

**MEMO# 16975**

January 15, 2004

## **2004 FORM 1099-Q AND 1099-Q AND 5498-ESA INSTRUCTIONS**

[16975] January 16, 2004 TO: 529 PLAN ADVISORY COMMITTEE No. 2-04 OPERATIONS MEMBERS No. 3-04 PENSION MEMBERS No. 2-04 PENSION OPERATIONS ADVISORY COMMITTEE No. 3-04 TAX MEMBERS No. 1-04 TRANSFER AGENT ADVISORY COMMITTEE No. 7-04 RE: 2004 FORM 1099-Q AND 1099-Q AND 5498-ESA INSTRUCTIONS The IRS has released the 2004 Form 1099-Q and accompanying instructions and the 2004 instructions for Form 5498-ESA relating to Coverdell ESAs ("ESAs").<sup>1</sup> The 2004 Form 1099-Q and instructions, which continue to apply the interim rules set forth in Notice 2003-53,<sup>2</sup> do not require that ESA custodians track earnings and basis for ESA accounts.<sup>3</sup> Treasury and the IRS are continuing to consider the Institute's suggestion that they permanently maintain the pre-existing ESA reporting regime, under which basis and earnings calculations remain the responsibility of each ESA account holder.<sup>4</sup> Lisa Robinson Assistant Counsel 1 See <http://www.irs.gov/pub/irs-pdf/f1099q.pdf> for the 2004 Form 1099-Q; <http://www.irs.gov/pub/irs-pdf/i1099q.pdf> for the 2004 instructions for Form 1099-Q; and <http://www.irs.gov/pub/irs-pdf/i5498e.pdf> for the 2004 instructions for Form 5498-ESA. 2 See Institute Memorandum (No. 16405) to 529 Plan Advisory Committee No. 43-03, Operations Members No. 22-03, Pension Members No. 36-03, Pension Operations Advisory Committee No. 48-03, Tax Members No. 42-03 and Transfer Agent Advisory Committee No. 72-03, dated August 4, 2003. 3 The instructions to Form 1099-Q provide that if payers/trustees do not report earnings and basis for ESA distributions, they should leave boxes 2 and 3 (Earnings and Basis, respectively) blank. Do not enter zero. Instead, payers/trustees should report the fair market value ("FMV") as of the end of the year in the blank box below boxes 5 and 6 and label this amount "FMV." 4 See Institute Memorandum (No. 16583) to 529 Plan Advisory Committee No. 55-03, Operations Members No. 28-03, Pension Members No. 41-03, Pension Operations Advisory Committee No. 62-03, Tax Members No. 49-03 and Transfer Agent Advisory Committee No. 91-03, dated September 26, 2003 (arguing that ESA custodians not be required to do basis and earnings reporting).