



**Reasonable Cause
Regulations and
Requirements for
Missing and Incorrect
Name/TINs (including
instructions for reading
magnetic tape)**



Department of the Treasury
Internal Revenue Service

www.irs.gov

Publication 1586 (Rev. 7-2004)
Catalog Number 13597U



TABLE OF CONTENTS

Part		Page
I	Introduction	1
	• Purpose	
	• What's New?	
II	The Penalty for Missing TINs and Incorrect NAME/TIN Combinations	2
III	Reasonable Cause	2
IV	Notice 972CG, Notice of Proposed Civil Penalty	2
	• Penalty Proposal Notice	
	• The Contents of Notice 972CG	
	• How to Answer Notice 972CG	
V	Solicitations	4
	• Solicitations by Mail	
	• Solicitations by Telephone	
	• Electronic Solicitations	
VI	Actions for Missing TINs and Incorrect Name/TIN Combinations	5
	• Missing TINs	
	• Incorrect TINs	
	• -Exceptions to the Requirement for Two Annual Solicitations	
	• Comparison of Payee Listings to Your Records	
VII	Form W-2 Solicitation	8
VIII	The IRS Matching Process and Name Controls	11
	• Name Controls	
IX	Alert for Medical Service Providers	13
X	Alert for Sole Proprietors	14
XI	Where to Call for Help and Instructions for Reading Magnetic Cartridge	16

I INTRODUCTION

Purpose:

This publication:

- ✓ provides the information you need to avoid penalties for the information returns you filed with missing or incorrect taxpayer identification numbers (TINs),
- ✓ tells about the actions you must take or should have taken to solicit (ask for) a TIN, and
- ✓ explains what you have to do to establish reasonable cause.

The regulations affecting all persons who may be subject to penalties for failure to comply with the provisions of Internal Revenue Code (IRC) sections are:

- ✓ 301.6721-0, failure to file timely correct information returns,
- ✓ 301.6722-1, failure to furnish timely correct payee statements, and
- ✓ 301.6723-1, failure to comply timely with other information reporting requirements.

What's New?

- ✓ Form W-2, Wage and Tax Statements, has been included in the Information Returns Reporting Program (IRP)
- ✓ Form 1099 Q, Qualified Tuition Payments, has been included in the Information Returns Reporting Program (IRP)
- ✓ Form 1099-CAP, Changes in Corporate Control and Capital Structure, has been included in the Information Returns Reporting Program
- ✓ Form 5498, IRA Contribution Information, has been included in the Information Returns Reporting Program
- ✓ Form 5498-MSA, Archer MSA or Medicare+Choice MSA Information, has been included in the Information Returns Reporting Program
- ✓ Form 1098-E, Student Loan Interest Statement, has been included in the Information Returns Reporting Program
- ✓ Form 1098-T, Tuition Statement, has been included in the Information Returns Reporting Program
- ✓ Courtesy copies of incorrect TINs/SSNs listings will be provided to payees although they may not be subject to penalty due to de minimis criteria

II THE PENALTY FOR MISSING TINs AND INCORRECT NAME/TIN COMBINATIONS

For each information return you filed with a missing taxpayer identification number (TIN) or with an incorrect name/TIN combination, you may be subject to a \$50 penalty.

The penalty may be reduced to \$15 per return if you correct it within 30 days of the required filing date, or to \$30 if you correct it after the 30-day period but by August 1 of the year the return was required to be filed. The penalty is not imposed for a de minimis number of returns that you correct by August 1 of the filing year. The penalty may be waived if you can show reasonable cause.

III REASONABLE CAUSE

The penalty for filing information returns with missing TINs or incorrect name/TIN combinations may be waived if you show that the failure was due to reasonable cause and not to willful neglect. To get a waiver, you must be able to demonstrate that you acted in a responsible manner both before and after the failure occurred and establish that:

- ✓ there were significant mitigating factors (for example, you have an established history of filing information returns with correct TINs), or
- ✓ the failure was due to events beyond your control (for example, a payee did not provide you with a correct name/TIN in response to your request for it).

