

MEMO# 2085

August 3, 1990

IRS REVENUE PROCEDURE ON PREPARING MAGNETIC MEDIA SUBMISSIONS FOR TAX YEAR 1990 RETURNS

- 1 - August 3, 1990 TO: TAX MEMBERS NO. 31-90 UNIT INVESTMENT TRUST MEMBERS NO. 55-90 CLOSED-END FUND MEMBERS NO. 31-90 OPERATIONS MEMBERS NO. 22-90 TRANSFER AGENT ADVISORY COMMITTEE NO. 28-90 RE: IRS REVENUE PROCEDURE ON PREPARING MAGNETIC MEDIA SUBMISSIONS FOR TAX YEAR 1990 RETURNS

Attached is IRS Revenue Procedure 90-41, which sets forth requirements for preparing magnetic media submissions for tax year 1990 information returns. Section 2 of Part A (at pages 8- 11) lists changes that must be made to 1989 computer programs before the programs may be used to generate 1990 returns. The Internal Revenue Service advises that the Revenue Procedure be carefully reviewed in its entirety to ensure proper reporting. Among the many changes are the following: (1) The Revenue Reconciliation Act of 1989 (Title VII of the Omnibus Reconciliation Act of 1989) changed some of the magnetic media reporting requirements and penalty provisions. For a discussion of these changes, see the Institute's Memorandum to Closed-End Fund Members No. 68-89, Tax Members No. 48-89, Unit Investment Trust Members No. 70-89, Operations Committee No. 27- 89, Accounting/Treasurers Committee No. 55-89 and Transfer Agent Advisory Committee No. 31-89, dated December 19, 1990. (2) The Internal Revenue Service will accept both original information returns and corrections for 1990 by way of electronic filing as well as by magnetic media. A new Part C has been added to the Revenue Procedure at pages 54-57 which contains the information related to electronic filing. (3) A new Part D has been added to provide miscellaneous information, including a list of all of the magnetic media-related forms and publications available from the Internal Revenue Service. (4) A toll-free number has been added for those persons who have tax law questions. See Part A, Secs. 1.04 (page 8) and 3.05(c) (page 11). (5) Forms 1098, 1099 series, 5498 and W2-G are no longer aggregated to determine whether a filer has 250 forms to - 2 - be filed and thus is required to use magnetic media reporting. - 3 - The threshold is now determined separately for each form. Similarly, the look-back rule has been rescinded. That rule had required that a person who had been required to file on magnetic media in the previous year was required to file that way the next year as well, even if the following year the filer had fewer than 250 forms to file. (6) A "Vendor List" has been added to Part A, Sec. 6, to provide to filers the vendor list which the Internal Revenue Service maintains for those filers who must file on magnetic media but have a hard time finding a vendor in their area who can properly format the material. (7) Tapes and disks will not be returned by the Martinsburg, West Virginia

Computing Center ("MCC") after processing. (8) Part A, Sec. 13 contains information on when MCC will process corrected filings. (9) Part A, Sec. 3 contains the information on how to contact MCC with questions other than those relating to the law. (10) Submitting a filing with a missing or incorrect "End of Payer 'C' Record" will result in the filing being returned for correction. The Internal Revenue Service's procedures for matching names and taxpayer identification numbers ("TINs") are discussed in Section 14 of Part A (at pages 20 and 21). Chart 1 provides guidelines for social security numbers; Chart 2 provides guidelines for employer identification numbers. Paragraph .02 of Section 14 provides that the Internal Revenue Service validates social security numbers by using the "Name Control" of the surname of the individual who has been assigned this number. The requirements for the "Name Control" field are set forth in Section 6 of Part B (at pages 36 and 39-40). Payors are encouraged to use "every effort" to develop the correct Name Control, especially where the name that corresponds to the TIN is not included in the first or second payee name lines. To further assist in developing the proper Name Control, the Revenue Procedure gives several examples illustrating how its requirements should be applied. We will keep you informed of developments. David J. Mangefrida, Jr. Assistant General Counsel Attachment

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