contribution	8	Enter the date the contribution was made to an organization, in the format YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b>						
660	Donee Indicator	1	Enter the appropriate indicator from the following table to report if the donee of the vehicle provides goods or services in exchange for the vehicle.  <table border="1"> <thead> <tr> <th><u>Indicator</u></th> <th><u>Usage</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Donee provided goods or services</td> </tr> <tr> <td>2</td> <td>Donee did not provide goods or services</td> </tr> </tbody> </table>	<u>Indicator</u>	<u>Usage</u>	1	Donee provided goods or services	2	Donee did not provide goods or services
<u>Indicator</u>	<u>Usage</u>								
1	Donee provided goods or services								
2	Donee did not provide goods or services								
661	Intangible Religious Benefits Indicator	1	Enter a "1" (one) if only intangible religious benefits were provided in exchange for the vehicle; otherwise, leave blank.						
662	Deduction \$500 or Less Indicator	1	Enter a "1" (one) if under law donor cannot claim a deduction of more than \$500 for the vehicle; otherwise, leave blank.						
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.						
723–730	Date of Sale	8	Enter the date of sale, in the format YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b>						
731–748	Goods and Services	18	Enter a description of any goods and services received for the vehicle; otherwise, leave blank. Left-justify and fill unused positions with blanks.						
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.						

**Payee "B" Record — Record Layout Positions 544–750 for Form 1098–C**

Blank	Transaction Indicator	Transfer After Improvements Indicator	Transfer Below Fair Market Value Indicator	Make, Model, Year	Vehicle or Other Identification Number	Vehicle Description
544–545	546	547	548	549–587	588–612	613–651

Date of Contribution	Donee Indicator	Intangible Religious Benefits Indicator	Deduction \$500 or Less Indicator	Special Data Entries	Date of Sale	Goods and Services	Blank
652–659	660	661	662	663–722	723–730	731–748	749–750

**(3) Payee “B” Record — Record Layout Positions 544–750 for Form 1098–E**

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Origination Fees/Capitalized Interest Indicator	1	Enter “1” (one) if the amount reported in Payment Amount Field 1 includes loan origination fees and/or capitalized interest. Otherwise, enter a blank.
548–662	Blank	115	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 1098–E**

Blank	Origination Fees/Capitalized Interest Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548–662	663–722	723–748	749–750

**(4) Payee “B” Record — Record Layout Positions 544–750 for Form 1098–T**

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Half-time Student Indicator	1	Enter “1” (one) if the student was at least a half-time student during any academic period that began in 2007. Otherwise, enter a blank.
548	Graduate Student Indicator	1	Enter “1” (one) if the student is enrolled exclusively in a graduate level program. Otherwise, enter a blank.
549	Academic Period Indicator	1	Enter “1” (one) if the amount in Payment Amount Field 1 or Payment Amount Field 2 includes amounts for an academic period beginning January through March 2008. Otherwise, enter a blank.
550	<i>Method of Reporting 2006 Amounts Indicator</i>	1	<b>Required.</b> Enter “1” (one) if the method of reporting has changed from the previous year. Otherwise, enter a blank.
551–662	Blank	112	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 1098–T**

Blank	Half-time Student Indicator	Graduate Student Indicator	Academic Period Indicator	<i>Method of Reporting 2006 Amounts Indicator</i>
544–546	547	548	549	550

Blank	Special Data Entries	Blank	Blank or CR/LF
551–662	663–722	723–748	749–750

**(5) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–A**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>						
544–546	Blank	3	Enter blanks.						
547	Personal Liability Indicator	1	Enter the appropriate indicator from the table below:  <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;"><u>Indicator</u></td> <td style="text-align: center;"><u>Usage</u></td> </tr> <tr> <td style="text-align: center;">1</td> <td>Borrower was personally liable for repayment of the debt.</td> </tr> <tr> <td style="text-align: center;">Blank</td> <td>Borrower was not personally liable for repayment of the debt.</td> </tr> </table>	<u>Indicator</u>	<u>Usage</u>	1	Borrower was personally liable for repayment of the debt.	Blank	Borrower was not personally liable for repayment of the debt.
<u>Indicator</u>	<u>Usage</u>								
1	Borrower was personally liable for repayment of the debt.								
Blank	Borrower was not personally liable for repayment of the debt.								
548–555	Date of Lender's Acquisition or Knowledge of Abandonment	8	Enter the acquisition date of the secured property or the date the lender first knew or had reason to know the property was abandoned, in the format YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b>						
556–594	Description of Property	39	Enter a brief description of the property. For real property, enter the address, or, if the address does not sufficiently identify the property, enter the section, lot and block. For personal property, enter the type, make and model (e.g., Car-1999 Buick Regal or Office Equipment). Enter "CCC" for crops forfeited on Commodity Credit Corporation loans. If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.						
595–662	Blank	68	Enter blanks.						
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for the filing requirements. If this field is not utilized, enter blanks.						
723–748	Blank	26	Enter blanks.						
749–750	Blank	2	Enter blanks, or carriage return/line feed (CR/LF) characters.						

**Payee “B” Record — Record Layout Positions 544–750 for Form 1099–A**

Blank	Personal Liability Indicator	Date of Lender’s Acquisition or Knowledge of Abandonment	Description of Property	Blank
544–546	547	548–555	556–594	595–662

Special Data Entries	Blank	Blank or CR/LF
663–722	723–748	749–750

**(6) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–B**

Field Position	Field Title	Length	Description and Remarks						
544	Second TIN Notice (Optional)	1	Enter “2” (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.						
545–546	Blank	2	Enter blanks.						
547	Gross Proceeds Indicator	1	Enter the appropriate indicator from the following table, to identify the amount reported in Amount Code 2; otherwise, enter a blank.  <table border="0"> <tr> <td align="center"><u>Indicator</u></td> <td align="center"><u>Usage</u></td> </tr> <tr> <td align="center">1</td> <td>Gross proceeds</td> </tr> <tr> <td align="center">2</td> <td>Gross proceeds less commissions and options premiums</td> </tr> </table>	<u>Indicator</u>	<u>Usage</u>	1	Gross proceeds	2	Gross proceeds less commissions and options premiums
<u>Indicator</u>	<u>Usage</u>								
1	Gross proceeds								
2	Gross proceeds less commissions and options premiums								
548–555	Date of Sale or Exchange	8	For broker transactions, enter the trade date of the transaction. For barter exchanges, enter the date when cash, property, a credit, or scrip is actually or constructively received in the format YYYYMMDD (e.g., January 5, 2007, would be 20070105). Enter blanks if this is an aggregate transaction. <b>Do not enter hyphens or slashes.</b>						
556–568	CUSIP Number	13	For broker transactions only, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the item reported for Amount Code 2 (stocks, bonds, etc.). Enter blanks if this is an aggregate transaction. Enter “0s” (zeros) if the number is not available. Right-justify information and fill unused positions with blanks.						
569–607	Description	39	If fewer than 39 characters are required, left-justify information and fill unused positions with blanks. For broker transactions, enter a brief description of the disposition item (e.g., 100 shares of XYZ Corp). For regulated futures and forward contracts, enter “RFC” or other appropriate description. For bartering transactions, show the services or property provided.						
608–615	Number of Shares Exchanged	8	Enter the number of shares of the corporation’s stock which were exchanged in the transaction. Report whole number only. Right-justify information and fill unused positions with zeros.						

**(6) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-B (Continued)**

Field Position	Field Title	Length	Description and Remarks
616–625	Classes of Stock Exchanged	10	Enter the class of stock that was exchanged. Left-justify the information and fill unused positions with blanks.
626	Recipient Indicator	1	Enter a "1" (one) if recipient is unable to claim a loss on their tax return. Otherwise, enter a blank.
627–662	Blank	36	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks. <b>(See Note.)</b>
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Note: Report the Corporation's Name, Address, City, State, and ZIP in the Special Data Entry field.**

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099-B**

Second TIN Notice (Optional)	Blank	Gross Proceeds Indicator	Date of Sale or Exchange	CUSIP Number	Description	Number of Shares Exchanged
544	545–546	547	548–555	556–568	569–607	608–615

Classes of Stock Exchanged	Recipient Indicator	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
616–625	626	627–662	663–722	723–734	735–746	747–748	749–750

**(7) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–C**

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Bankruptcy Indicator	1	Enter “1” (one) to indicate the debt was discharged in bankruptcy, if known. Otherwise, enter a blank.
548–555	Date Canceled	8	Enter the date the debt was canceled in the format of YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b>
556–594	Debt Description	39	Enter a description of the origin of the debt, such as student loan, mortgage, or credit card expenditure. If a combined Form 1099–C and 1099–A is being filed, also enter a description of the property.
595–662	Blank	68	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 1099–C**

Blank	Bankruptcy Indicator	Date Canceled	Debt Description	Blank	Special Data Entries
544–546	547	548–555	556–594	595–662	663–722

Blank	Blank or CR/LF
723–748	749–750

**(8) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–CAP**

Field Position	Field Title	Length	Description and Remarks
544–547	Blank	4	Enter blanks.
548–555	Date of Sale or Exchange	8	Enter the date the stock was exchanged for cash, stock in the successor corporation, or other property received in the format YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b>
556–607	Blank	52	Enter blanks.
608–615	Number of Shares Exchanged	8	Enter the number of shares of the corporation’s stock which were exchanged in the transaction. Report whole number only. Right-justify information and fill unused positions with zeros.
616–625	Classes of Stock Exchanged	10	Enter the class of stock that was exchanged. Left-justify the information and fill unused positions with blanks.



**(8) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–CAP (Continued)**

Field Position	Field Title	Length	Description and Remarks
626	Blank	1	Enter a blank.
627	Shareholder Indicator	1	Enter a "1" (one) if the shareholder cannot take a loss on their tax return. Otherwise, enter a blank.
628–662	Blank	35	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099–CAP**

Blank	Date of Sale or Exchange	Blank	Number of Shares Exchanged	Classes of Stock Exchanged
544–547	548–555	556–607	608–615	616–625

Blank	Shareholder Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
626	627	628–662	663–722	723–748	749–750

**(9) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–DIV**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code C) applies. Otherwise, enter blanks.
587–662	Blank	76	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.

**(9) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-DIV (Continued)**

Field Position	Field Title	Length	Description and Remarks
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099-DIV**

Second TIN Notice (Optional)	Blank	Foreign Country or U.S. Possession	Blank	Special Data Entries
544	545–546	547–586	587–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
723–734	735–746	747–748	749–750

**(10) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-G**

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Trade or Business Indicator	1	Enter "1" (one) to indicate the state or local income tax refund, credit, or offset (Amount Code 2) is attributable to income tax that applies exclusively to income from a trade or business.  <b>Indicator</b> <b>Usage</b> 1                      Income tax refund applies exclusively to a trade or business. Blank                Income tax refund is a general tax refund.
548–551	Tax Year of Refund	4	Enter the tax year for which the refund, credit, or offset (Amount Code 2) was issued. <b>The tax year must reflect the tax year for which the payment was made, not the tax year of Form 1099-G. The tax year must be in the four-position format of YYYY (e.g., 2007).</b> The valid range of years for the refund is 1997 through 2006.
552–662	Blank	111	Enter blanks.

**Note:** This data is not considered prior year data since it is required to be reported in the current tax year. Do NOT enter "P" in field position 6 of the Transmitter "T" Record.

**(10) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–G (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. You may enter your routing and transit number (RTN) here. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099–G**

Blank	Trade or Business Indicator	Tax Year of Refund	Blank	Special Data Entries	State Income Tax Withheld
544–546	547	548–551	552–662	663–722	723–734

Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
735–746	747–748	749–750

**(11) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–H**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
544–546	Blank	3	Enter blanks.
547–548	Number of Months Eligible	2	<b>Required.</b> Enter the total number of months recipient is eligible for health insurance advance payments. Right-justify and blank fill any remaining position.
549–662	Blank	114	Enter blanks.

**(11) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–H (Continued)**

Field Position	Field Title	Length	Description and Remarks
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 1099–H**

Blank	Number of Months Eligible	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547–548	549–662	663–722	723–748	749–750

**(12) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–INT**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter “2” (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–586	Foreign Country or U.S. Possession	40	Enter the name of the foreign country or U.S. possession to which the withheld foreign tax (Amount Code 6) applies. Otherwise, enter blanks.
587–662	Blank	76	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. You may enter your routing and transit number (RTN) here. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 1099–INT**

Second TIN Notice (Optional)	Blank	Foreign Country or U.S. Possession	Blank	Special Data Entries	State Income Tax Withheld
544	545–546	547–586	587–662	663–722	723–734

Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
735–746	747–748	749–750

**(13) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–LTC**

Field Position	Field Title	Length	Description and Remarks						
544–546	Blank	3	Enter blanks.						
547	Type of Payment Indicator	1	Enter the appropriate indicator from the following table; otherwise, enter blanks.  <table border="0"> <tr> <td align="center"><u>Indicator</u></td> <td align="center"><u>Usage</u></td> </tr> <tr> <td align="center">1</td> <td align="center">Per diem</td> </tr> <tr> <td align="center">2</td> <td align="center">Reimbursed amount</td> </tr> </table>	<u>Indicator</u>	<u>Usage</u>	1	Per diem	2	Reimbursed amount
<u>Indicator</u>	<u>Usage</u>								
1	Per diem								
2	Reimbursed amount								
548–556	Social Security Number of Insured	9	<b>Required.</b> Enter the Social Security Number of the insured.						
557–596	Name of Insured	40	<b>Required.</b> Enter the name of the insured.						
597–636	Address of Insured	40	<b>Required.</b> Enter the address of the insured. Street address should include number, street, apartment or suite number (or PO Box if mail is not delivered to street address). Left-justify information and fill unused positions with blanks. This field <b>must not</b> contain any data other than payee’s address.						
<b>For U.S. addresses,</b> the payee city, state, and ZIP Code must be reported as a 40, 2, and 9-position field, respectively. <b>Filers must adhere to the correct format for the insured’s city, state, and ZIP Code.</b>									
<b>For foreign addresses,</b> filers may use the insured’s city, state, and ZIP Code as a continuous 51-position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Country Indicator in position 247 must contain a “1” (one).									
637–676	City of Insured	40	<b>Required.</b> Enter the city, town, or post office. Left-justify information and fill the unused positions with blanks. Enter APO or FPO, if applicable. Do not enter state and ZIP Code information in this field.						
677–678	State of Insured	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 14.						