Acting in a responsible manner means you must make an initial solicitation (request) for the payee's name and TIN (and if required, an annual solicitation). When you receive this information, you must use it on any future information returns you file.

IV NOTICE 972CG, NOTICE OF PROPOSED CIVIL PENALTY, Penalty Proposal Notice

You will receive Notice 972CG and a listing of the information returns you filed with missing or incorrect name/TIN combinations. Notice 972CG proposes a penalty of \$50 for each return you did not file correctly. You should compare the listing with your records to determine:

- ✓ if you took appropriate action (see Part VI) to meet the requirements for establishing reasonable cause, and
- ✓ if you must make an annual solicitation in the current year to avoid penalties in future years.

Notice 972CG also may include proposed penalties for late filing and failure-to-file information returns on magnetic media or via electronic media. If your notice includes these penalties, you must also submit an explanation to substantiate reasonable cause in order to have them waived.

The Contents of Notice 972CG

- ✓ An explanation of the proposed penalty.
- ✓ An explanation of how you should answer the notice.
- ✓ A record of each submission considered in the penalty, including the form type, date received (if late filed), whether the returns were original or amended, the transmitter's control code (for magnetic/electronic filers), and the type(s) of penalty (ies) that applies.
- ✓ A summary of the proposed penalty which takes into consideration all penalties proposed and the maximum penalty amount which can be assessed under IRC section 6721.
- ✓ A response page.

Reminder: This is the only page of the notice you should return to the Internal Revenue Service Campus with your proof of solicitation or with your written explanation substantiating reasonable cause.

You must check the appropriate box to indicate whether you fully agree, partially agree, or totally disagree with the proposed penalty. If you fully agree, you must sign in the space provided and submit payment.

How to Answer Notice 972CG

You have 45 days to answer Notice 972CG.

- ✓ **If you need more time**, you must submit your request in writing (to the IRS Campus listed on the notice) **before** the end of the 45-day period.
- ✓ **If your reply shows that you established reasonable cause**; we will send IRS Letter 1948C to you saying that we accept your explanation.
- ✓ **If your reply does not establish or only partially establishes reasonable cause**, we will assess the penalty and send you a balance due notice (CP15/215) and a separate letter explaining your appeal rights.
- ✓ **If you agree with the proposed penalty**, you may submit a payment with the response page or sign the consent statement (on the response page) to show that you agree; then, we will send a balance due notice (CP15/215).
- ✓ **If you do not answer Notice 972CG within 45 days**, we will assess the full amount of the proposed penalty and send you a balance due notice (CP15/215).

Interest accrues on the balance due from the date of the CP15/215 Notice and continues until the penalty is fully paid. We will remove interest from any penalty amount that is abated.

V SOLICITATIONS

A solicitation is a request by a payer for a payee to furnish a correct TIN. For Forms 1099 that are subject to the backup withholding section of the IRC, you must have completed the solicitation in the time and manner prescribed by that section (see Publication 1679, *A Guide to Backup Withholding*, or Publication 1281, *Backup Withholding for Missing and Incorrect Name/TINs*). For other information returns you may do your solicitation as follows.

Solicitations by Mail

If you decide to do the annual solicitation by mail, you must send three items to the payee:

-  a letter stating that he or she must provide his or her TIN and that failure to do so may result in a \$50 penalty,
-  Form W-4 or W-9 as applicable (or a substitute as long as it is substantially similar to Forms W-4 and W-9), and
-  a return envelope, which may be, but is not required to be, postage prepaid.

If the annual solicitation is for a missing or incorrect name/TIN required to be reported on Form 1099-R, you may also include a Form W-4P.

