

MEMO# 12521

August 23, 2000

REVISED IRS WEBSITE INSTRUCTIONS REGARDING PREPARATION OF FORMS 1099-DIV FOR 2000

[12521] August 23, 2000 TO: ACCOUNTING/TREASURERS COMMITTEE No. 33-00 BANK AND TRUST ADVISORY COMMITTEE No. 22-00 BROKER/DEALER ADVISORY COMMITTEE No. 20-00 OPERATIONS COMMITTEE No. 19-00 TAX COMMITTEE No. 37-00 TRANSFER AGENT ADVISORY COMMITTEE No. 41-00 RE: REVISED IRS WEBSITE INSTRUCTIONS REGARDING PREPARATION OF FORMS 1099-DIV FOR 2000 As we previously informed you,¹ the draft Form 1040A for 2000 simplifies the procedures for taxpayer reporting of capital gain distributions. Specifically, taxpayers receiving capital gain distributions reported on IRS Forms 1099-DIV are now eligible to file Form 1040A.² However, the back of Copy B of the 2000 Form 1099-DIV contains an incorrect instruction stating that recipients of capital gain distributions cannot file Form 1040A. To eliminate any potential confusion, and as urged by the Institute, the IRS will post the following revised instructions on the "What's Hot" page of its website at <http://www.irs.treas.gov/prod/hot/index.html> explaining that preparers of Forms 1099-DIV may disregard and/or omit the incorrect instruction and notify recipients about the change to Form 1040A. All changes from the previously-distributed version of the instructions are italicized. "New for 2000, Capital Gain Distributions Reported on Form 1040A Beginning in 2000, certain capital gain distributions can be reported on line 10 of Form 1040A, <http://ftp.fedworld.gov/pub/irs-dft/d1040a.pdf>. Because of this change, there is a conflict with the Caution included in the instructions on the back of Copy B of the 2000 Form 1099-DIV, <http://ftp.fedworld.gov/pub/irs-pdf/f1099d00.pdf>. The Caution tells recipients if there is an amount in box 2a (total capital gain distributions), they must file Form 1040 and cannot use Form 1040A. However, because of the addition of line 10 on the 2000 Form 1040A, a recipient of Form 1099-DIV with an amount in box 2a may be able to file Form 1040A. 1 See Institute Memorandum to Accounting/Treasurers Committee No. 31-00; Bank and Trust Advisory Committee No. 20-00; Broker/Dealer Advisory Committee No. 18-00; Operations Committee No. 17-00; Tax Committee No. 34-00; and Transfer Agent Advisory Committee No. 39-00, dated August 18, 2000. 2 We understand that this change to Form 1040A will apply to mutual fund shareholders whose only capital gains are from capital gain dividends (no portion of which is taxed at a rate in excess of 20 percent). 2Also for 2000, the instructions for Form 1040A will contain a Capital Gain Tax Worksheet, <http://ftp.fedworld.gov/pub/irs-dft/e1040acg.pdf>, to figure the tax. The worksheet is similar to the one in the 1999 Form 1040 instructions. If you issue the official IRS Form 1099-DIV, Copy B, to recipients, you may inform them about the change and to disregard the Caution. If you issue a substitute Copy B, you may omit the Caution as well as inform recipients about the change." Deanna J. Flores Assistant Counsel

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