**(13) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-LTC (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>						
679–687	ZIP Code of Insured	9	<b>Required.</b> Enter the valid nine-digit ZIP Code assigned by the U.S. Postal Service. If only the first five-digits are known, left-justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Country Indicator, located in position 247 of the "B" Record.						
688	Status of Illness Indicator (Optional)	1	Enter the appropriate code from the table below to indicate the status of the illness of the insured; otherwise, enter blank.  <table><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Chronically ill</td></tr><tr><td>2</td><td>Terminally ill</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Chronically ill	2	Terminally ill
<u>Indicator</u>	<u>Usage</u>								
1	Chronically ill								
2	Terminally ill								
689–696	Date Certified (Optional)	8	Enter the latest date of a doctor's certification of the status of the insured's illness. The format of the date is YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b>						
697	Qualified Contract Indicator (Optional)	1	Enter a "1" (one) if benefits were from a qualified long-term care insurance contract; otherwise, enter a blank.						
698–722	Blank	25	Enter blanks.						
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.						
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled.						
747–748	Blank	2	Enter blanks.						
749–750	Blank	2	Enter blank or carriage return/line feed (CR/LF) characters.						

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099-LTC**

Blank	Type of Payment Indicator	SSN of Insured	Name of Insured	Address of Insured	City of Insured	State of Insured	ZIP Code of Insured
544–546	547	548–556	557–596	597–636	637–676	677–678	679–687

Status of Illness Indicator (Optional)	Date Certified (Optional)	Qualified Contract Indicator (Optional)	Blank	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
688	689–696	697	698–722	723–734	735–746	747–748	749–750

**(14) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–MISC**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter “2” (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547	Direct Sales Indicator (See Note.)	1	Enter a “1” (one) to indicate sales of \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or any other commission basis for resale anywhere other than in a permanent retail establishment. Otherwise, enter a blank.
<b>Note: If reporting a direct sales indicator <i>only</i>, use Type of Return “A” in Field Position 27, and Amount Code 1 in Field Position 28 of the Payer “A” Record. All payment amount fields in the Payee “B” Record will contain zeros.</b>			
548–662	Blank	115	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not used, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 1099–MISC**

Second TIN Notice (Optional)	Blank	Direct Sales Indicator	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld
544	545–546	547	548–662	663–722	723–734	735–746

Combined Federal/State Code	Blank or CR/LF
747–748	749–750

**(15) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–OID**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter "2" (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–546	Blank	2	Enter blanks.
547–585	Description	39	<b>Required.</b> Enter the CUSIP number, if any. If there is no CUSIP number, enter the abbreviation for the stock exchange and issuer, the coupon rate, and year ( <b>must be 4-digit year</b> ) of maturity (e.g., NYSE XYZ 12/2007). Show the name of the issuer if other than the payer. If fewer than 39 characters are required, left-justify information and fill unused positions with blanks.
586–662	Blank	77	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099–OID**

Second TIN Notice (Optional)	Blank	Description	Blank	Special Data Entries	State Income Tax Withheld
544	545–546	547–585	586–662	663–722	723–734

Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
735–746	747–748	749–750



**(16) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–PATR**

Field Position	Field Title	Length	Description and Remarks
544	Second TIN Notice (Optional)	1	Enter “2” (two) to indicate notification by IRS twice within three calendar years that the payee provided an incorrect name and/or TIN combination; otherwise, enter a blank.
545–662	Blank	118	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for 1099–PATR**

Second TIN Notice (Optional)	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
544	545–662	663–722	723–734	735–746	747–748	749–750

**(17) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–Q**

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Trustee to Trustee Transfer Indicator	1	<b>Required.</b> Enter a “1” (one) if reporting a trustee to trustee transfer; otherwise, enter a blank.

**(17) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–Q (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>								
548	Type of Tuition Payment	1	<b>Required.</b> Enter the appropriate code from the table below to indicate the type of tuition payment; otherwise, enter a blank.  <table><thead><tr><th><u>Indicator</u></th><th><u>Usage</u></th></tr></thead><tbody><tr><td>1</td><td>Private program payment</td></tr><tr><td>2</td><td>State program payment</td></tr><tr><td>3</td><td>Coverdell ESA contribution</td></tr></tbody></table>	<u>Indicator</u>	<u>Usage</u>	1	Private program payment	2	State program payment	3	Coverdell ESA contribution
<u>Indicator</u>	<u>Usage</u>										
1	Private program payment										
2	State program payment										
3	Coverdell ESA contribution										
549	Designated Beneficiary	1	<b>Required.</b> Enter a "1" (one) if the recipient is not the designated beneficiary; otherwise, enter a blank.								
550–662	Blank	113	Enter blanks.								
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.								
723–748	Blank	26	Enter blanks.								
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.								

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099–Q**

Blank	Trustee to Trustee Transfer Indicator	Type of Tuition Payment	Designated Beneficiary	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548	549	550–662	663–722	723–748	749–750

**(18) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–R**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
544	Blank	1	Enter a blank.
545–546	Distribution Code  (For a detailed explanation of distribution codes, see the 2007 <i>Instructions for Forms 1099–R and 5498.</i> )  <b>See chart at the end of this record layout for a diagram of valid combinations of Distribution Codes.</b>	2	<b>Required.</b> Enter at least one distribution code from the table below. More than one code may apply. If only one code is necessary, it must be entered in position 545 and position 546 will be blank. When using Code P for an IRA distribution under section 408(d)(4) of the Internal Revenue Code, the filer may also enter Code 1, 2, 4, or J if applicable. Only three numeric combinations are acceptable, Codes 8 and 1, 8 and 2, and 8 and 4, on one return. These three combinations can be used only if both codes apply to the distribution being reported. If more than one numeric code is applicable to different parts of a distribution, report two separate "B" Records. Distribution Codes 3, 5, 6, 9, E, F, N, Q, R, S and T cannot be used with any other codes. Distribution Code G may be used with Distribution Code 4 only if applicable.

---

**(18) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–R (Continued)**

---

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
		<u><b>Code</b></u>	<u><b>Category</b></u>
		1	*Early distribution, no known exception (in most cases, under age 59½)
		2	*Early distribution, exception applies (Under age 59½)
		3	*Disability
		4	*Death
		5	*Prohibited transaction
		6	Section 1035 exchange (a tax-free exchange of life insurance, annuity, or endowment contracts)
		7	*Normal distribution
		8	*Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2007
		9	Cost of current life insurance protection (premiums paid by a trustee or custodian for current insurance protection)
		A	May be eligible for 10-year tax option
		B	Designated Roth account distribution
		D	*Excess contributions plus earnings/excess deferrals taxable in 2005
		E	Excess annual additions under section 415/certain excess amounts under section 403(b) plans
		F	Charitable gift annuity
		G	Direct rollover and rollover contribution
		J	Early distribution from a Roth IRA. (This code may be used with Code 8 or P.)
		L	Loans treated as deemed distributions under section 72(p)
		N	Recharacterized IRA contribution made for 2007
		P	*Excess contributions plus earnings/excess deferrals taxable in 2006
		Q	Qualified distribution from a Roth IRA. (Distribution from a Roth IRA when the 5-year holding period has been met, and the recipient has reached 59½, has died, or is disabled.)
		R	Recharacterized IRA contribution made for 2006 <b>(See Note.)</b>
		S	*Early distribution from a SIMPLE IRA in first 2 years, no known exception
		T	Roth IRA distribution, exception applies because participant has reached 59½, died or is disabled, but it is unknown if the 5-year period has been met.

---

---

**(18) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–R (Continued)**

---

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
<b>*If reporting a traditional IRA, SEP, or SIMPLE distribution or a Roth conversion, use the IRA/SEP/SIMPLE Indicator of “1” (one) in position 548 of the Payee “B” Record.</b>			
<b>Note: The trustee of the first IRA must report the recharacterization as a distribution on Form 1099–R (and the original contribution and its character on Form 5498).</b>			
547	Taxable Amount Not Determined Indicator	1	Enter “1” (one) only if the taxable amount of the payment entered for Payment Amount Field 1 (Gross distribution) of the “B” Record cannot be computed; otherwise, enter blank. (If Taxable Amount Not Determined Indicator is used, enter “0’s” [zeros] in Payment Amount Field 2 of the Payee “B” Record.) Please make every effort to compute the taxable amount.
548	IRA/SEP/SIMPLE Indicator	1	Enter “1” (one) for a traditional IRA, SEP, or SIMPLE distribution or Roth conversion; otherwise, enter a blank. <b>(See Note.)</b> If the IRA/SEP/SIMPLE Indicator is used, enter the amount of the Roth conversion or distribution in Payment Amount Field A of the Payee “B” Record. <b>Do not use the indicator for a distribution from a Roth or for an IRA recharacterization.</b>
<b>Note: For Form 1099–R, generally, report the Roth conversion or total amount distributed from a traditional IRA, SEP, or SIMPLE in Payment Amount Field A (traditional IRA/SEP/SIMPLE distribution or Roth conversion), as well as Payment Amount Field 1 (Gross Distribution) of the “B” Record. Refer to the 2007 Instructions for Forms 1099–R and 5498 for exceptions (Box 2a instructions).</b>			
549	Total Distribution Indicator <b>(See Note.)</b>	1	Enter a “1” (one) only if the payment shown for Distribution Amount Code 1 is a total distribution that closed out the account; otherwise, enter a blank.
<b>Note: A total distribution is one or more distributions within one tax year in which the entire balance of the account is distributed. Any distribution that does not meet this definition is not a total distribution.</b>			
550–551	Percentage of Total Distribution	2	Use this field when reporting a total distribution to more than one person, such as when a participant is deceased and a payer distributes to two or more beneficiaries. Therefore, if the percentage is 100, leave this field blank. If the percentage is a fraction, round off to the nearest whole number (for example, 10.4 percent will be 10 percent; 10.5 percent will be 11 percent). Enter the percentage received by the person whose TIN is included in positions 12–20 of the “B” Record. This field must be right-justified, and unused positions must be zero-filled. If not applicable, enter blanks. Filers are not required to enter this information for any IRA distribution or for direct rollovers.
552–555	<i>First Year of Designated Roth Contribution</i>	4	<i>Enter the first year a designated Roth contribution was made in YYYY format. If the date is unavailable, enter blanks.</i>
556–662	<i>Blank</i>	107	<i>Enter blanks.</i>
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filer. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.

**(18) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–R (Continued)**

Field Position	Field Title	Length	Description and Remarks
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**FORM 1099–R DISTRIBUTION CODE CHART 2007**

**POSITION 546**

	blank	1	2	3	4	5	6	7	8	9	A	B	D	E	F	G	J	L	N	P	Q	R	S	T
<b>P O S I T I O N</b>	1	X							X			X	X					X	X					
	2	X							X			X	X						X					
	3	X																						
	4	X							X		X	X	X			X		X	X					
	5	X																						
	6	X																						
	7	X										X												
	8	X	X	X		X							X					X						
	9	X																						
<b>5 4 5</b>	A				X			X																
	B	X	X	X	X				X							X		X	X					
	D	X	X	X	X																			
	E	X																						
	F	X																						
	G	X				X						X												
	J	X							X											X				
	L	X	X			X							X											
	N	X																						
	P	X	X	X		X							X					X						
Q	X																							
R	X																							
S	X																							
T	X																							

X – Denotes valid combinations

**Payee “B” Record — Record Layout Positions 544–750 for Form 1099–R**

Blank	Distribution Code	Taxable Amount Not Determined Indicator	IRA/SEP/SIMPLE Indicator	Total Distribution Indicator	Percentage of Total Distribution
544	545–546	547	548	549	550–551

<i>First Year of Designated Roth Contribution</i>	<i>Blank</i>	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Combined Federal/State Code	Blank or CR/LF
552–555	556–662	663–722	723–734	735–746	747–748	749–750

**(19) Payee “B” Record — Record Layout Positions 544–750 for Form 1099–S**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
544–546	Blank	3	Enter blanks.
547	Property or Services Indicator	1	<b>Required.</b> Enter “1” (one) if the transferor received or will receive property (other than cash and consideration treated as cash in computing gross proceeds) or services as part of the consideration for the property transferred. Otherwise, enter a blank.
548–555	Date of Closing	8	<b>Required.</b> Enter the closing date in the format YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b>
556–594	Address or Legal Description	39	<b>Required.</b> Enter the address of the property transferred (including city, state, and ZIP Code). If the address does not sufficiently identify the property, also enter a legal description, such as section, lot, and block. For timber royalties, enter “TIMBER.” If fewer than 39 positions are required, left-justify information and fill unused positions with blanks.
595–662	Blank	68	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.

**(19) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–S (Continued)**

Field Position	Field Title	Length	Description and Remarks
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099–S**

Blank	Property or Services Indicator	Date of Closing	Address or Legal Description	Blank	Special Data Entries
544–546	547	548–555	556–594	595–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
723–734	735–746	747–748	749–750

**(20) Payee "B" Record — Record Layout Positions 544–750 for Form 1099–SA**

Field Position	Field Title	Length	Description and Remarks														
544	Blank	1	Enter a blank.														
545	Distribution Code	1	<b>Required.</b> Enter the applicable code to indicate the type of payment.  <table><thead><tr><th>Code</th><th>Category</th></tr></thead><tbody><tr><td>1</td><td>Normal distribution</td></tr><tr><td>2</td><td>Excess contribution</td></tr><tr><td>3</td><td>Disability</td></tr><tr><td>4</td><td>Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)</td></tr><tr><td>5</td><td>Prohibited transaction</td></tr><tr><td>6</td><td>Death distribution <b>after year of death</b> to a nonspouse beneficiary. (Do not use for distribution to an estate.)</td></tr></tbody></table>	Code	Category	1	Normal distribution	2	Excess contribution	3	Disability	4	Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)	5	Prohibited transaction	6	Death distribution <b>after year of death</b> to a nonspouse beneficiary. (Do not use for distribution to an estate.)
Code	Category																
1	Normal distribution																
2	Excess contribution																
3	Disability																
4	Death distribution other than code 6 (This includes distributions to a spouse, nonspouse, or estate beneficiary in the year of death and to an estate after the year of death.)																
5	Prohibited transaction																
6	Death distribution <b>after year of death</b> to a nonspouse beneficiary. (Do not use for distribution to an estate.)																
546	Blank	1	Enter a blank.														
547	Medicare Advantage MSA Indicator	1	Enter "1" (one) if distributions are from a Medicare Advantage MSA. Otherwise, enter a blank.														
548	HSA Indicator	1	Enter "1" (one) if distributions are from a HSA. Otherwise, enter a blank.														
549	Archer MSA Indicator	1	Enter "1" (one) if distributions are from an Archer MSA. Otherwise, enter a blank.														

**(20) Payee "B" Record — Record Layout Positions 544–750 for Form 1099-SA (Continued)**

Field Position	Field Title	Length	Description and Remarks
550–662	Blank	113	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries Field.
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries Field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 1099-SA**

Blank	Distribution Code	Blank	Medicare Advantage MSA Indicator	HSA Indicator	Archer MSA Indicator	Blank	Special Data Entries
544	545	546	547	548	549	550–662	663–722

State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
723–734	735–746	747–748	749–750

**(21) Payee "B" Record — Record Layout Positions 544–750 for Form 5498**

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	IRA Indicator (Individual Retirement Account)	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting a Rollover (Amount Code 2), Recharacterized Contribution (Amount Code 4) or Fair Market Value (Amount Code 5) for an IRA. Otherwise, enter a blank.