Solicitations by Telephone

You may do the annual solicitation by telephone if your solicitation procedure is designed and carried out in a way that is conducive to getting the payee's TIN. You may conduct a telephone solicitation if you:

-  call each payee with a missing or incorrect name/TIN combination and speak to an adult member of the household, or to an officer of the business or the organization,
-  request the payee's TIN,
-  inform the payee that he or she is subject to a \$50 penalty if the TIN is not provided,
-  keep records showing that the solicitation was properly made and
-  provide your records to the IRS if you are asked.

Electronic Solicitations

Requesters may establish a system for payees to receive and respond to solicitations (Forms W-9 or W-4, generally) electronically, including by fax. A requester is anyone required to file an information return. A payee is anyone required to provide a taxpayer identification number (TIN) to the requester. Generally, the electronic system must -

-  Ensure the information received is the information sent, and document all occasions of user access that result in the submission.
-  Make it reasonably certain the person accessing the system and submitting the form is the person identified on the Form W-4 or W-9.
-  Provide the same information as the paper Form W-4 or W-9.



Require, as the final entry in the submission, an electronic signature by the payee whose name is on the Form W-4 or W-9 that authenticates and verifies the submission.



Be able to supply a hard copy of the electronic Form W-4 or W-9 if the Internal Revenue Service requests it.

Note: *For Forms W-9 that are not required to be signed, the electronic system need not provide for an electronic signature or a perjury statement. Additional requirements may apply. Annual solicitations are not required if no payments were made to the payee's account in the years in which the penalty notice is received or if no information returns is required for the account for that year.*

VI ACTIONS FOR MISSING TINs AND INCORRECT NAME/TIN COMBINATIONS

The following information explains when IRS requires an annual solicitation.

Note: *You must usually use a Form W-8, Certificate of Foreign Status, or a substitute, to solicit the TIN for a nonresident alien, foreign entity, or exempt foreign person not subject to certain U.S. information return reporting or backup withholding. However, a Form W-9 is optional in certain cases; see "Notice of Change in Status" in the Instructions for Form W-8 for more information on this topic.*

Missing TINs

A missing TIN is one which is not provided or is obviously incorrect. A TIN must have nine numbers. A TIN beginning with the number 9 is an ITIN and should not be used on a Form W-4.

We consider a TIN missing if it does not have nine numbers, or if it includes an alpha character (a symbol other than an Arabic numeral). For payee accounts with missing TINs, you must:

- ◆ Complete an **initial** solicitation at the time the account is opened. The term "account" includes accounts, relationships, and other transactions.
- ◆ Complete a **first annual** solicitation if you do not receive a TIN as a result of your initial solicitation, immediately begin backup withholding on reportable payments, and by December 31 of the year in which the account is opened (for accounts opened before December) or by January 31 of the following year (for accounts opened the preceding December).
- ◆ Complete a **second annual** solicitation, if you do not receive a TIN or a valid TIN as a result of your first annual solicitation. You must complete this by December 31 of the year immediately following the calendar year in which the account was opened.

The following requirements apply to payee accounts with missing TINs for payments of designated distributions reported on Forms 1099R. You must:

- ◆ Complete an initial solicitation, as previously described.

-
- ◆ If you do not receive a response as a result of your initial solicitation, withhold from the taxable portion of any payment that is a designated distribution and is subject to withholding. The rate of withholding depends upon the type of payment you are making. If the payment is nonperiodic (and is not an eligible rollover distribution), withhold at a 10% rate. If the payment is periodic (and is not an eligible rollover distribution), the rate of withholding is based on the wage withholding tables, using the rate for a single individual claiming zero withholding allowances. If the payment is an eligible rollover distribution, the appropriate withholding rate is 20%.
 - ◆ If you do not receive a TIN as a result of your initial solicitation, complete a first annual solicitation by December 31 of the calendar year in which you receive a Notice 972CG, notifying you of a missing TIN.
 - ◆ If you do not receive a valid TIN as a result of your **first annual** solicitation, you must complete a **second annual** solicitation by December 31 of the year the account was opened.

