

2000



Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-DIV

Section references are to the Internal Revenue Code unless otherwise noted.

What's New for 2000?

To help make it easier for you to get only the information you need to complete the Forms 1099, 1098, 5498, and W-2G you file, we are now providing general and specific form instructions as separate products. The new products you should use for 2000 are the **General Instructions for Forms 1099, 1098, 5498, and W-2G**, which contains general information concerning Form 1099-DIV and other forms in the 1099 series, and the separate specific instructions for each information return you file. If you prefer to have all the specific and general instructions in one booklet, the **2000 Instructions for Forms 1099, 1098, 5498, and W-2G** is also available.

Specific Instructions for Form 1099-DIV

File **Form 1099-DIV**, Dividends and Distributions, for each person (a) to whom you have paid dividends and other distributions on stock of \$10 or more, (b) for whom you have withheld and paid any foreign tax on dividends and other distributions on stock, (c) for whom you have withheld any Federal income tax under the backup withholding rules, or (d) to whom you paid \$600 or more as part of a liquidation.

Section 404(k) Dividend

Report on Form 1099-DIV dividends distributed under section 404(k) on stock held by an employee stock ownership plan (ESOP) or a tax credit ESOP. If a section 404(k) distribution is made in the same year as a total distribution from the ESOP, you may report the entire amount on 1099-R, or you may report the dividends on Form 1099-DIV and the remaining amount on Form 1099-R.



Section 404(k) dividends are not subject to backup withholding.

Exceptions

You are **not** required to file Form 1099-DIV for payments made to certain payees including a corporation, a tax-exempt organization, any IRA, a U.S. agency, a state, the District of Columbia, a U.S. possession, or a registered securities or commodities dealer.

Dividends

If you make a payment that may be a dividend, but you are unable to determine whether any part of the payment is a dividend by the time you must file Form 1099-DIV, the entire payment must be reported as a dividend. See regulations under section 6042 for a definition of dividends.

Taxable dividend distributions from life insurance contracts are reported on Form 1099-R not on Form 1099-DIV.

An exempt-interest dividend from a regulated investment company retains its tax-exempt status and is not reported on Form 1099-DIV or 1099-INT.



Certain distributions commonly referred to as "dividends" are actually interest and are to be reported on Form 1099-INT. These include so-called "dividends" on deposit or on share accounts in cooperative banks, credit unions,

domestic building and loan associations, domestic and Federal savings and loan associations, and mutual savings banks.

Substitute Payments in Lieu of Dividends

For payments received by a broker on behalf of a customer in lieu of dividends as a result of the transfer of a customer's securities for use in a short sale, see **Box 8** in the **2000 Instructions for Form 1099-MISC**.

RICs and REITs

If a regulated investment company (RIC) or a real estate investment trust (REIT) declares a dividend in October, November, or December payable to shareholders of record on a specified date in such a month, the dividends are treated as paid by the RIC or REIT and received by the shareholders on December 31 of such year as long as the dividends are actually paid by the RIC or REIT during January of the following year. Report such dividends on Form 1099-DIV for the year preceding the January they are actually paid. See sections 852(b)(7) and 857(b)(8).

If such a dividend paid in January is subject to backup withholding, withhold when the dividend is actually paid. Therefore, backup withhold in January, deposit the withholding when appropriate, and reflect it on Form 945 for the year withheld. However, since the dividend is reportable on Form 1099-DIV in the prior year, the related backup withholding is also reportable on the prior year Form 1099-DIV.

Qualified Small Business Stock—RICs

Under section 1202, a 50% exclusion may be allowed on the gain on the sale or exchange of qualified small business stock (QSBS) issued after August 10, 1993, and held for more than 5 years. If any part of the capital gain distribution reported in box 2a may qualify for this exclusion (taking into consideration the shareholder's holding period), report the gain in box 2d, and furnish the recipient a statement that reports separately for each designated section 1202 gain the:

- Name of the corporation that issued the stock that was sold,
- Date (or dates) on which the RIC acquired the stock,
- Date sold,
- Shareholder's part of the sales price,
- Shareholder's part of the RIC's basis in the stock, and
- Amount of the shareholder's section 1202 gain.

Restricted Stock

For information about reporting dividends on restricted stock, see Rev. Procs. 80-11, 1980-1 C.B. 616, and 83-38, 1983-1 C.B. 773, and Rev. Rul. 83-22, 1983-1 C.B. 17.

Statements to Recipients

If you are required to file Form 1099-DIV, you must provide a statement to the recipient. For information about the requirement to furnish an official or acceptable substitute Form 1099-DIV to recipients in person or by statement mailing, see part **H** in the **2000 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

2nd TIN Not.

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an

incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

Box 1

Enter ordinary dividends, including those from money market funds and net short-term capital gains from mutual funds, and other distributions on stock. Include reinvested dividends and section 404(k) dividends. Include the recipient's share of investment expenses that you report in box 5.

Box 2a

Enter total capital gain distributions (long-term). Include all amounts shown in boxes 2b, 2c, and 2d.

Box 2b

Enter any amount included in box 2a that is 28% rate gain from sales or exchanges of collectibles.

Box 2c

Enter any amount included in box 2a that is unrecaptured section 1250 gain from certain depreciable real property.

Box 2d

Enter any amount included in box 2a that is section 1202 gain from certain qualified small business stock. See **Qualified Small Business Stock—RICs** on page DIV-1.

For more information about reporting amounts in boxes 2a through 2d, see Notice 97-64, 1997-2 C.B. 323, and section 1(h).

Box 3

Enter nontaxable distributions, if determinable.



*File **Form 5452**, **Corporate Report of Nondividend Distributions**, if you pay nontaxable distributions to shareholders.*

Box 4

Enter backup withholding. For example, persons who have not furnished their TIN to you in the manner required are subject to

withholding at a 31% rate on certain dividend payments reported on this form.

Box 5

Enter the stockholder's pro rata share of certain amounts deductible by a nonpublicly offered regulated investment company in computing its taxable income. This amount is includible in the stockholder's gross income under section 67(c) and must also be included in box 1.

Box 6

Enter any foreign tax withheld and paid on dividends and other distributions on stock. A regulated investment company must report only the amount it elects to pass through to the shareholder. Report this amount in U.S. dollars.

Box 7

Enter the name of the foreign country or U.S. possession to which the withheld tax applies.



Boxes 8 and 9 apply only to corporations in partial or complete liquidation.

Box 8

Enter cash distributed as part of a liquidation. Do not include this amount in box 1.

Box 9

Enter noncash distributions made as part of a liquidation. Show the fair market value as of the date of distribution. Do not include this amount in box 1.

S Corporations

Box 1

Report as dividends on Form 1099-DIV only distributions made during 2000 out of accumulated earnings and profits. See section 1368 for more information.