**(21) Payee "B" Record — Record Layout Positions 544–750 for Form 5498 (Continued)**

Field Position	Field Title	Length	Description and Remarks
548	<b>SEP</b> Indicator (Simplified Employee Pension)	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting Rollover (Amount Code 2), Recharacterized Contribution (Amount Code 4) or Fair Market Value (Amount Code 5) for a SEP. Otherwise, enter a blank.
549	<b>SIMPLE</b> Indicator (Savings Incentive Match Plan for Employees)	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting a Rollover (Amount Code 2), Recharacterized Contribution (Amount Code 4) or Fair Market Value (Amount Code 5) for a SIMPLE. Otherwise, enter a blank.
550	<b>Roth IRA</b> Indicator	1	<b>Required, if applicable.</b> Enter "1" (one) if reporting a Rollover (Amount Code 2), Recharacterized Contribution (Amount Code 4) or Fair Market Value (Amount Code 5) for a Roth IRA. Otherwise, enter a blank.
551	RMD Indicator	1	<b>Required.</b> Enter "1" (one) if reporting RMD for 2007. Otherwise, enter a blank.
552–662	Blank	111	Enter blanks.
663–722	Special Data Entries	60	This portion of the "B" Record may be used to record information for state or local government reporting or for the filer's own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks. (See Note.)
<b>Note: For delayed contributions for U.S. Armed Forces, use the Special Data Entry field to report the year for which the contribution was made, the amount of the contribution and one of the indicators as outlined in the current Instructions for Forms 1099–R and 5498.</b>			
723–746	Blank	24	Enter blanks.
747–748	Combined Federal/State Code	2	If this payee record is to be forwarded to a state agency as part of the Combined Federal/State Filing Program, enter the valid state code from Part A, Sec. 12, Table 1. For those payers or states not participating in this program, enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form 5498**

Blank	IRA Indicator	SEP Indicator	SIMPLE Indicator	Roth IRA Indicator	RMD Indicator
544–546	547	548	549	550	551

Blank	Special Data Entries	Blank	Combined Federal/State Code	Blank or CR/LF
552–662	663–722	723–746	747–748	749–750

**(22) Payee “B” Record — Record Layout Positions 544–750 for Form 5498–ESA**

Field Position	Field Title	Length	Description and Remarks
544–662	Blank	119	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 5498–ESA**

Blank	Special Data Entries	Blank	Blank or CR/LF
544–662	663–722	723–748	749–750

**(23) Payee “B” Record — Record Layout Positions 544–750 for Form 5498–SA**

Field Position	Field Title	Length	Description and Remarks
544–546	Blank	3	Enter blanks.
547	Medicare Advantage MSA Indicator	1	Enter “1” (one) for Medicare Advantage MSA. Otherwise, enter a blank.
548	HSA Indicator	1	Enter “1” (one) for HSA. Otherwise, enter a blank.
549	Archer MSA Indicator	1	Enter “1” (one) for Archer MSA. Otherwise, enter a blank.
550–662	Blank	113	Enter blanks.
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.
723–748	Blank	26	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee “B” Record — Record Layout Positions 544–750 for Form 5498–SA**

Blank	Medicare Advantage MSA Indicator	HSA Indicator	Archer MSA Indicator	Blank	Special Data Entries	Blank	Blank or CR/LF
544–546	547	548	549	550–662	663–722	723–748	749–750

---

**(24) Payee “B” Record — Record Layout Positions 544–750 for Form W-2G**

---

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>																		
544–546	Blank	3	Enter blanks.																		
547	Type of Wager Code	1	<b>Required.</b> Enter the applicable type of wager code from the table below.  <table><thead><tr><th><u>Code</u></th><th><u>Category</u></th></tr></thead><tbody><tr><td>1</td><td>Horse race track (or off-track betting of a horse track nature)</td></tr><tr><td>2</td><td>Dog race track (or off-track betting of a dog track nature)</td></tr><tr><td>3</td><td>Jai-alai</td></tr><tr><td>4</td><td>State-conducted lottery</td></tr><tr><td>5</td><td>Keno</td></tr><tr><td>6</td><td>Bingo</td></tr><tr><td>7</td><td>Slot machines</td></tr><tr><td>8</td><td>Any other type of gambling winnings</td></tr></tbody></table>	<u>Code</u>	<u>Category</u>	1	Horse race track (or off-track betting of a horse track nature)	2	Dog race track (or off-track betting of a dog track nature)	3	Jai-alai	4	State-conducted lottery	5	Keno	6	Bingo	7	Slot machines	8	Any other type of gambling winnings
<u>Code</u>	<u>Category</u>																				
1	Horse race track (or off-track betting of a horse track nature)																				
2	Dog race track (or off-track betting of a dog track nature)																				
3	Jai-alai																				
4	State-conducted lottery																				
5	Keno																				
6	Bingo																				
7	Slot machines																				
8	Any other type of gambling winnings																				
548–555	Date Won	8	<b>Required.</b> Enter the date of the winning transaction in the format YYYYMMDD (e.g., January 5, 2007, would be 20070105). <b>Do not enter hyphens or slashes.</b> This is not the date the money was paid, if paid after the date of the race (or game).																		
556–570	Transaction	15	<b>Required.</b> For state-conducted lotteries, enter the ticket or other identifying number. For keno, bingo, and slot machines, enter the ticket or card number (and color, if applicable), machine serial number, or any other information that will help identify the winning transaction. For all others, enter blanks.																		
571–575	Race	5	If applicable, enter the race (or game) relating to the winning ticket; otherwise, enter blanks.																		
576–580	Cashier	5	If applicable, enter the initials or number of the cashier making the winning payment; otherwise, enter blanks.																		
581–585	Window	5	If applicable, enter the window number or location of the person paying the winning payment; otherwise, enter blanks.																		
586–600	First ID	15	For other than state lotteries, enter the first identification number of the person receiving the winnings; otherwise, enter blanks.																		
601–615	Second ID	15	For other than state lotteries, enter the second identification number of the person receiving the winnings; otherwise, enter blanks.																		
616–662	Blank	47	Enter blanks.																		
663–722	Special Data Entries	60	This portion of the “B” Record may be used to record information for state or local government reporting or for the filer’s own purposes. Payers should contact the state or local revenue departments for filing requirements. If this field is not utilized, enter blanks.																		
723–734	State Income Tax Withheld	12	State income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting state tax withheld, this field may be used as a continuation of the Special Data Entries field.																		

---

**(24) Payee "B" Record — Record Layout Positions 544–750 for Form W–2G (Continued)**

Field Position	Field Title	Length	Description and Remarks
735–746	Local Income Tax Withheld	12	Local income tax withheld is for the convenience of the filers. This information does not need to be reported to IRS. The payment amount must be right-justified and unused positions must be zero-filled. If not reporting local tax withheld, this field may be used as a continuation of the Special Data Entries field.
747–748	Blank	2	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Payee "B" Record — Record Layout Positions 544–750 for Form W–2G**

Blank	Type of Wager Code	Date Won	Transaction	Race	Cashier	Window	First ID
544–546	547	548–555	556–570	571–575	576–580	581–585	586–600

Second ID	Blank	Special Data Entries	State Income Tax Withheld	Local Income Tax Withheld	Blank	Blank or CR/LF
601–615	616–662	663–722	723–734	735–746	747–748	749–750

**Sec. 7. End of Payer "C" Record — General Field Descriptions and Record Layout**

.01 The "C" Record consists of the total number of payees and the totals of the payment amount fields filed for each payer and/or particular type of return. The "C" Record must follow the last "B" Record for each type of return for each payer.

.02 For each "A" Record and group of "B" Records on the file, there must be a corresponding "C" Record.

.03 The End of Payer "C" Record is a fixed length of 750 positions. The control fields are each 18 positions in length.

**Record Name: End of Payer "C" Record**

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter "C".
2–9	Number of Payees	8	<b>Required.</b> Enter the total number of "B" Records covered by the preceding "A" Record. Right-justify information and fill unused positions with zeros.
10–15	Blank	6	Enter blanks.

**Record Name: End of Payer "C" Record (Continued)**

<b>Field Position</b>	<b>Field Title</b>	<b>Length</b>	<b>Description and Remarks</b>
16-33	Control Total 1	18	<b>Required.</b> Accumulate totals of any payment amount fields in the "B" Records into the appropriate control total fields of the "C" Record. <b>Control totals must be right-justified and unused control total fields zero-filled.</b> All control total fields are 18 positions in length. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. <b>Do not enter dollar signs, commas, decimal points, or negative payments, except those items that reflect a loss on Form 1099-B or 1099-Q.</b> Positive and negative amounts are indicated by placing a "+" (plus) or "-" (minus) sign in the left-most position of the payment amount field.
34-51	Control Total 2	18	
52-69	Control Total 3	18	
70-87	Control Total 4	18	
88-105	Control Total 5	18	
106-123	Control Total 6	18	
124-141	Control Total 7	18	
142-159	Control Total 8	18	
160-177	Control Total 9	18	
178-195	Control Total A	18	
196-213	Control Total B	18	
214-231	Control Total C	18	
232-249	Control Total D	18	
250-267	Control Total E	18	
268-499	Blank	232	
500-507	Record Sequence Number	8	<b>Required.</b> Enter the number of the record as it appears within your file. The record sequence number for the "T" record will always be "1" (one), since it is the first record on your file and you can have only one "T" record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e., 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" record sequence number would appear as "00000001" in the field, the first "A" record would be "00000002", the first "B" record, "00000003", the second "B" record, "00000004" and so on until you reach the final record of the file, the "F" record.
508-748	Blank	241	Enter blanks.
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**End of Payer "C" Record — Record Layout**

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3	Control Total 4	Control Total 5	Control Total 6
1	2-9	10-15	16-33	34-51	52-69	70-87	88-105	106-123

Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Control Total D	Control Total E	Blank
124-141	142-159	160-177	178-195	196-213	214-231	232-249	250-267	268-499

Record Sequence Number	Blank	Blank or CR/LF
500-507	508-748	749-750

## Sec. 8. State Totals “K” Record — General Field Descriptions and Record Layout

.01 The State Totals “K” Record is a summary for a given payer and a given state in the Combined Federal/State Filing Program, used **only** when state-reporting approval has been granted.

.02 The “K” Record will contain the total number of payees and the total of the payment amount fields filed by a given payer for a given state. The “K” Record(s) must be written after the “C” Record for the related “A” Record. A file format diagram is located at the end of Part D.

.03 The “K” Record is a fixed length of 750 positions. The control total fields are each 18 positions in length.

.04 In developing the “K” Record, for example, if a payer used Amount Codes 1, 3, and 6 in the “A” Record, the totals from the “B” Records coded for this state would appear in Control Totals 1, 3, and 6 of the “K” Record.

.05 There must be a separate “K” Record for **each state** being reported.

.06 Refer to Part A, Sec. 12, for the requirements and conditions that **must** be met to file via this program.

### Record Name: State Totals “K” Record — Record Layout Forms 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “K”.
2-9	Number of Payees	8	<b>Required.</b> Enter the total number of “B” Records being coded for this state. Right-justify information and fill unused positions with zeros.
10-15	Blank	6	Enter blanks.
16-33	Control Total 1	18	<b>Required.</b> Accumulate totals of any payment amount fields in the “B” Records for each state being reported into the appropriate control total fields of the appropriate “K” Record. Each payment amount must contain U.S. dollars and cents. The right-most two positions represent cents in the payment amount fields. <b>Control totals must be right-justified and unused control total fields zero-filled.</b> All control total fields are 18 positions in length.
34-51	Control Total 2	18	
52-69	Control Total 3	18	
70-87	Control Total 4	18	
88-105	Control Total 5	18	
106-123	Control Total 6	18	
124-141	Control Total 7	18	
142-159	Control Total 8	18	
160-177	Control Total 9	18	
178-195	Control Total A	18	
196-213	Control Total B	18	
214-231	Control Total C	18	
232-249	Control Total D	18	
250-267	Control Total E	18	
268-499	Blank	232	Enter blanks.

**Record Name: State Totals "K" Record — Record Layout Forms 1099-DIV, 1099-G, 1099-INT,  
1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498 (Continued)**

Field Position	Field Title	Length	Description and Remarks
500-507	Record Sequence Number	8	<b>Required.</b> Enter the number of the record as it appears within your file. The record sequence number for the "T" record will always be "1" (one), since it is the first record on your file and you can have only one "T" record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e., 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the "T" record sequence number would appear as "00000001" in the field, the first "A" record would be "00000002", the first "B" record, "00000003", the second "B" record, "00000004" and so on until you reach the final record of the file, the "F" record.
508-706	Blank	199	Enter blanks.
707-724	State Income Tax Withheld Total	18	State income tax withheld total is for the convenience of the filers. Aggregate totals of the state income tax withheld field in the Payee "B" Records; otherwise, enter blanks.
725-742	Local Income Tax Withheld Total	18	Local income tax withheld total is for the convenience of the filer. Aggregate totals of the local income tax withheld field in the Payee "B" Records; otherwise, enter blanks.
743-746	Blank	4	Enter blanks.
747-748	Combined Federal/State Code	2	<b>Required.</b> Enter the code assigned to the state which is to receive the information. (Refer to Part A, Sec. 12, Table I.)
749-750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**State Totals "K" Record — Record Layout Forms 1099-DIV, 1099-G, 1099-INT, 1099-MISC,  
1099-OID, 1099-PATR, 1099-R, and 5498**

Record Type	Number of Payees	Blank	Control Total 1	Control Total 2	Control Total 3	Control Total 4	Control Total 5	Control Total 6
1	2-9	10-15	16-33	34-51	52-69	70-87	88-105	106-123

Control Total 7	Control Total 8	Control Total 9	Control Total A	Control Total B	Control Total C	Control Total D	Control Total E	Blank
124-141	142-159	160-177	178-195	196-213	214-231	232-249	250-267	268-499

Record Sequence Number	Blank	State Income Tax Withheld Total	Local Income Tax Withheld Total	Blank	Combined Federal/State Code	Blank or CR/LF
500-507	508-706	707-724	725-742	743-746	747-748	749-750

## Sec. 9. End of Transmission “F” Record — General Field Descriptions and Record Layout

.01 The End of Transmission “F” Record is a summary of the number of payers/payees in the entire file.

.02 The “F” Record is a fixed record length of 750 positions.

.03 This record must be written after the last “C” Record (or last “K” Record, when applicable) of the entire file.