Reminder: *If you receive a corrected TIN from the payee, you must include it on any future information return you file for that payee. You are not required to file a correction for a return with a missing TIN unless you are also correcting a money amount.*

Incorrect TINs

A name/TIN combination is incorrect when it does not match or cannot be found on IRS files that contain EINs, SSNs, and ITINs. For payee accounts with incorrect TINs, you must:

- ◆ Complete an **initial** solicitation when the payee opens the account. The term “account” includes accounts, relationships, and other transactions.
- ◆ Complete a **first annual** solicitation by December 31 of the calendar year in which IRS notifies you of an incorrect name/TIN combination or by January 31 of the following year if you were notified in the preceding December. If you mail a first “B” notice (backup withholding notice) for an account in the calendar year you receive Notice 972CG, you will satisfy the requirement for the first annual solicitation.
- ◆ Complete a **second annual** solicitation within the same time frame as required for the first annual solicitation if you are notified of an incorrect name/TIN combination in any subsequent calendar year following the year of the first notification. If you mail a second “B” notice for an account in that subsequent calendar year you will satisfy the requirement for the second solicitation.

The following requirements apply to payee accounts with incorrect TINs for payments of designated distributions reported on Forms 1099-R. You must:

- ◆ Complete an initial solicitation, as previously described.
- ◆ Complete a **first annual** solicitation by the later of:
 - (1) 30 business days from the date on a Notice 972CG, in which the IRS notifies you of an incorrect name/TIN combination, or
 - (2) 30 business days from the date on which you receive a Notice 972CG.

-
- ◆ Continue to treat as valid any withholding election the payee previously made by completing Form W-4P (or a substitute form) if the payee responds to the first annual solicitation within 45 days confirming that the name/TIN combination in your records is correct.
 - ◆ Disregard any existing withholding election based on the prior name/TIN combination if the payee responds to the first annual solicitation within 45 days and furnishes a different name/TIN combination. In order to notify the payor regarding the amount, if any, of income tax to be withheld from future designated distributions, the payee must submit a new withholding election by completing Form W-4P (or a substitute form). This new withholding election will be effective on the date provided in Treasury Regulation Section 35.3405-1, Q&A D-21, i.e., no later than the January 1, May 1, July 1 or October 1 after it is received, provided that it is received at least 30 days before that date. You must withhold from any periodic payments you make before receiving the new withholding election using the wage withholding rate for a married individual claiming three withholding allowances.
 - ◆ Withhold from any subsequent payments that are designated distributions subject to withholding if the payee does not respond to the first annual solicitation within 45 days, Alternatively, upon receipt of a Notice 972CG in which the IRS notifies you of an incorrect name/TIN combination, you may instead choose to disregard any prior withholding election made by the payees whose name/TIN combinations are identified as incorrect in the Notice 972CG. In that event, the payor should consider these payees to have no withholding election in effect until receipt of new withholding elections on Form W-4P (or a substitute form).
 - ◆ Alternatively, upon receipt of a Notice 972CG in which the IRS notifies you of an incorrect name/TIN combination, you may instead choose to disregard any prior withholding election made by the payees whose name/TIN combinations are identified as incorrect in the Notice 972CG. In that event, the payor should consider these payees to have no withholding election in effect until receipt of new withholding elections on Form W-4P (or a substitute form).
 - ◆ Complete a **second annual** solicitation within the same time frame as required for the first annual solicitation if you are notified of an incorrect name/TIN combination in any calendar year following the first notification.

Reminder: *If you receive a corrected TIN from the payee, you must include it on any future information return you file for that payee. You are not required to file a correction for a return with an incorrect TIN unless you are also correcting a money amount.*

Exceptions to the Requirement for Two Annual Solicitations

In most cases, the IRS will consider that you acted in a responsible manner for reasonable cause if you followed the preceding rules. However, there are exceptions to the requirement for two annual solicitations:

- ◆ **For Form 1098**, Mortgage Interest Statement, you should do a solicitation annually until you get the TIN of the payee of record.
- ◆ **For Form 1099-S**, Proceeds from Real Estate Transactions, you must do an initial solicitation by the due date of the related real estate closing. No additional solicitation is required.

