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IRS Issues Instructions for 2010 Forms 1099, 1098, 3921, 3922, 5498, and W-2G

The IRS has issued the *General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G)* for 2010. The document is available for downloading from the APA website at www.americanpayroll.org/members/Forms-Pubs/#tax. Several "what's new" items are highlighted:

● ***New title for the General Instructions***. The title of the General Instructions has been changed to *General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G)*.

● ***Electronic filing.*** E-filers are reminded that using the FIRE (Filing Information Returns Electronically) system requires following the specifications contained in Publication 1220, *Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically*. Also, the IRS does not provide a fill-in .pdf form option.

● ***Due date for certain Forms 1099-MISC sent to recipients.*** The due date for furnishing statements to recipients for Forms 1099-MISC (if amounts are reported in Boxes 8 or 14) is February 15.

● ***Where to file.*** All information returns filed on paper will be filed with only two IRS processing centers: Austin, TX, and Kansas City, MO.

● ***Truncating payee identification number on paper payee statement.*** Notice 2009-93 (see PAYROLL CURRENTLY, Issue No. 23, Vol. 17) allows filers of forms in the 1098 series, 1099 series, and 5498 series to truncate an individual payee's social security number (SSN), IRS individual taxpayer identification number (ITIN), or IRS adoption taxpayer identification number (ATIN) on paper payee statements for tax years 2009 and 2010.

● ***Forms 3921 and 3922.*** 2010 will be the first reporting year for Forms 3921 (*Exercise of an Incentive Stock Option Under Section 422(b)*) and 3922 (*Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)*).

● ***Publication 1220.*** Information on three new forms has been added to Publication 1220, which is now titled *Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically* (see PAYROLL CURRENTLY, Issue No. 14, Vol. 17).

● ***Logos, slogans, and advertising.*** For amounts paid after 2010, logos, slogans, and advertising will not be permitted on Forms 1096, or Copy A of Forms 1098, 1099, 5498, W-2G, 1042-S, or any payee statements.

● ***Form 1099-R.***

– Generally, report distributions from traditional SEP and SIMPLE IRAs in Boxes 1 and 2a. Check the *Taxable amount not determined* box in Box 2b.

– Charges or payments made against the cash value of annuity contracts or the cash surrender value of life insurance policies for the purchase of qualified long-term care insurance contracts under combined arrangements are reported in Box 1, with Distribution Code W in Box 7.

– Notice 2002-3 has been modified and superseded by Notice 2009-68, which contains two safe harbor explanations that can be provided to recipients of eligible rollover distributions from an employer plan in order to satisfy IRC §402(f).

– Effective January 1, 2010, eligible rollover distributions from an employer's plan paid directly to a nonspouse beneficiary are subject to mandatory 20% withholding.

Instructions for Recipient.

– Reporting of tax free transfers of qualified long-term care insurance contracts has been added to Box 1.

– Reporting of charges or payments made against the cash value of an annuity contract or the cash surrender value of a life insurance contract for purchasing qualified long-term care insurance has been added to Box 1.

– Qualified long-term care insurance contracts have been added to the list of Section 1035 exchanges for Code 6 in Box 7.

– The title for Code E in Box 7 has been changed to *Distributions under Employee Plans Compliance Resolution System (EPCRS)*.

– New Code W has been added to the list of codes for Box 7 for reporting charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements.

● ***Form 5498.***

– References to *Additional contribution rules for 2004 and 2005* under *Special reporting for U.S. Armed Forces in designated combat zones* have been removed due to expiration of this provision on May 28, 2009.

Box 11.

– The checkbox has been lined up to the right for the convenience of issuers of the form.

– The box description in the *Instructions for Participant* has been returned to the wording found on previous versions of the form.

Boxes 15a and 15b.

– References to catch-up contributions in *Special reporting for 2009*, and the reporting instructions have been removed due to expiration of this provision.

– The boxes have been shaded out as no further catch-up contributions to IRAs due to certain employer bankruptcies are permitted in lieu of the higher contribution limit for individuals 50 and older. Also, the box descriptions in the *Instructions for Participant* have been removed.