Record Name: End of Transmission “F” Record			
Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “F.”
2–9	Number of “A” Records	8	Enter the total number of Payer “A” Records in the entire file (right-justify and zero-fill) or enter all zeros.
10–30	Zero	21	Enter zeros.
31–49	Blank	19	Enter blanks.
50–57	Total Number of Payees	8	Enter the total number of Payee “B” Records reported in the file. Right-justify information and fill unused positions with zeros. If you have entered this total in the “T” Record, you may leave this field blank.
58–499	Blank	442	Enter blanks.
500–507	Record Sequence Number	8	<b>Required.</b> Enter the number of the record as it appears within your file. The record sequence number for the “T” record will always be “1” (one), since it is the first record on your file and you can have only one “T” record in a file. Each record, thereafter, must be incremented by one in ascending numerical sequence, i.e., 2, 3, 4, etc. Right-justify numbers with leading zeros in the field. For example, the “T” record sequence number would appear as “00000001” in the field, the first “A” record would be “00000002”, the first “B” record, “00000003”, the second “B” record, “00000004” and so on until you reach the final record of the file, the “F” record.
508–748	Blank	241	Enter blanks.
749–750	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

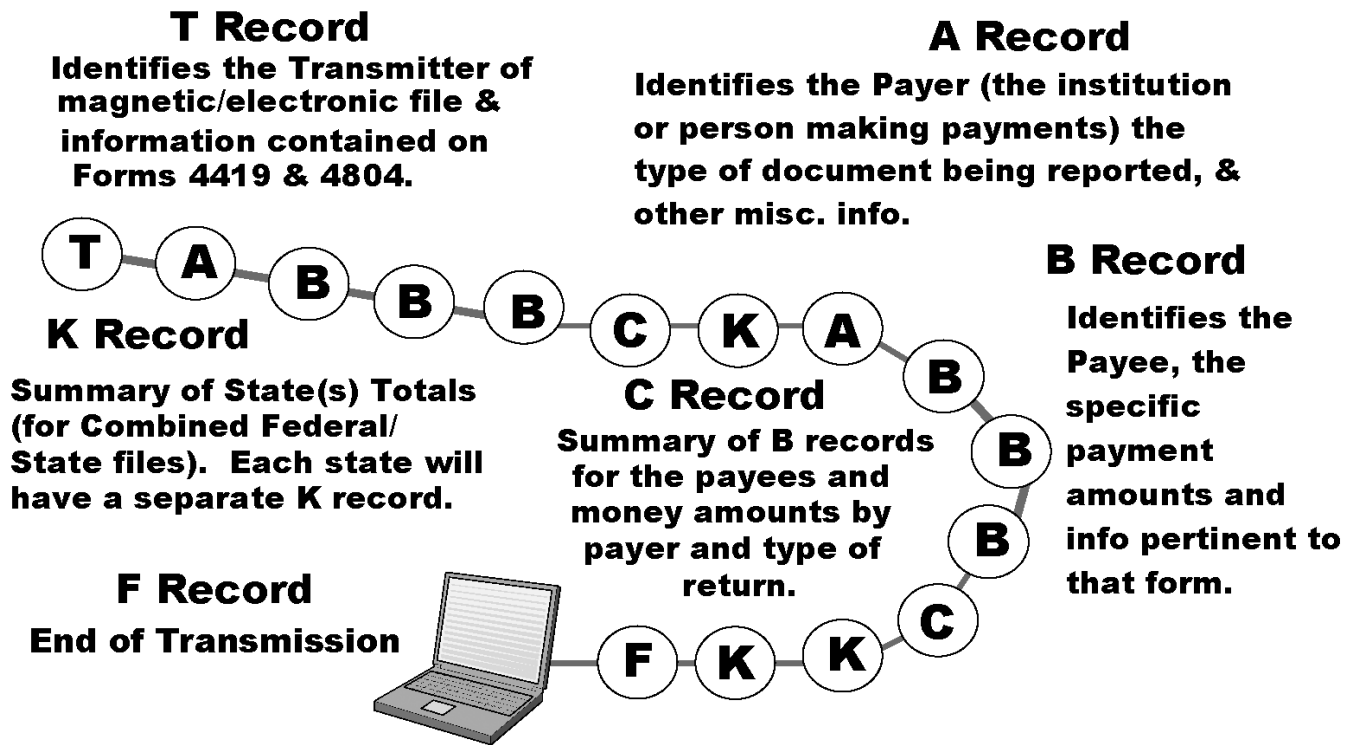
### End of Transmission “F” Record — Record Layout

Record Type	Number of “A” Records	Zero	Blank	Total Number of Payees	Blank	Record Sequence Number	Blank	Blank or CR/LF
1	2–9	10–30	31–49	50–57	58–499	500–507	508–748	749–750



# File Format

Each record must be 750 positions.



## Part E. Extensions of Time and Waivers

### Sec. 1. General — Extensions

.01 An extension of time to file may be requested for Forms 1098, 1099, 5498, 5498-SA, 5498-ESA, W-2G, W-2 series, 8027 and 1042-S.

.02 A paper Form 8809, Application for Extension of Time To File Information Returns, should be submitted to IRS/ECC-MTB at the address listed in .09 of this section. This form may be used to request an extension of time to file information returns submitted on paper, electronically or magnetically to the IRS. Use a separate Form 8809 for each method of filing information returns you intend to use, i.e., electronically, magnetically or paper.

.03 *The fill-in Form 8809 may be completed online via the FIRE System. (See Part B, Sec. 8, for instructions on connecting to the FIRE System.) At the Main Menu, click "Extension of Time Request" and then click "Fill-in Extension Form". This option is only used to request an automatic 30-day extension. If you are requesting an additional extension, you must submit a paper Form 8809. Requests for an additional extension of time to file information returns are not automatically granted. Requests for additional time are granted only in cases of extreme hardship or catastrophic event. The IRS will only send a letter of explanation approving or denying your additional extension request. (Refer to .12 of this Section.)*

.04 To be considered, an extension request must be postmarked, transmitted or completed online by the due date of the returns; otherwise, the request will be denied. (See Part A, Sec. 8, for due dates.) If requesting an extension of time to file several types of forms, use one Form 8809; however, Form 8809 or file must be submitted no later than the earliest due date. For example, if requesting an extension of time to file both Forms 1099-INT and 5498, submit Form 8809 on or before February 28, 2008.

.05 **As soon as it is apparent** that a 30-day extension of time to file is needed, an extension request should be submitted. It may take up to 30 days for IRS/ECC-MTB to respond to an extension request. IRS/ECC-MTB does not begin processing extension requests until January. **Extensions completed online via the FIRE System receive instant results.**

.06 Under certain circumstances, a request for an extension of time may be denied. When a denial letter is received, any additional or necessary information may be resubmitted within 20 days.

.07 Requesting an extension of time for multiple payers (50 or less) may be done by mailing Form 8809 and attaching a list of the payer names and associated TINs (EIN or SSN) or by completing the fill-in form online. Each payer must be included in the listing or

completed online to ensure an extension is recorded for all payers. Form 8809 may be computer-generated or photocopied. Be sure to use the most recently updated version and include all the pertinent information.

**.08** Requests for an extension of time to file for more than 50 payers are **required** to be submitted electronically, magnetically or completed online. IRS encourages requests for 10 to 50 payers to be filed electronically, magnetically or completed online. (See Sec. 3, for the record layout.) Tape cartridge is the only acceptable magnetic media. (Refer to Part C.)

**.09** All requests for an extension of time filed on Form 8809 or tape cartridge should be sent using the following address:

IRS-Enterprise Computing Center — Martinsburg  
Information Reporting Program  
**Attn: Extension of Time Coordinator**  
240 Murall Drive  
Kearneysville, WV 25430

**Note: Due to the large volume of mail received by IRS/ECC-MTB and the time factor involved in processing Extension of Time (EOT) requests, it is imperative that the attention line be present on all envelopes or packages containing Form 8809.**

**.10** Requests for extensions of time to file postmarked by the United States Postal Service on or before the due date of the returns, and delivered by United States mail to IRS/ECC-MTB after the due date, are treated as timely under the “timely mailing as timely filing” rule. A similar rule applies to designated private delivery services (PDSs). See Part A, Sec. 8, for more information on PDSs. For requests delivered by a designated PDS, but through a non-designated service, the actual date of receipt by IRS/ECC-MTB will be used as the filing date.

**.11** Transmitters requesting an extension of time by an electronic or magnetic file will receive an approval or denial letter, accompanied by a list of payers covered under that approval/denial.

**.12** If an additional extension of time is needed, a second Form 8809 or file must be filed by the initial extended due date. Check line 7 on the form to indicate that an additional extension is being requested. A second 30-day extension will be approved only in cases of extreme hardship or catastrophic event. **If requesting a second 30-day extension of time, submit the information return files as soon as prepared. Do not wait for IRS/ECC-MTB’s response to your second extension request.**

**.13** If an extension request is approved, the approval notification should be kept on file. **DO NOT** send the approval notification or copy of the approval notification to IRS/ECC-MTB with the tape cartridge file or to the service center where the paper returns are filed.

**.14** Request an extension for only one tax year.

**.15** A signature is not required when requesting a 30-day extension. If a second 30-day extension is requested, the Form 8809 **MUST** be signed. Failure to properly complete and sign Form 8809 may cause delays in processing the request or result in a denial. Carefully read and follow the instructions on the back of Form 8809.

**.16** Form 8809 may be obtained by calling **1-800-TAX-FORM (1-800-829-3676)**. The form is also available on the **IRS website at [www.irs.gov](http://www.irs.gov)**. A copy of Form 8809 is also provided in the back of Publication 1220.

## **Sec. 2. Specifications for Electronic Filing or Tape Cartridge Extensions of Time**

**.01** The specifications in Sec. 3 include the required 200-byte record layout for extensions of time to file requests submitted electronically or magnetically. Also included are the instructions for the information that is to be entered in the record. **Filers are advised to read this section in its entirety to ensure proper filing.**

**.02** If a filer does not have an IRS/ECC-MTB assigned Transmitter Control Code (TCC), Form 4419, Application for Filing Information Returns Electronically, **must** be submitted to obtain a TCC. This number **must** be used to submit an extension request electronically/magnetically. (See Part A, Sec. 6.)

**.03** For extension requests filed on tape cartridges, the transmitter must mail the completed Form 8809, Application for Extension of Time To File Information Returns, in the same package as the corresponding media or fax it to 304-264-5602. For extension requests filed electronically, the transmitter must fax Form 8809 the same day the transmission is made. Due to security concerns, extension requests may **not** be emailed with the Form 8809 as an attachment.

**.04** **Transmitters submitting an extension of time electronically or magnetically should not submit a list of payer names and TINs with Form 8809 since this information is included on the electronic or magnetic file. However, Line 6 of Form 8809 must be completed with the total number of records included on the electronic or tape cartridge file. The fill-in Form 8809 cannot be used in lieu of the paper Form 8809 for electronic or tape cartridge files.**

**.05** Do not submit tax year 2007 extension requests filed on tape cartridges before *January 1, 2008*, or electronically before *January 3, 2008*.

**.06** Each tape cartridge **must** have an external media label containing the following information:

- (a) Transmitter name
- (b) Transmitter Control Code (TCC)
- (c) Tax year

(d) The words “Extension of Time”

(e) Record count

.07 Electronic filing, and tape cartridge specifications for extensions are the same as the specifications for filing of information returns. (See Part B or C for specific technical information.)

### Sec. 3. Record Layout — Extension of Time

.01 Positions 6 through 188 of the following record should contain information about the **payer** for whom the extension of time to file is being requested. Do not enter transmitter information in these fields. **Only one TCC may be present in a file.**

Record Layout for Extension of Time			
Field Position	Field Title	Length	Description and Remarks
1–5	Transmitter Control Code	5	<b>Required.</b> Enter the five-character alpha/numeric Transmitter Control Code (TCC) issued by IRS. <b>Only one TCC per file is acceptable.</b>
6–14	Payer TIN	9	<b>Required.</b> Must be the valid nine-digit EIN/SSN assigned to the payer. <b>Do not enter blanks, hyphens or alpha characters.</b> All zeros, ones, twos, etc., will have the effect of an incorrect TIN. For foreign entities that are not required to have a TIN, this field may be blank; however, the Foreign Entity Indicator, position 187, <b>must</b> be set to “X”.
15–54	Payer Name	40	<b>Required.</b> Enter the name of the payer whose TIN appears in positions 6–14. Left-justify information and fill unused positions with blanks.
55–94	Second Payer Name	40	If additional space is needed, this field may be used to continue name line information (e.g., <i>c/o</i> First National Bank); otherwise, enter blanks.
95–134	Payer Address	40	<b>Required.</b> Enter the payer’s address. Street address should include number, street, apartment or suite number (or PO Box if mail is not delivered to a street address).
135–174	Payer City	40	<b>Required.</b> Enter payer city, town, or post office.
175–176	Payer State	2	<b>Required.</b> Enter the payer valid U.S. Postal Service state abbreviation. (Refer to Part A, Sec. 14.)
177–185	Payer ZIP Code	9	<b>Required.</b> Enter payer ZIP Code. If using a five-digit ZIP Code, left-justify information and fill unused positions with blanks.
186	Document Indicator (See Note.)	1	<b>Required.</b> Enter the appropriate document code that indicates the form for which you are requesting an extension of time.
		<b>Code</b>	<b>Document</b>
		1	W–2
		2	1098, 1098–C, 1098–E, 1098–T, 1099–A, 1099–B, 1099–C, 1099–CAP, 1099–DIV, 1099–G, 1099–H, 1099–INT, 1099–LTC, 1099–MISC, 1099–OID, 1099–PATR, 1099–Q, 1099–R, 1099–S, 1099–SA, or W–2G
		3	5498
		4	1042–S
		5	REMIC Documents (1099–INT or 1099–OID)
		6	5498–SA
		7	5498–ESA

**Record Layout for Extension of Time (Continued)**

Field Position	Field Title	Length	Description and Remarks
<b>Note: Do not enter any other values in this field. Submit a separate record for each document. For example, if you are requesting an extension for Form 1099-INT and Form 5498 for the same payee, submit one record with "2" coded in this field and another record with "3" coded in this field. If you are requesting an extension for Form 1099-DIV and Form 1099-MISC for the same payer, submit one record with "2" coded in this field.</b>			
187	Foreign Entity Indicator	1	Enter "X" if the payer is a foreign entity.
188	Recipient Request Indicator	1	Enter "X" if the extension request is to furnish statements to the recipients of the information return.
<b>Note: A separate file is required for this type of extension request. A file must either contain all blanks or all X's in this field.</b>			
189-198	Blank	10	Enter blanks.
199-200	Blank	2	Enter blanks or carriage return/line feed (CR/LF) characters.