-
- ◆ If an account is closed in the same year in which you receive a penalty notice for that account, do the required solicitation if you paid reportable payments to the account in that year, or if you are otherwise required to file on that account for that year.
 - ◆ To avoid having to do more than two annual solicitations, if an account falls under the solicitation requirements that apply to backup withholding payments (IRC section 3406(a)(1)(B)), follow those requirements. If a back-up withholding notice is received, **DO NOT** follow the general solicitation requirements explained in this publication; see IRS Publication 1679 or 1281.

Comparison of Payee Listings to Your Records

You must compare the listing(s) of incorrect TINs with your records to determine if the name/TIN combinations agree or disagree with those records.

- ◆ Generally, if an account number is provided on the listing, you only need to identify an account(s) with that corresponding number or designation that has the same name/TIN combination. If an account number is not provided, try to identify all accounts that relate to the same incorrect name/TIN combination.
- ◆ If the name/TIN combination on the listing agrees with your records, do the required solicitation if you haven't already done it.
- ◆ If the name/TIN combination on the listing disagrees with your records; you are not required to do a solicitation. However, you must determine if:
 -  You made an error in the name/TIN combination when filing the information return. If you did, you must include the correct name/TIN combination on any future information returns you file.
 -  The name/TIN combination was updated in your records after you filed the information return. If it was, include it on any future returns you file.
 -  The information was incorrectly read during processing. If so, you should notate your records and not take any further action.

VII FORM W-2 SOLICITATIONS

The Internal Revenue Service enforces tax law regarding employer information filing requirements. Employers have an obligation to obtain information from an employee on Form W-4 (Employee's Withholding Allowance Certificate) and use this information in filling out the employee's Form W-2 (Wage and Tax Statement).

Section 3402(f)(2)(A) of the Internal Revenue Code stipulates that an employee must provide a signed Form W-4 on commencement of employment, stating the number of withholding exemptions he or she wishes to claim. An employer who retains the Form W-4 in its records will be able to document that an initial solicitation of a TIN was made, documenting that it acted in a responsible manner. The regulations further provide that if an employee fails to furnish a Form W-4 containing both the marital status

and number of withholding exemptions, then the employee shall be considered a single person claiming zero withholding exemptions (see Treasury Regs. 31.3402(f)(2)-1(a)). However, the regulations do not impose single/zero withholding if the SSN reported on an otherwise complete Form W-4 eventually proves to be incorrect.

Employers have a responsibility to file correct information on their employees' W-2s. Failure to do so may result in a penalty of \$50 per incorrect W-2. However, the penalty will not apply to any failure that an employer can show was due to reasonable cause and not to willful neglect. Generally, employers want to demonstrate that the failure to provide correct information was "due to an event beyond their control or due to significant mitigating factors. They also want to demonstrate that they acted in a responsible manner and took steps to avoid the failure.

Where an employer is seeking a waiver of the penalty based on the failure of an employee to provide a correct social security number (SSN), special requirements apply for establishing that the employer acted in a responsible manner. An employer must be able to show that it made an initial solicitation for the employee's SSN at the time the employee began work. No additional solicitation for the SSN is required subsequently unless the IRS notifies the employer that the employee's SSN is incorrect. Following receipt of an IRS notice, the employer is required under the regulations to make up to two annual solicitations for the correct SSN.

The solicitation for the SSN must be made by December 31 of the year in which the penalty notice was received, and may be made by mail, telephone, electronically or in person. The solicitation is not required if no reportable payments will be made to the employee in that year. A second annual solicitation is required if the employer receives an IRS notice of incorrect SSN for the employee in any subsequent year. An employer may rely on the SSN that an employee provides in response to a solicitation, and the employer may use that SSN in filing a Form W-2 for that employee. If the employer receives an IRS notice of an incorrect TIN after having made two annual solicitations and reporting the SSN provided by the employee, the employer would not be required to make further solicitations. The employer's initial and two annual solicitations will demonstrate that the employer has acted in a responsible manner before and after the failure and will establish reasonable cause under the regulation.

