

MEMO# 15142

September 11, 2002

IRS ANNOUNCEMENT PERMITS REPORTING OF NEGATIVE EARNINGS ON FORM 1099-Q, QUALIFIED TUITION PROGRAM PAYMENTS UNDER SECTION 529

[15142] September 11, 2002 TO: 529 PLAN ADVISORY COMMITTEE No. 30-02 OPERATIONS MEMBERS No. 28-02 TAX MEMBERS No. 41-02 TRANSFER AGENT ADVISORY COMMITTEE No. 83-02 RE: IRS ANNOUNCEMENT PERMITS REPORTING OF NEGATIVE EARNINGS ON FORM 1099-Q, QUALIFIED TUITION PROGRAM PAYMENTS UNDER SECTION 529 The Internal Revenue Service has issued Announcement 2002-76 (attached), which provides guidance for reporting earnings on Form 1099-Q, Qualified Tuition Program Payments under section 529 of the Internal Revenue Code. This announcement changes and clarifies Revenue Procedure 2002-34, which provides specifications for filing various forms, including Forms 1099, electronically or magnetically. As requested by the Institute,¹ the announcement permits the reporting of negative earnings when an account balance has declined. Specifically, the announcement provides that Box 2 (Earnings) of Form 1099-Q may contain either a positive or negative number. If a negative amount is reported in Box 2, filers should follow the Revenue Procedure 2002-34 reporting guidelines contained in the general information section for Payment Amount Fields in the Payee 'B' record, to the extent Announcement 2002-76 has not changed or clarified such guidelines. Additionally, the announcement provides that Coverdell ESA contributions and rollover amounts should be reported in Payment Amount Field B of the Payee 'B' Record on Form 5498. Lisa Robinson Assistant Counsel Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 15142, or call the ICI Library at (202) 326-8304 and request the attachment for memo 15142. ¹ See Institute Memorandum to 529 Plan Advisory Committee No. 13-02, dated March 22, 2002.

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