**Extension of Time Record Layout**

Transmitter Control Code	Payer TIN	Payer Name	Second Payer Name	Payer Address	Payer City	Payer State
1-5	6-14	15-54	55-94	95-134	135-174	175-176

Payer ZIP Code	Document Indicator	Foreign Entity Indicator	Recipient Request Indicator	Blank	Blank or CR/LF
177-185	186	187	188	189-198	199-200

**Sec. 4. Extension of Time for Recipient Copies of Information Returns**

**.01** Request an **extension of time to furnish the statements to recipients** of Forms 1098, 1099 series, 5498 series, W-2G, W-2 series, and 1042-S by submitting a letter to IRS/ECC-MTB at the address listed in Part E, Sec. 1.09. The letter should contain the following information:

- (a) Payer name
- (b) TIN
- (c) Address
- (d) Type of return
- (e) Specify that the extension request is to provide statements to recipients
- (f) Reason for delay
- (g) Signature of payer or duly authorized person

**.02** Requests for an extension of time to furnish statements to recipients of Forms 1098, 1099 series, 5498 series, W-2G, W-2 series, and 1042-S are not automatically approved; however, if approved, generally an extension will allow a **MAXIMUM** of 30 additional days from the due date. The request must be postmarked by the date on which the statements are due to the recipients.

**.03** Generally, only the payer may sign the letter requesting the extension for recipient copies. A transmitter must have a contractual agreement with the filers to submit extension requests on their behalf. This should be stated in your letter of request for recipient copy extensions.

.04 Requests for a **recipient** extension of time to file for more than 50 payers are **required** to be submitted electronically or magnetically. IRS encourages requests for 10 to 50 payers to be filed electronically or magnetically. (See Sec. 3, for the record layout.) The request may be filed electronically or on tape cartridges.

.05 The fill-in Form 8809 extension option cannot be used to request an extension to furnish statements to recipients.

## Sec. 5. Form 8508, Request for Waiver From Filing Information Returns Electronically/Magnetically

.01 If a payer is required to file on magnetic media but fails to do so (or fails to file electronically in lieu of magnetic media filing) and does not have an approved waiver on record, the payer will be subject to a penalty of \$50 per return in excess of 250. (For penalty information, refer to the Penalty Section of the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.)

.02 If payers are required to file original or corrected returns on magnetic media, but such filing would create an undue hardship, they may request a waiver from these filing requirements by submitting Form 8508, Request for Waiver From Filing Information Returns Electronically/Magnetically, to IRS/ECC-MTB. Form 8508 can be obtained on the IRS website at [www.irs.gov](http://www.irs.gov) or by calling toll-free 1-800-829-3676.

.03 Even though a payer may submit as many as 249 corrections on paper, IRS encourages electronic or magnetic filing of corrections. Once the 250 threshold has been met, filers are required to submit any returns of 250 or more electronically or magnetically. However, if a waiver for original documents is approved, any corrections for the same type of returns will be covered under that waiver.

.04 Generally, only the payer may sign Form 8508. A transmitter may sign if given power of attorney; however, a letter signed by the payer stating this fact must be attached to Form 8508.

.05 A transmitter must submit a separate Form 8508 for each payer. Do not submit a list of payers.

.06 All information requested on Form 8508 must be provided to IRS for the request to be processed.

.07 The waiver, if approved, will provide exemption from the electronic/magnetic media filing requirement for the current tax year only. Payers may not apply for a waiver for more than one tax year at a time; application must be made each year a waiver is necessary.

.08 Form 8508 may be photocopied or computer-generated as long as it contains all the information requested on the original form.

.09 Filers are encouraged to submit Form 8508 to IRS/ECC-MTB at least 45 days before the due date of the returns. IRS/ECC-MTB does not process waiver requests until January. Waiver requests received prior to January are processed on a first come, first serve basis.

.10 All requests for a waiver should be sent using the following address:

IRS-Enterprise Computing Center — Martinsburg  
Information Reporting Program  
**Attn: Extension of Time Coordinator**  
240 Murall Drive  
Kearneysville, WV 25430

.11 File Form 8508 for the W-2 series of forms with IRS/ECC-MTB, not SSA.

.12 Waivers are evaluated on a case-by-case basis and are approved or denied based on criteria set forth in the regulations under section 6011(e) of the Internal Revenue Code. The transmitter must allow a minimum of 30 days for IRS/ECC-MTB to respond to a waiver request.

.13 If a waiver request is approved, keep the approval letter on file. **DO NOT** send a copy of the approved waiver to the service center where the paper returns are filed.

.14 An approved waiver only applies to the requirement for filing information returns electronically/magnetically. The payer must still timely file information returns on the official IRS paper forms or an acceptable substitute form with the appropriate service center.

---

26 CFR 601.201: Rulings and determination letters.

## Rev. Proc. 2007-52

### TABLE OF CONTENTS

SECTION 1. WHAT IS THE PURPOSE OF THIS REVENUE PROCEDURE? .....	224
.01 Description of terms used in this revenue procedure .....	224
.02 Updated annually .....	225
SECTION 2. NATURE OF CHANGES AND RELATED REVENUE PROCEDURES .....	225
.01 Rev. Proc. 90-27 is superseded and the processing of applications is now centralized .....	225

.02 Related revenue procedures . . . . .	225
<b>SECTION 3. WHAT ARE THE PROCEDURES FOR REQUESTING RECOGNITION OF EXEMPT STATUS?</b> . . . . .	225
.01 In general . . . . .	225
.02 User fee . . . . .	225
.03 Form 1023 application . . . . .	225
.04 Form 1024 application . . . . .	225
.05 Letter application . . . . .	225
.06 Form 1028 application . . . . .	225
.07 Form 8871 notice for political organizations . . . . .	225
.08 Requirements for a substantially completed application . . . . .	226
.09 Terrorist organizations not eligible to apply for recognition of exemption . . . . .	226
<b>SECTION 4. WHAT ARE THE STANDARDS FOR ISSUING A DETERMINATION LETTER OR RULING ON EXEMPT STATUS?</b> . . . . .	226
.01 Exempt status must be established in application and supporting documents . . . . .	226
.02 Determination letter or ruling based solely on administrative record . . . . .	226
.03 Exempt status may be recognized in advance of actual operations . . . . .	227
.04 No letter if exempt status issue in litigation or under consideration within the Service . . . . .	227
.05 Incomplete application . . . . .	227
.06 Even if application is complete, additional information may be required . . . . .	227
.07 Expedited handling . . . . .	227
<b>SECTION 5. WHAT OFFICES ISSUE AN EXEMPT STATUS DETERMINATION LETTER OR RULING?</b> . . . . .	228
.01 EO Determinations issues a determination letter in most cases . . . . .	228
.02 Certain applications referred to EO Technical . . . . .	228
.03 Technical advice may be requested in certain cases . . . . .	228
.04 Technical advice must be requested in certain cases . . . . .	228
<b>SECTION 6. WITHDRAWAL OF AN APPLICATION.</b> . . . . .	228
.01 Application may be withdrawn prior to issuance of a determination letter or ruling . . . . .	228
.02 § 7428 implications of withdrawal of application under § 501(c)(3) . . . . .	228
<b>SECTION 7. WHAT ARE THE PROCEDURES WHEN EXEMPT STATUS IS DENIED?</b> . . . . .	229
.01 Proposed adverse determination letter or ruling . . . . .	229
.02 Appeal of a proposed adverse determination letter issued by EO Determinations . . . . .	229
.03 Protest of a proposed adverse ruling issued by EO Technical . . . . .	229
.04 Final adverse determination letter or ruling where no appeal or protest is submitted . . . . .	229
.05 How EO Determinations handles an appeal of a proposed adverse determination letter . . . . .	229
.06 Consideration by the Appeals Office . . . . .	229
.07 If a protest of a proposed adverse ruling is submitted to EO Technical . . . . .	229
.08 An appeal or protest may be withdrawn . . . . .	229
.09 Appeal or protest and conference rights not applicable in certain situations . . . . .	230
<b>SECTION 8. DISCLOSURE OF APPLICATIONS AND DETERMINATION LETTERS AND RULINGS</b> . . . . .	230
.01 Disclosure of applications, supporting documents, and favorable determination letters and rulings . . . . .	230
.02 Disclosure of adverse determination letters or rulings . . . . .	230
.03 Disclosure to State officials when the Service refuses to recognize exemption under § 501(c)(3) . . . . .	230
.04 Disclosure to State officials of information about § 501(c)(3) applicants . . . . .	230
<b>SECTION 9. REVIEW OF DETERMINATION LETTERS BY EO TECHNICAL</b> . . . . .	230
.01 Determination letters may be reviewed by EO Technical to assure uniformity . . . . .	230
.02 Procedures for cases where EO Technical takes exception to a determination letter . . . . .	231
<b>SECTION 10. DECLARATORY JUDGMENT PROVISIONS OF § 7428</b> . . . . .	231
.01 Actual controversy involving certain issues . . . . .	231
.02 Exhaustion of administrative remedies . . . . .	231
.03 Not earlier than 270 days after seeking determination . . . . .	231
.04 Service must have reasonable time to act on an appeal or protest . . . . .	231

.05 Final determination to which § 7428 applies .....	231
<b>SECTION 11. EFFECT OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION .....</b>	<b>232</b>
.01 Effective date of exemption .....	232
.02 Reliance on determination letter or ruling .....	232
<b>SECTION 12. REVOCATION OR MODIFICATION OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION .....</b>	<b>232</b>
.01 Revocation or modification of a determination letter or ruling may be retroactive .....	232
.02 Appeal and conference procedures in the case of revocation or modification of exempt status letter .....	232
<b>SECTION 13. EFFECT ON OTHER REVENUE PROCEDURES .....</b>	<b>233</b>
<b>SECTION 14. EFFECTIVE DATE .....</b>	<b>233</b>
<b>SECTION 15. PAPERWORK REDUCTION ACT .....</b>	<b>233</b>
<b>DRAFTING INFORMATION .....</b>	<b>233</b>

**SECTION 1. WHAT IS THE PURPOSE OF THIS REVENUE PROCEDURE?**

This revenue procedure sets forth procedures for issuing determination letters and rulings on the exempt status of organizations under §§ 501 and 521 of the Internal Revenue Code other than those subject to Rev. Proc. 2007-6, 2007-1 I.R.B. 189 (relating to pension, profit-sharing, stock bonus, annuity, and employee stock ownership plans). Generally, the Service issues these determination letters and rulings in response to applications for recognition of exemption from Federal income tax. These procedures also apply to revocation or modification of determination letters or rulings. This revenue procedure also provides guidance on the exhaustion of administrative remedies for purposes of declaratory judgment under § 7428 of the Code.

**Description of terms used in this revenue procedure**

.01 For purposes of this revenue procedure –

(1) the term “Service” means the Internal Revenue Service.

(2) the term “application” means the appropriate form or letter that an organization must file or submit to the Service for recognition of exemption from Federal income tax under the applicable section of the Internal Revenue Code. See section 3 for information on specific forms.

(3) the term “EO Determinations” means the office of the Service that is primarily responsible for processing initial applications for tax-exempt status. It includes the main EO Determinations office located in Cincinnati, Ohio, and other field offices that are under the direction and control of the Manager, EO Determinations.

(4) the term “EO Technical” means the office of the Service that is primarily responsible for issuing letter rulings to taxpayers on exempt organization matters, and for providing technical advice or technical assistance to other offices of the Service on exempt organization matters. The EO Technical office is located in Washington, DC.

(5) the term “Appeals Office” means any office under the direction and control of the Chief, Appeals. The purpose of the Appeals Office is to resolve tax controversies, without litigation, on a fair and impartial basis. The Appeals Office is independent of EO Determinations and EO Technical.

(6) the term “determination letter” means a written statement issued by EO Determinations or an Appeals Office in response to an application for recognition of exemption from Federal income tax under §§ 501 and 521. This includes a written statement issued by EO Determinations or an Appeals Office on the basis of advice secured from EO Technical pursuant to the procedures prescribed herein and in Rev. Proc. 2007-5, 2007-1 I.R.B. 161.

(7) the term “ruling” means a written statement issued by EO Technical in response to an application for recognition of exemption from Federal income tax under §§ 501 and 521.

**Updated annually**

.02 This revenue procedure is updated annually, but may be modified or amplified during the year.

**SECTION 2. NATURE OF CHANGES AND RELATED REVENUE PROCEDURES**

**Rev. Proc. 90–27 is superseded and the processing of applications is now centralized**

.01 This revenue procedure updates Rev. Proc. 90–27, 1990–1 C.B. 514, which is hereby superseded.

(1) The responsibility for processing applications is now centralized in the EO Determinations office in Cincinnati, Ohio. Key district offices no longer exist.

(2) Although applications are generally processed in the Cincinnati office, some applications may be processed in other EO Determinations offices or referred to EO Technical.

**Related revenue procedures**

.02 This revenue procedure supplements Rev. Proc. 76–34, 1976–2 C.B. 656, with respect to the effects of § 7428 of the Code on the classification of organizations under §§ 509(a) and 4942(j)(3). Rev. Proc. 80–27, 1980–1 C.B. 677, sets forth procedures under which exemption may be recognized on a group basis for subordinate organizations affiliated with and under the general supervision and control of a central organization. Rev. Proc. 72–5, 1972–1 C.B. 709, provides information for religious and apostolic organizations seeking recognition of exemption under § 501(d). General procedures for requests for a determination letter or ruling are provided in Rev. Proc. 2007–4, 2007–1 I.R.B. 118. User fees for requests for a determination letter or ruling are set forth in Rev. Proc. 2007–8, 2007–1 I.R.B. 230.

**SECTION 3. WHAT ARE THE PROCEDURES FOR REQUESTING RECOGNITION OF EXEMPT STATUS?**

**In general**

.01 An organization seeking recognition of exempt status under § 501 or § 521 is required to submit the appropriate application. In the case of a numbered application form, the current version of the form must be submitted. A central organization that has previously received recognition of its own exemption can request a group exemption letter by submitting a letter application with Form 8718, *User Fee for Exempt Organization Determination Letter Request*. See Rev. Proc. 80–27.

**User fee**

.02 An application must be submitted with the correct user fee, as set forth in Rev. Proc. 2007–8.

**Form 1023 application**

.03 An organization seeking recognition of exemption under § 501(c)(3) and §§ 501(e), (f), (k), (n) or (q) must submit a completed Form 1023. In the case of an organization that provides credit counseling services, see section 501(q) of the Code.

**Form 1024 application**

.04 An organization seeking recognition of exemption under §§ 501(c)(2), (4), (5), (6), (7), (8), (9), (10), (12), (13), (15), (17), (19) or (25) must submit a completed Form 1024 with Form 8718. In the case of an organization that provides credit counseling services and seeks recognition of exemption under section 501(c)(4), see section 501(q) of the Code.