Note: *For purposes of establishing reasonable cause in connection with the penalty provisions, it is the solicitation of the employee's correct SSN that is important.*

Employers may use Social Security Administration's (SSA) SSN Employee verification system, known as EVS, to verify its employees' names and SSNs, but there is no federal tax requirement to do so. EVS is a useful, optional way for employers to identify potential discrepancies and correct SSNs before receiving penalty notices.

Generally, EVS and IRS records are consistent. However, it is important to note that the database used by SSA to match names and SSNs may not be identical to the IRS database. IRS penalty notices relating to mismatched TINs are based and issued exclusively on IRS system information. Mismatches reported under EVS are not considered IRS notices and do not trigger any resolicitation requirements under IRS rules for reasonable cause waivers. If an employer receives a mismatch response from EVS, the employer may wish to resolicit the employee's SSN and try to obtain correct information prior to filing the Form W-2.

A mismatch determined by SSA's EVS will not necessarily result in an IRS penalty notice and annual solicitation requirements.

Questions and Answers

Q. What are an employer's responsibilities for verifying an employee's SSN?

A. An employer has a requirement to solicit accurate information from an employee at time of hiring on Form W-4. The employer may have to make up to two (2) annual solicitations for the SSN if it receives a penalty notice from the IRS. The Social Security Administrations (SSA)'s Employee Verification System (EVS) is a useful tool for employers and may alert them to potential penalty situations.

Q. What is most important for establishing reasonable cause in connection with the Form W-2 penalty provisions?

A. It is the solicitation of the employee's correct SSN on the Form W-4 and the use of that number on the Form W-2 that is important.

Q. What should an employer do if they receive information from SSA EVS that an employee has an SSN mismatch?

A. Responses received through SSA's EVS system are not considered IRS notices and therefore do not directly enter into the determination of reasonable cause for waiving penalties. The employer is not required to solicit a new SSN from the employee, but may wish to do so.

Q. As an employer, what do I do if I receive an IRS notice about an incorrect or invalid SSN for an employee?

A. The employer is required under the regulations to make an annual solicitation (request a new Form W-4) for the correct SSN by mail, telephone, electronically or in person.

Q. When is an employer required to do a second annual solicitation?

A. A second annual solicitation is required if the employer receives another IRS notice of incorrect SSN for the employee in a subsequent year.

Q. Is there anything that employers should not do based on the receipt of an IRS notice?

A. Employers should not use the receipt of an IRS notice as grounds for employee termination.

Q. What can employers do to take a proactive approach?

A. Employers should establish programs and processes for securing Forms W-4 and using the information in preparing Forms W-2. Also, they should have a process in place for re-soliciting the required information upon receipt of a mismatch letter. Employers should also remind their workers to report any name changes due to marriage, divorce, etc., to both the SSA and to you.

Q. What records are employers required to maintain to document they made the initial and/or annual solicitations?

A. Per the regulations, solicitation may be made by mail, telephone, and electronically. Forms W-4 should be retained by the employer and information received over the telephone should be noted in the employer's records. The employer should note that a solicitation was made even if no response was received from the employee.

VIII THE IRS MATCHING PROCESS AND NAME CONTROLS

This section provides an overview of the IRS TIN matching process and the development of name controls.

The information returns you file must include a correct name/TIN combination to allow us to match the information reported against the income included on the payee's income tax return. We check whether a name/TIN combination is correct by matching it against a file containing all social security numbers (SSNs) issued by SSA and against a file containing all employer identification numbers (EINs) issued by IRS.

