

**MEMO# 15785**

March 21, 2003

## **MARCH 27 CONFERENCE CALL TO DISCUSS REVISED DRAFT COMMENT LETTER ON FORM 1099-Q AND FORM 5498-ESA**

[15785] March 21, 2003 TO: 529 PLAN ADVISORY COMMITTEE No. 18-03 OPERATIONS COMMITTEE No. 5-03 PENSION COMMITTEE No. 8-03 PENSION OPERATIONS ADVISORY COMMITTEE No. 17-03 TAX COMMITTEE No. 16-03 TRANSFER AGENT ADVISORY COMMITTEE No. 34-03 RE: MARCH 27 CONFERENCE CALL TO DISCUSS REVISED DRAFT COMMENT LETTER ON FORM 1099-Q AND FORM 5498-ESA A conference call has been scheduled for Thursday, March 27, 2003 at 2:00 p.m. EDT to discuss the Institute's revised draft comment letter (attached) regarding Form 1099-Q and Form 5498-ESA. These forms impose new reporting requirements with respect to Coverdell ESAs. In the revised draft comment letter, which reflects the comments of members made during our most recent conference call on this issue, the Institute urges that the following changes and clarifications be made with respect to these new reporting requirements:

- o Maintain the existing system for tracking earning and basis in ESA accounts whereby the responsibility for such calculations remains with the ESA account holder. ESA custodians would continue the same type of reporting historically done with respect to ESAs, but now on new Forms 1099-Q and 5498-ESA.
- o Modify certain requirements of Form 5498-ESA, such as the deadline for furnishing Copy B of the form to the account holder, so that custodians will have sufficient time to accurately comply with the reporting requirements.
- o If the Service nevertheless determines that ESA custodians must calculate earnings and basis, then the Institute urges that this be required prospectively only and only with respect to new contributions to new accounts; and that a sufficient transition period is provided that gives custodians the necessary time to comply with new requirements.
- o Clarify how certain requirements of Notice 2001-81 will apply with respect to ESA reporting, such as the requirement to aggregate accounts.
- 2 o Clarify several technical questions regarding reporting on Forms 1099-Q and 5498-ESA.

If you would like to participate in this call, please complete the attached response form and fax it to Brenda Turner by Wednesday, March 26, 2003. Please dial 1-800-988-9433 and ask for the ICI "1099-Q" call, Lisa Robinson, moderator. In addition, if there are specific issues that you would like to discuss during the call, please provide the items on the response form. You may also contact me at 202-326-5835 or lrobinson@ici.org. Lisa Robinson Assistant Counsel Attachment no. 1 (in .pdf format)

abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.