**Letter application**

.05 An organization seeking recognition of exemption under §§ 501(c)(11), (14), (16), (18), (21), (22), (23), (26), (27) or (28) or under § 501(d) must submit a letter application with Form 8718.

**Form 1028 application**

.06 An organization seeking recognition of exemption under § 521 must submit a completed Form 1028 with Form 8718.

**Form 8871 notice for political organizations**

.07 A political party, a campaign committee for a candidate for federal, state or local office, and a political action committee are all political organizations subject to tax under § 527. To be tax-exempt, a political organization may be required to notify the Service that it is to be treated



as a § 527 organization by electronically filing Form 8871, *Political Organization Notice of Section 527 Status*. For details, go to the IRS website at [www.irs.gov/polorgs](http://www.irs.gov/polorgs).

### **Requirements for a substantially completed application**

.08 A substantially completed application, including a letter application, is one that:

(1) is signed by an authorized individual.

(2) includes an Employer Identification Number (EIN).

(3) includes a statement of receipts and expenditures and a balance sheet for the current year and the three preceding years (or the years the organization was in existence, if less than four years). If the organization has not yet commenced operations, or has not completed one accounting period, a substantially completed application generally includes a proposed budget for two full accounting periods and a current statement of assets and liabilities.

(4) includes a detailed narrative statement of proposed activities, including each of the fundraising activities of a § 501(c)(3) organization, and a narrative description of anticipated receipts and contemplated expenditures.

(5) includes a copy of the organizing or enabling document that is signed by a principal officer or is accompanied by a written declaration signed by an authorized individual certifying that the document is a complete and accurate copy of the original or otherwise meets the requirements of a “conformed copy” as outlined in Rev. Proc. 68–14, 1968–1 C.B. 768.

(6) if the organizing or enabling document is in the form of articles of incorporation, includes evidence that it was filed with and approved by an appropriate state official (*e.g.*, stamped “Filed” and dated by the Secretary of State). Alternatively, a copy of the articles of incorporation may be submitted if accompanied by a written declaration signed by an authorized individual that the copy is a complete and accurate copy of the original copy that was filed with and approved by the state. If a copy is submitted, the written declaration must include the date the articles were filed with the state.

(7) if the organization has adopted by-laws, includes a current copy. The by-laws need not be signed if submitted as an attachment to the application for recognition of exemption. Otherwise, the by-laws must be verified as current by an authorized individual.

(8) is accompanied by the correct user fee and Form 8718, when applicable.

### **Terrorist organizations not eligible to apply for recognition of exemption**

.09 An organization that is identified or designated as a terrorist organization within the meaning of section 501(p)(2) of the Code is not eligible to apply for recognition of exemption.

## **SECTION 4. WHAT ARE THE STANDARDS FOR ISSUING A DETERMINATION LETTER OR RULING ON EXEMPT STATUS?**

### **Exempt status must be established in application and supporting documents**

.01 A favorable determination letter or ruling will be issued to an organization only if its application and supporting documents establish that it meets the particular requirements of the section under which exemption from Federal income tax is claimed.

### **Determination letter or ruling based solely on administrative record**

.02 A determination letter or ruling on exempt status is issued based solely upon the facts and representations contained in the administrative record.

(1) The applicant is responsible for the accuracy of any factual representations contained in the application.

(2) Any oral representation of additional facts or modification of facts as represented or alleged in the application must be reduced to writing over the signature of an authorized individual.

(3) The failure to disclose a material fact or misrepresentation of a material fact on the application may adversely affect the reliance that would otherwise be obtained through issuance by the Service of a favorable determination letter or ruling.

**Exempt status may be recognized in advance of actual operations**

.03 Exempt status may be recognized in advance of the organization's operations if the proposed activities are described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements for exemption pursuant to the section of the Internal Revenue Code under which exemption is claimed.

(1) A mere restatement of exempt purposes or a statement that proposed activities will be in furtherance of such purposes will not satisfy this requirement.

(2) The organization must fully describe all of the activities in which it expects to engage, including the standards, criteria, procedures or other means adopted or planned for carrying out the activities, the anticipated sources of receipts, and the nature of contemplated expenditures.

(3) Where the organization cannot demonstrate to the satisfaction of the Service that it qualifies for exemption pursuant to the section of the Internal Revenue Code under which exemption is claimed, the Service will generally issue a proposed adverse determination letter or ruling. *See also* section 7.

**No letter if exempt status issue in litigation or under consideration within the Service**

.04 A determination letter or ruling on exempt status will not ordinarily be issued if an issue involving the organization's exempt status under § 501 or § 521 is pending in litigation, is under consideration within the Service, or if issuance of a determination letter or ruling is not in the interest of sound tax administration. If the Service declines to issue a determination or ruling to an organization seeking exempt status under § 501(c)(3), the organization may pursue a declaratory judgment under § 7428 provided that it has exhausted its administrative remedies.

**Incomplete application**

.05 If an application does not contain all of the items set out in section 3.08, the Service may return it to the applicant for completion.

(1) In lieu of returning an incomplete application, the Service may retain the application and request additional information needed for a substantially completed application.

(2) In the case of an application or a group exemption request under § 501(c)(3) that is returned incomplete, the 270-day period referred to in § 7428(b)(2) will not be considered as starting until the date a substantially completed Form 1023 or group exemption request is refiled with or remailed to the Service. If the application or group exemption request is mailed to the Service and a postmark is not evident, the 270-day period will start to run on the date the Service actually receives the substantially completed Form 1023 or group exemption request. The same rules apply for purposes of the notice requirement of § 508.

(3) Generally, the user fee will not be refunded if an incomplete application is filed. *See* Rev. Proc. 2007-8, section 10.

**Even if application is complete, additional information may be required**

.06 Even though an application is substantially complete, the Service may request additional information before issuing a determination letter or ruling.

(1) If the application involves an issue where contrary authorities exist, an applicant's failure to disclose and distinguish contrary authorities may result in requests for additional information, which could delay final action on the application.

(2) In the case of an application under § 501(c)(3), the period of time beginning on the date the Service requests additional information until the date the information is submitted to the Service will not be counted for purposes of the 270-day period referred to in § 7428(b)(2).

**Expedited handling**

.07 Applications are normally processed in the order of receipt by the Service. However, expedited handling of an application may be approved where a request is made in writing and contains a compelling reason for processing the application ahead of others. Upon approval of a request for expedited handling, an application will be considered out of its normal order.

This does not mean the application will be immediately approved or denied. Circumstances generally warranting expedited processing include:

(1) A grant to the applicant is pending and the failure to secure the grant may have an adverse impact on the organization's ability to continue to operate.

(2) The purpose of the newly created organization is to provide disaster relief to victims of emergencies such as flood and hurricane.

(3) There have been undue delays in issuing a determination letter or ruling caused by a Service error.

## **SECTION 5. WHAT OFFICES ISSUE AN EXEMPT STATUS DETERMINATION LETTER OR RULING?**

### **EO Determinations issues a determination letter in most cases**

.01 Under the general procedures outlined in Rev. Proc. 2007-4, EO Determinations is authorized to issue determination letters on applications for exempt status under §§ 501 and 521.

### **Certain applications referred to EO Technical**

.02 EO Determinations will refer to EO Technical those applications that present issues which are not specifically covered by statute or regulations, or by a ruling, opinion, or court decision published in the Internal Revenue Bulletin. In addition, EO Determinations will refer those applications that have been specifically reserved by revenue procedure or by other official Service instructions for handling by EO Technical for purposes of establishing uniformity or centralized control of designated categories of cases. EO Technical will notify the applicant organization upon receipt of a referred application, and will consider each such application and issue a ruling directly to the organization.

### **Technical advice may be requested in certain cases**

.03 If at any time during the course of consideration of an exemption application by EO Determinations the organization believes that its case involves an issue on which there is no published precedent, or there has been non-uniformity in the Service's handling of similar cases, the organization may request that EO Determinations either refer the application to EO Technical or seek technical advice from EO Technical. *See* Rev. Proc. 2007-5, section 4.04.

### **Technical advice must be requested in certain cases**

.04 If EO Determinations proposes to recognize the exemption of an organization to which EO Technical had issued a previous contrary ruling or technical advice, EO Determinations must seek technical advice from EO Technical before issuing a determination letter. This does not apply where EO Technical issued an adverse ruling and the organization subsequently made changes to its purposes, activities, or operations to remove the basis for which exempt status was denied.

## **SECTION 6. WITHDRAWAL OF AN APPLICATION**

### **Application may be withdrawn prior to issuance of a determination letter or ruling**

.01 An application may be withdrawn upon the written request of an authorized individual at any time prior to the issuance of a determination letter or ruling. Therefore, an application may not be withdrawn after the issuance of a proposed adverse determination letter or ruling.

(1) When an application is withdrawn, the Service will retain the application and all supporting documents. The Service may consider the information submitted in connection with the withdrawn request in a subsequent examination of the organization.

(2) Generally, the user fee will not be refunded if an application is withdrawn. *See* Rev. Proc. 2007-8, section 10.

### **§ 7428 implications of withdrawal of application under § 501(c)(3)**

.02 The Service will not consider the withdrawal of an application under § 501(c)(3) as either a failure to make a determination within the meaning of § 7428(a)(2) or as an exhaustion of administrative remedies within the meaning of § 7428(b)(2).

## **SECTION 7. WHAT ARE THE PROCEDURES WHEN EXEMPT STATUS IS DENIED?**

### **Proposed adverse determination letter or ruling**

.01 If EO Determinations or EO Technical reaches the conclusion that the organization does not satisfy the requirements for exempt status pursuant to the section of the Internal Revenue Code under which exemption is claimed, the Service will generally issue a proposed adverse determination letter or ruling, which will:

(1) Include a detailed discussion of the Service's rationale for the denial of tax-exempt status.

(2) Advise the organization of its opportunity to appeal or protest the decision and request a conference.

### **Appeal of a proposed adverse determination letter issued by EO Determinations**

.02 A proposed adverse determination letter issued by EO Determinations will advise the organization of its opportunity to appeal the determination by requesting Appeals Office consideration. To do this, the organization must submit a statement of the facts, law and arguments in support of its position within 30 days from the date of the adverse determination letter. The organization must also state whether it wishes an Appeals Office conference. Any determination letter issued on the basis of technical advice from EO Technical may not be appealed to the Appeals Office on issues that were the subject of the technical advice.

### **Protest of a proposed adverse ruling issued by EO Technical**

.03 A proposed adverse ruling issued by EO Technical will advise the organization of its opportunity to file a protest statement within 30 days and to request a conference. If a conference is requested, the conference procedures outlined in Rev. Proc. 2007-4, section 12, are applicable.

### **Final adverse determination letter or ruling where no appeal or protest is submitted**

.04 If an organization does not submit a timely appeal of a proposed adverse determination letter issued by EO Determinations, or a timely protest of a proposed adverse ruling issued by EO Technical, a final adverse determination letter or ruling will be issued to the organization. The final adverse letter or ruling will provide information about the filing of tax returns and the disclosure of the proposed and final adverse letters or rulings.

### **How EO Determinations handles an appeal of a proposed adverse determination letter**

.05 If an organization submits an appeal of the proposed adverse determination letter, EO Determinations will first review the appeal, and if it determines that the organization qualifies for tax-exempt status issue a favorable exempt status determination letter. If EO Determinations maintains its adverse position after reviewing the appeal, it will forward the appeal and the exemption application case file to the Appeals Office.

### **Consideration by the Appeals Office**

.06 The Appeals Office will consider the organization's appeal. If the Appeals Office agrees with the proposed adverse determination, it will either issue a final adverse determination or, if a conference was requested, contact the organization to schedule a conference. At the end of the conference process, which may involve the submission of additional information, the Appeals Office will either issue a final adverse determination letter or a favorable determination letter. If the Appeals Office believes that an exemption or private foundation status issue is not covered by published precedent or that there is non-uniformity, the Appeals Office must request technical advice from EO Technical in accordance with Rev. Proc. 2007-5, section 4.04.

### **If a protest of a proposed adverse ruling is submitted to EO Technical**

.07 If an organization submits a protest of a proposed adverse exempt status ruling, EO Technical will review the protest statement. If the protest convinces EO Technical that the organization qualifies for tax-exempt status, a favorable ruling will be issued. If EO Technical maintains its adverse position after reviewing the protest, it will either issue a final adverse ruling or, if a conference was requested, contact the organization to schedule a conference. At the end of the conference process, which may involve the submission of additional information, EO Technical will either issue a final adverse ruling or a favorable exempt status ruling.

### **An appeal or protest may be withdrawn**

.08 An organization may withdraw its appeal or protest before the Service issues a final adverse determination letter or ruling. Upon receipt of the withdrawal request, the Service will complete the processing of the case in the same manner as if no appeal or protest was received.

**Appeal or protest and conference rights not applicable in certain situations**

.09 The opportunity to appeal or protest a proposed adverse determination letter or ruling and the conference rights described above are not applicable to matters where delay would be prejudicial to the interests of the Service (such as in cases involving fraud, jeopardy, the imminence of the expiration of the statute of limitations, or where immediate action is necessary to protect the interests of the Government).

**SECTION 8. DISCLOSURE OF APPLICATIONS AND DETERMINATION LETTERS AND RULINGS**

§§ 6104 and 6110 of the Code provide rules for the disclosure of applications, including supporting documents, and determination letters and rulings.

**Disclosure of applications, supporting documents, and favorable determination letters or rulings**

.01 The applications, any supporting documents, and the favorable determination letter or ruling issued are available for public inspection under § 6104(a)(1) of the Code. However, there are certain limited disclosure exceptions for a trade secret, patent, process, style of work, or apparatus if the Service determines that the disclosure of the information would adversely affect the organization.

(1) The Service is required to make the applications, supporting documents, and favorable determination letters or rulings available upon request. The public can request this information by submitting Form 4506–A, *Request for Public Inspection or Copy of Exempt or Political Organization IRS Form*.

(2) The exempt organization is required to make its exemption application, supporting documents, and determination letter or ruling available for public inspection without charge. For more information about the exempt organization’s disclosure obligations, *see* Publication 557, *Tax-Exempt Status for Your Organization*.

**Disclosure of adverse determination letters or rulings**

.02 The Service is required to make adverse determination letters and rulings available for public inspection under § 6110 of the Code. Upon issuance of the final adverse determination letter or ruling to an organization, both the proposed adverse determination letter or ruling and the final adverse determination letter or ruling will be released under § 6110.

(1) These documents are made available to the public after the deletion of names, addresses, and any other information that might identify the taxpayer. *See* § 6110(c) for other specific disclosure exemptions.

(2) The final adverse determination letter or ruling will enclose Notice 437, *Notice of Intention to Disclose*, and redacted copies of the final and proposed adverse determination letters or rulings. Notice 437 provides instructions if the organization disagrees with the deletions proposed by the Service.

**Disclosure to State officials when the Service refuses to recognize exemption under § 501(c)(3)**

.03 The Service may notify the appropriate State officials of a refusal to recognize an organization as tax-exempt under § 501(c)(3). *See* § 6104(c) of the Code. The notice to the State officials may include a copy of a proposed or final adverse determination letter or ruling the Service issued to the organization. In addition, upon request by the appropriate State official, the Service may make available for inspection and copying the exemption application and other information relating to the Service’s determination on exempt status.

**Disclosure to State officials of information about § 501(c)(3) applicants**

.04 The Service may disclose to State officials the name, address, and identification number of any organization that has applied for recognition of exemption under § 501(c)(3).

**SECTION 9. REVIEW OF DETERMINATION LETTERS BY EO TECHNICAL**

**Determination letters may be reviewed by EO Technical to assure uniformity**

.01 Determination letters issued by EO Determinations may be reviewed by EO Technical, or the Office of the Associate Chief Counsel (Passthroughs and Special Industries) (for cases under § 521), to assure uniform application of the statutes or regulations, or rulings, court opinions, or decisions published in the Internal Revenue Bulletin.

**Procedures for cases where EO Technical takes exception to a determination letter**

.02 If EO Technical takes exception to a determination letter issued by EO Determinations, the manager of EO Determinations will be advised. If EO Determinations notifies the organization of the exception taken, and the organization disagrees with the exception, the file will be returned to EO Technical. The referral to EO Technical will be treated as a request for technical advice and the procedures in Rev. Proc. 2007-5 will be followed.

**SECTION 10. DECLARATORY JUDGMENT PROVISIONS OF § 7428**

**Actual controversy involving certain issues**

.01 Generally, a declaratory judgment proceeding under § 7428 of the Code can be filed in the United States Tax Court, the United States Court of Federal Claims, or the district court of the United States for the District of Columbia with respect to an actual controversy involving a determination by the Service or a failure of the Service to make a determination with respect to the initial or continuing qualification or classification of an organization under § 501(c)(3) (charitable, educational, etc.); § 170(c)(2) (deductibility of contributions); § 509(a) (private foundation status); or § 4942(j)(3) (operating foundation status).

**Exhaustion of administrative remedies**

.02 Before filing a declaratory judgment action, an organization must exhaust its administrative remedies by taking, in a timely manner, all reasonable steps to secure a determination from the Service. These include:

(1) the filing of a substantially completed application Form 1023 or group exemption request under § 501(c)(3) pursuant to section 3.08 of this Revenue Procedure or the request for a determination of foundation status pursuant to Rev. Proc. 76-34;

(2) in appropriate cases, requesting relief pursuant to § 301.9100-1 of the Procedure and Administration Regulations regarding the extension of time for making an election or application for relief from tax (*see* Rev. Proc. 92-85, 1992-2 C.B. 490);

(3) the timely submission of all additional information requested by the Service to perfect an exemption application or request for determination of private foundation status; and

(4) exhaustion of all administrative appeals available within the Service pursuant to section 7.

**Not earlier than 270 days after seeking determination**

.03 An organization will in no event be deemed to have exhausted its administrative remedies prior to the earlier of:

(1) the completion of the steps in section 10.02, and the sending by the Service by certified or registered mail of a final determination letter or ruling; or

(2) the expiration of the 270-day period described in § 7428(b)(2) in a case where the Service has not issued a final determination letter or ruling and the organization has taken, in a timely manner, all reasonable steps to secure a determination letter or ruling.

**Service must have reasonable time to act on an appeal or protest**

.04 The steps described in section 10.02 will not be considered completed until the Service has had a reasonable time to act upon an appeal or protest as the case may be.

**Final determination to which § 7428 applies**

.05 A final determination to which § 7428 of the Code applies is a determination letter or ruling, sent by certified or registered mail, which holds that the organization is not described in § 501(c)(3) or § 170(c)(2), is a public charity described in a part of § 509 or § 170(b)(1)(A) other than the part under which the organization requested classification, is not a private foundation as defined in § 4942(j)(3), or is a private foundation and not a public charity described in a part of § 509 or § 170(b)(1)(A).

## **SECTION 11. EFFECT OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION**

### **Effective date of exemption**

.01 A determination letter or ruling recognizing exemption is usually effective as of the date of formation of an organization if its purposes and activities prior to the date of the determination letter or ruling were consistent with the requirements for exemption. However, special rules under § 508(a) of the Code may apply to an organization applying for exemption under § 501(c)(3), and special rules under § 505(c) may apply to an organization applying for exemption under §§ 501(c)(9), (17), or (20).

(1) If the Service requires the organization to alter its activities or make substantive amendments to its enabling instrument, the exemption will be effective as of the date specified in a determination letter or ruling.

(2) If the Service requires the organization to make a nonsubstantive amendment, exemption will ordinarily be recognized as of the date of formation. Examples of nonsubstantive amendments include correction of a clerical error in the enabling instrument or the addition of a dissolution clause where the activities of the organization prior to the determination letter or ruling are consistent with the requirements for exemption.

### **Reliance on determination letter or ruling**

.02 A determination letter or ruling recognizing exemption may not be relied upon if there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of the organization. Also, a determination letter or ruling may not be relied upon if it was based on any inaccurate material factual representations. *See* section 12.01.

## **SECTION 12. REVOCATION OR MODIFICATION OF DETERMINATION LETTER OR RULING RECOGNIZING EXEMPTION**

### **Revocation or modification of a determination letter or ruling may be retroactive**

A determination letter or ruling recognizing exemption may be revoked or modified by (1) a notice to the taxpayer to whom the determination letter or ruling was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) the issuance of temporary or final regulations, or (5) the issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin.

.01 The revocation or modification of a determination letter or ruling recognizing exemption may be retroactive if the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organizations to which § 503 of the Code applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. In certain cases an organization may seek relief from retroactive revocation or modification of a determination letter or ruling under § 7805(b). Requests for § 7805(b) relief are subject to the procedures set forth in Rev. Proc. 2007-5.

(1) Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change.

(2) In the case where a determination letter or ruling is issued in error or is no longer in accord with the Service's position and § 7805(b) relief is granted (*see* sections 13 and 14 of Rev. Proc. 2007-4), ordinarily, the revocation or modification will be effective not earlier than the date when the Service modifies or revokes the original determination letter or ruling.

### **Appeal and conference procedures in the case of revocation or modification of exempt status letter**

.02 In the case of a revocation or modification of a determination letter or ruling, the appeal and conference procedures are generally the same as set out in section 7 of these procedures, including the right of the organization to request that EO Determinations or the Appeals Office seek technical advice from EO Technical. However, appeal and conference rights are not applicable to matters where delay would be prejudicial to the interests of the Service (such as in cases involving fraud, jeopardy, the imminence of the expiration of the statute of limitations, or where immediate action is necessary to protect the interests of the Government).

(1) If the case involves an exempt status issue on which EO Technical had issued a previous contrary ruling or technical advice, EO Determinations generally must seek technical advice from EO Technical.

(2) EO Determinations does not have to seek technical advice if the prior ruling or technical advice has been revoked by subsequent contrary published precedent or if the proposed revocation involves a subordinate unit of an organization that holds a group exemption letter issued by EO Technical, the EO Technical ruling or technical advice was issued under the Internal Revenue Code of 1939 or prior revenue acts, or if the ruling was issued in response to Form 4653, *Notification Concerning Foundation Status*.

### **SECTION 13. EFFECT ON OTHER REVENUE PROCEDURES**

Rev. Proc. 90–27 is superseded.

### **SECTION 14. EFFECTIVE DATE**

This revenue procedure is effective July 23, 2007.

### **SECTION 15. PAPERWORK REDUCTION ACT**

The collection of information for a letter application under section 3.05 of this revenue procedure has been reviewed and approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act (44 U.S.C. § 3507) under control number 1545–2080. All other collections of information under this revenue procedure have been approved under separate OMB control numbers.

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 this information is required if an organization wants to be recognized as tax-exempt by the Service. We need the information to determine whether the organization meets the legal requirements for tax-exempt status. In addition, this information will be used to help the Service delete certain information from the text of an adverse determination letter or ruling before it is made available for public inspection, as required by § 6110.

The time needed to complete and file a letter application will vary depending on individual circumstances. The estimated average time is 10 hours.

Books and records relating to the collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. The rules governing the confidentiality of letter applications are covered in § 6104.

### **DRAFTING INFORMATION**

The principal author of this revenue procedure is Wayne Hardesty of the Exempt Organizations, Tax Exempt and Government Entities Division. For further information regarding this revenue procedure, please contact the TE/GE Customer Service office at (877) 829–5500 (a toll-free call).

26 CFR 601.204: *Changes in accounting periods and methods of accounting.*  
(Also Part I, §§ 61, 451, 471, 481; 1.451–1.)

## **Rev. Proc. 2007–53**

### **SECTION 1. PURPOSE**

In general, the Internal Revenue Service will follow *Westpac Pacific Food v. Commissioner*, 451 F.3d 970 (9<sup>th</sup> Cir. 2006), with respect to taxpayers that adopt the Advance Trade Discount Method of accounting described in section 4 of this

revenue procedure. Accordingly, this revenue procedure permits accrual method taxpayers described in section 3 of this revenue procedure to account for advance trade discounts under the Advance Trade Discount Method. This revenue procedure also provides procedures to obtain the automatic consent of the Commissioner to change to the Advance Trade Discount Method.

### **SECTION 2. BACKGROUND**

In *Westpac*, an accrual method taxpayer received payments, referred to as “advance

trade discounts,” upon entering into contracts with sellers of merchandise. Under the contracts, the taxpayer was required to purchase a minimum amount of merchandise during the term of a contract and was obligated to refund a *pro rata* portion of the cash payment to the extent the purchase commitment was not satisfied. In *Westpac*, the court held that the advance trade discount was not recognized as gross income under § 61 by the taxpayer when received.



## SECTION 3. SCOPE

This revenue procedure applies to an accrual method taxpayer required to use an inventory method of accounting and maintaining inventories, as provided for in § 471 of the Internal Revenue Code and the regulations thereunder, that receives advance trade discounts (as defined in section 4.03 of this revenue procedure).

## SECTION 4. ADVANCE TRADE DISCOUNT METHOD

.01 *In General.* A taxpayer within the scope of this revenue procedure is permitted to use the Advance Trade Discount Method of accounting. Under the Advance Trade Discount Method, an advance trade discount (as defined in section 4.03 of this revenue procedure) is not recognized as gross income under § 61 upon receipt. The advance trade discount generally is taken into account for federal income tax purposes in the amount of, in the manner of, and for the taxable year in which the taxpayer accounts for the discount in its applicable financial statements (as defined in section 4.06 of this revenue procedure). Thus, if a taxpayer reports an advance trade discount related to specific items of inventory in its applicable financial statements as a reduction to the cost of that inventory, the taxpayer must treat the discount as a trade or other discount under § 471 and reduce only the cost of the inventory to which the discount relates in the amount of, in the same manner as, and for the taxable year in which it reduces the cost of that inventory in its applicable financial statements. The taxpayer may not, for example, unwind the allocation made in its applicable financial statements and instead allocate the discount using the simplified resale method. Alternatively, if a taxpayer allocates an advance trade discount in its applicable financial statements exclusively to cost of goods sold, the taxpayer must treat the discount as a reduction to the cost of goods sold in the amount of and for the taxable year in which the discount is allocated to cost of goods sold in its applicable financial statements. However, a taxpayer must reduce the cost of the inventory to which the discount relates as the taxpayer purchases the inventory if that treatment results in the advance trade discount being recognized for federal in-

come tax purposes earlier than when the taxpayer accounts for the discount in its applicable financial statements.

.02 *Taxpayers Without Applicable Financial Statements.* To use the Advance Trade Discount Method, a taxpayer within the scope of this revenue procedure that does not have applicable financial statements (as defined in section 4.06 of this revenue procedure) must reduce only the cost of the specific items of inventory to which the discount relates as the taxpayer purchases the inventory.

.03 *Advance Trade Discounts.* A payment received by a taxpayer is an advance trade discount if:

(1) The payment is received from a seller of merchandise in exchange for a commitment by the taxpayer to purchase a minimum amount of merchandise from the seller within a period that does not exceed 5 years from the date of the agreement;

(2) Except as provided for in section 4.04 of this revenue procedure, the payment is intended to be a discount to the price of the merchandise to be purchased;

(3) The taxpayer is obligated, either in writing or because of industry custom, to repay an allocable portion, or all, of the payment if the underlying purchase commitment is not met; and

(4) The taxpayer does not treat the payment as a payment for services in its applicable financial statements (as defined in section 4.06 of this revenue procedure), if any.

.04 *Exclusive Supplier Agreements and Shelving Allowances.* Solely for purposes of the Advance Trade Discount Method, amounts allocable to exclusive supplier agreements and shelving (slotting) allowances included as part of a purchase commitment described in section 4.03(1) of this revenue procedure will be treated as advance trade discounts if the taxpayer is obligated to repay an allocable portion of those amounts if the underlying purchase commitment is not met and the requirements in sections 4.03(3) and (4) of this revenue procedure are satisfied.

.05 *Allocable Payments.* Except as provided for in section 4.04 of this revenue procedure, a taxpayer that receives a payment that is partially attributable to an advance trade discount described in section 4.03 of this revenue procedure may use the Advance Trade Discount Method only with respect to the portion of the payment

that is allocable to the advance trade discount based on objective criteria. For example, if the taxpayer receives a payment, part of which is for an advance trade discount and for part of which the taxpayer is obligated to perform or provide cooperative advertising services, the taxpayer may use the Advance Trade Discount Method only for the portion of the payment that the taxpayer is able to demonstrate, based on objective criteria, is attributable to the advance trade discount.

.06 *Applicable Financial Statement.* The taxpayer's applicable financial statement is the taxpayer's financial statement listed in paragraphs (1) through (3) of this section 4.06 that has the highest priority (including within paragraph (2)). A taxpayer that does not have a financial statement described in paragraphs (1) through (3) of this section 4.06 does not have an applicable financial statement for purposes of this revenue procedure. The financial statements are, in descending priority —

(1) a financial statement required to be filed with the Securities and Exchange Commission ("SEC") (the 10-K or the Annual Statement to Shareholders);

(2) a certified audited financial statement that is accompanied by the report of an independent CPA (or in the case of a foreign corporation, by the report of a similarly qualified independent professional), that is used for —

- (a) credit purposes,
- (b) reporting to shareholders, or
- (c) any other substantial non-tax purpose; or

(3) a financial statement (other than a tax return) required to be provided to the federal or a state government or any federal or state agency (other than the SEC or the Internal Revenue Service).

## SECTION 5. AUDIT PROTECTION FOR TAXPAYERS CURRENTLY USING THE ADVANCE TRADE DISCOUNT METHOD

A taxpayer's use of the Advance Trade Discount Method provided for in section 4 of this revenue procedure on a federal income tax return filed before July 2, 2007, will not be raised as an issue by the Service. Moreover, if a taxpayer's use of the Advance Trade Discount Method on a federal income tax return filed before July 2,

2007, is an issue under consideration in examination, appeals, or before the Tax Court, the issue will not be further pursued by the Service.

#### SECTION 6. CHANGE IN ACCOUNTING METHOD

.01 *In General.* A change in a taxpayer's method of accounting for advance trade discounts to the Advance Trade Discount Method provided for in section 4 of this revenue procedure is a change in method of accounting to which the provisions of §§ 446 and 481 and the regulations thereunder apply. Therefore, a taxpayer within the scope of this revenue procedure that wants to change to the Advance Trade Discount Method for taxable years ending on or after July 2, 2007, must obtain the consent of the Commissioner under § 446(e) and § 1.446-1(e)(3).

.02 *Automatic Change.* A taxpayer within the scope of this revenue procedure that wants to change to the Advance Trade Discount Method must obtain the consent of the Commissioner by following the automatic change in method of accounting procedures in Rev. Proc. 2002-9, 2002-1 C.B. 327 (as modified and clarified by Announcement 2002-17, 2002-1 C.B. 561, modified and amplified by Rev. Proc. 2002-19, 2002-1 C.B. 696, and amplified, clarified, and modified by Rev. Proc. 2002-54, 2002-2 C.B. 432) (or its successor), with the following additional modifications: (1) the scope limitations in section 4.02 of Rev. Proc. 2002-9 do not apply to a taxpayer that wants to make the change for its first taxable year ending on or after July 2, 2007; and (2) for purposes of section 6.02(4)(a) of Rev. Proc. 2002-9, the taxpayer must include on Line 1a of the Form 3115 the designated auto-

matic accounting method change number "111."

#### SECTION 7. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2002-9 is modified and amplified to include in the APPENDIX the automatic change provided in this revenue procedure.

#### DRAFTING INFORMATION

The principal author of this revenue procedure is Norma Rotunno of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Grant D. Anderson at (202) 622-4930 (not a toll-free number).

## Part IV. Items of General Interest

### Elimination of Schedule P of Form 5500 Series

#### Announcement 2007-63

On July 21, 2006, the Department of Labor announced rules mandating electronic filings of the Form 5500, *Annual Return/Report of Employee Benefit Plan*, under Title I of the Employee Retirement Income Security Act of 1974 (ERISA), 71 Fed. Reg. 41359 (Jul. 21, 2006). To reduce administrative burdens of employers, plans, their administrators and trustees and custodians, and in anticipation of the transition to a wholly electronic filing environment under the ERISA Filing Acceptance System (EFAST), the Service has determined that the continued use of a Schedule P, *Annual Return of Fiduciary of Employee Benefit Trust*, in connection with the filing of a plan's Form 5500 is no longer necessary for the efficient administration of the Internal Revenue laws.

Pursuant to the authority contained in § 6033(a) of the Internal Revenue Code, the Schedule P, which may be completed by a trustee of an employee benefit trust as the annual return of that trust, is being eliminated. The elimination of Schedule P is effective for the 2005 and later plan years for Form 5500-EZ filers. For all other Form 5500 series filers, the elimination of Schedule P is effective for the 2006 and later plan years.

For plan years in which the Schedule P is eliminated, the Service will treat the plan's filing of a return from the applicable Form 5500 series as if the filing constitutes a return of the plan's employee benefit trust for purposes of § 6501(g)(2). Thus, the Service will not assess income taxes with respect to an employee benefit trust later than the limitations periods specified in section 6501 for the assessment of tax related to the Form 5500 filed by the plan to which the trust relates. Notwithstanding the preceding sentence, in any case in

which the plan has been a party to an abusive tax avoidance transaction, as defined in section 4.13(2) of Rev. Proc. 2006-27, 2006-1 C.B. 945, or any successor thereto, the period during which the Service may assess income taxes with respect to the plan's employee benefit trust shall expire 6 years from the date the plan administrator or employer files a complete and accurate Form 5500 series (including all related schedules).

#### Drafting Information

The principal authors of this announcement are Michael Rubin of the Employee Plans, Tax Exempt and Government Entities Division, and William D. Gibbs and Dana A. Barry of the Office of the Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this announcement, please contact the Employee Plans taxpayer assistance answering service at 1-877-829-5500 (a toll-free call) between the hours of 8:30 a.m. and 4:30 p.m. Eastern time Monday through Friday or Mr. Rubin at [RetirementPlanQuestions@irs.gov](mailto:RetirementPlanQuestions@irs.gov). Mr. Gibbs and Ms. Barry can be reached at 202-622-6060 (not a toll-free call).

### Deletions From Cumulative List of Organizations to Which Contributions to Which are Deductible Under Section 170 of the Code

#### Announcement 2007-65

The names of organizations that no longer qualify as organizations described in section 170(c)(2) of the Internal Revenue Code of 1986 are listed below.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date

of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on July 23, 2007, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

Eagle A C, Inc.  
Louisville, KY

Annie T. Smith Mercy Fund  
Randolf, VT

# 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 List<sup>1</sup>**

Bulletins 2007–27 through 2007–30

### **Announcements:**

2007-61, 2007-28 I.R.B. 84  
2007-62, 2007-29 I.R.B. 115  
2007-63, 2007-30 I.R.B. 236  
2007-64, 2007-29 I.R.B. 125  
2007-65, 2007-30 I.R.B. 236

### **Notices:**

2007-54, 2007-27 I.R.B. 12  
2007-55, 2007-27 I.R.B. 13  
2007-56, 2007-27 I.R.B. 15  
2007-57, 2007-29 I.R.B. 87  
2007-58, 2007-29 I.R.B. 88  
2007-59, 2007-30 I.R.B. 135  
2007-61, 2007-30 I.R.B. 140

### **Proposed Regulations:**

REG-119097-05, 2007-28 I.R.B. 74  
REG-103842-07, 2007-28 I.R.B. 79

### **Revenue Procedures:**

2007-42, 2007-27 I.R.B. 15  
2007-43, 2007-27 I.R.B. 26  
2007-44, 2007-28 I.R.B. 54  
2007-45, 2007-29 I.R.B. 89  
2007-46, 2007-29 I.R.B. 102  
2007-47, 2007-29 I.R.B. 108  
2007-48, 2007-29 I.R.B. 110  
2007-49, 2007-30 I.R.B. 141  
2007-51, 2007-30 I.R.B. 143  
2007-52, 2007-30 I.R.B. 222  
2007-53, 2007-30 I.R.B. 233

### **Revenue Rulings:**

2007-42, 2007-28 I.R.B. 44  
2007-43, 2007-28 I.R.B. 45  
2007-44, 2007-28 I.R.B. 47  
2007-45, 2007-28 I.R.B. 49  
2007-46, 2007-30 I.R.B. 126  
2007-47, 2007-30 I.R.B. 127  
2007-48, 2007-30 I.R.B. 129

### **Treasury Decisions:**

9327, 2007-28 I.R.B. 50  
9328, 2007-27 I.R.B. 1

<sup>1</sup> A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2007–1 through 2007–26 is in Internal Revenue Bulletin 2007–26, dated June 25, 2007.

## **Finding List of Current Actions on Previously Published Items<sup>1</sup>**

Bulletins 2007–27 through 2007–30

### **Notices:**

#### **2007-26**

Modified by

Notice 2007-56, 2007-27 I.R.B. 15

### **Revenue Procedures:**

#### **90-27**

Superseded by

Rev. Proc. 2007-52, 2007-30 I.R.B. 222

#### **97-14**

Modified and superseded by

Rev. Proc. 2007-47, 2007-29 I.R.B. 108

#### **2002-9**

Modified and amplified by

Rev. Proc. 2007-48, 2007-29 I.R.B. 110

Rev. Proc. 2007-53, 2007-30 I.R.B. 233

#### **2004-42**

Superseded by

Notice 2007-59, 2007-30 I.R.B. 135

#### **2005-16**

Modified by

Rev. Proc. 2007-44, 2007-28 I.R.B. 54

#### **2005-66**

Clarified, modified, and superseded by

Rev. Proc. 2007-44, 2007-28 I.R.B. 54

#### **2006-25**

Superseded by

Rev. Proc. 2007-42, 2007-27 I.R.B. 15

#### **2006-27**

Modified by

Rev. Proc. 2007-49, 2007-30 I.R.B. 141

#### **2006-33**

Superseded by

Rev. Proc. 2007-51, 2007-30 I.R.B. 143

#### **2006-55**

Superseded by

Rev. Proc. 2007-43, 2007-27 I.R.B. 26

### **Revenue Rulings:**

#### **74-299**

Amplified by

Rev. Rul. 2007-48, 2007-30 I.R.B. 129

#### **89-96**

Amplified by

Rev. Rul. 2007-47, 2007-30 I.R.B. 127

#### **92-17**

Modified by

Rev. Rul. 2007-42, 2007-28 I.R.B. 44

---

<sup>1</sup> A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2007–1 through 2007–26 is in Internal Revenue Bulletin 2007–26, dated June 25, 2007.



**U.S. GOVERNMENT  
PRINTING OFFICE**  
KEEPING AMERICA INFORMED

Order Processing Code:  
3465

Easy Secure Internet:  
bookstore.gpo.gov

## Internal Revenue Cumulative Bulletins Publications and Subscription Order Form

Toll Free: 866 512-1800  
DC Area: 202 512-2800  
Fax: 202 512-2250

Mail: Superintendent of Documents  
P.O. Box 371954  
Pittsburgh, PA 15250-7954

### Publications

Qty.	Stock Number	Title	Price Each	Total Price
	048-004-02467-5	Cum. Bulletin 1999-3	20.40	
	048-004-02462-4	Cum. Bulletin 2001-2 (Jul-Dec)	24.00	
	048-004-02480-2	Cum. Bulletin 2001-3	71.00	
	048-004-02470-5	Cum. Bulletin 2002-2 (Jul-Dec)	28.80	
	048-004-02486-1	Cum. Bulletin 2002-3	54.00	
	048-004-02483-7	Cum. Bulletin 2004-2 (July-Dec)	54.00	
	048-004-02488-8	Cum. Bulletin 2005-2	56.00	
<b>Total for Publications</b>				

### Subscriptions

Qty.	List ID	Title	Price Each	Total Price
	IRS	Internal Revenue Bulletin	\$247	
		Optional - Add \$50 to open Deposit Account		
<b>Total for Subscriptions</b>				
<b>Total for Publications and Subscriptions</b>				

**NOTE: Price includes regular shipping and handling and is subject to change. International customers please add 40 percent.**

**Standing Order Service\***

To automatically receive future editions of *Internal Revenue Cumulative Bulletins* without having to initiate a new purchase order, sign below for Standing Order Service.

Qty.	Standing Order	Title
	ZIRSC	Internal Revenue Cumulative Bulletins

**Authorization**

I hereby authorize the Superintendent of Documents to charge my account for Standing Order Service:  
(enter account information at right)

VISA  MasterCard  Discover/NOVUS  American Express

Superintendent of Documents (SOD) Deposit Account

Authorizing signature (Standing orders not valid unless signed.)

---

Please print or type your name.

Daytime phone number (\_\_\_\_) \_\_\_\_\_

**SuDocs Deposit Account**

A Deposit Account will enable you to use Standing Order Service to receive subsequent volumes quickly and automatically. For an initial deposit of \$50 you can establish your Superintendent of Documents Deposit Account.

**YES!** Open a SOD Deposit Account for me so I can order future publications quickly and easily.  
I am enclosing the \$50 initial deposit.



### Check method of payment:

- Check payable to Superintendent of Documents
- SOD Deposit Account  -
- VISA  MasterCard  Discover/Novus  American Express

(expiration date)

**Thank you for your Order!**

Authorizing signature

06/06

Company or personal name

(Please type or print)

Additional address/attention line

Street address

City, State, Zip Code

E-mail address

Daytime phone including area code

Purchase order number (optional)

#### \*Standing Order Service

Just sign the authorization above to charge selected items to your existing Deposit Account, VISA or MasterCard, Discover/NOVUS, or American Express account. Or open a Deposit Account with an initial deposit of \$50 or more. Your account will be charged only as each volume is issued and mailed. Sufficient money must be kept in your account to insure that items are shipped. Service begins with the next issue released of each item you select.

You will receive written acknowledgement for each item you choose to receive by Standing Order Service.

If you wish to cancel your Standing Order Service, please notify the Superintendent of Documents in writing (telephone cancellations are accepted, but must be followed up with a written cancellation within 10 days).

**Important:** Please include this completed order form with your payment.

# INTERNAL REVENUE BULLETIN

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletin is sold on a yearly subscription basis by the Superintendent of Documents. Current subscribers are notified by the Superintendent of Documents when their subscriptions must be renewed.

## CUMULATIVE BULLETINS

The contents of this weekly Bulletin are consolidated semiannually into a permanent, indexed, Cumulative Bulletin. These are sold on a single copy basis and *are not* included as part of the subscription to the Internal Revenue Bulletin. Subscribers to the weekly Bulletin are notified when copies of the Cumulative Bulletin are available. Certain issues of Cumulative Bulletins are out of print and are not available. Persons desiring available Cumulative Bulletins, which are listed on the reverse, may purchase them from the Superintendent of Documents.

---

## ACCESS THE INTERNAL REVENUE BULLETIN ON THE INTERNET

You may view the Internal Revenue Bulletin on the Internet at [www.irs.gov](http://www.irs.gov). Under information for: select Businesses. Under related topics, select More Topics. Then select Internal Revenue Bulletins.

---

## INTERNAL REVENUE BULLETINS ON CD-ROM

Internal Revenue Bulletins are available annually as part of Publication 1796 (Tax Products CD-ROM). The CD-ROM can be purchased from National Technical Information Service (NTIS) on the Internet at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) (discount for online orders) or by calling 1-877-233-6767. The first release is available in mid-December and the final release is available in late January.

---

## HOW TO ORDER

Check the publications and/or subscription(s) desired on the reverse, complete the order blank, enclose the proper remittance, detach entire page, and mail to the Superintendent of Documents, P.O. Box 371954, Pittsburgh PA, 15250-7954. Please allow two to six weeks, plus mailing time, for delivery.

---

## WE WELCOME COMMENTS ABOUT THE INTERNAL REVENUE BULLETIN

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can e-mail us your suggestions or comments through the IRS Internet Home Page ([www.irs.gov](http://www.irs.gov)) or write to the IRS Bulletin Unit, SE:W:CAR:MP:T:T:SP, Washington, DC 20224

---

**Internal Revenue Service**  
**Washington, DC 20224**

Official Business  
Penalty for Private Use, \$300