We compare the name control on the payee document (if provided) to the name control on file. If a name control is not provided or is provided incorrectly, we develop it from the name(s) provided on the first two name lines (up to 40 characters for each name line including spaces) of the information return. If we can match a developed name control to the name control in our records, we consider it to be correct. If no match is found using this process, we consider your name/TIN combination to be incorrect.

The chart on the back of Form W-9 has information for payees about "What Name and Number to give the Requester" of Form W-9.

Name Controls

A name control consists of up to four characters. To help ensure that the name/TIN combination for an account matches the name/TIN combination on SSA or IRS files, use the following information when you open an account for a payee.

Individuals

We develop a name control for an individual from the last name on the information return. For example: Ralph **Teak**— Dorothy **Willow** —Joe **McCedar**

If an individual has a hyphenated last name, we develop the name control from the first of the two last names. For example: Brandy **Cedar-Hawthorn**— Victoria **Windsor-Maple**

For joint names, regardless of whether the payees use the same or different last names, we develop the name control from the primary payee's last name. For example:

Joseph **Ash** & Linda Birch— Edward & Joan **Maple**

Reminder: *If a payee has changed his or her last name, for instance, due to marriage, he or she SHOULD inform the Social Security Administration (SSA) of the name change.*

Sole Proprietors

We generally develop the name control for a sole proprietor, who may have both an SSN and an EIN, from the individual's last name (not the business name) on the information return. For example: Mark & Jane **Hemlock** Karen **Birch**, The Sunshine Cafe

If you are a sole proprietor using a “doing business as” DBA name, use your individual SSN for the EIN of the sole proprietorship. A sole proprietor must always use his/her individual name as the legal name of the business for IRS purposes.

Estates

We develop the name control for a decedent's estate from the decedent's name on the first name line on the information return. The decedent's name may be followed or preceded by the word “Estate”. (The TIN should be the one that was assigned to the estate.) For example: Frank **White** Estate— Estate of Frank **White** Cynthia Greene, Exec. Gail Black, Exec.

Trusts and Fiduciaries

We generally develop the name control for a trust or fiduciary account from the name of the person in whose name the trust or fiduciary account was established. For example:
Jonathan **Periwinkle**— **Memory** Church Irrevocable Trust Endowment Trust

Partnerships

We generally develop the name control for a partnership from the trade or business name of the partnership; if there isn't any, we develop the name control from the last name of the first partner on the original Form SS-4 (which was used to apply for the EIN). For example: (The) **Oak Tree**, A.S. Greene, K.L. Black, & O.H. Brown, Ptrs. Bob **Orange** & Carol Black, et al Ptrs. d.b.a. The Merry Go Round, E.F. **Brown**, M.S. White & T.J. Green, Ptrs. The Brown & White Company

Other Organizations

We develop the name control for other organizations from the entity's name on the original Form SS-4 (which was used to apply for the EIN). For example:

St. Bernard's Methodist Church Building Fund for St. Bernard's Church Main Street

Note: *Extraneous words, titles, punctuation, and special characters (such as Mr., Mrs., Dr., apostrophe, etc.), may be dropped during the development of name controls. For example, we dropped the period after “St” in St. Bernard's Methodist Church.*

IX ALERT FOR MEDICAL SERVICE PROVIDERS

Notify Payers of Your Correct Name and Identification Number Combination

High Rate of Errors for Medical Service Providers

Medical service providers have a higher than average error rate for name/taxpayer identification number (“Name/TIN”) combinations reported on **Form 1099-MISC**, Miscellaneous Income. Payers, such as insurance companies, are required by law to report to the IRS a payee’s: name, TIN, total payments, and any tax withholding for each calendar year on Form 1099-MISC. **Form 1099-MISC recipients should review the name and TIN that they provide to organizations (“payers”) paying them for services.**

Mistakes May Cause Withholdings From Your Payments

When there is an error in the Name/TIN combination that is reported to the IRS, the IRS will notify the payer; and the payer will attempt to correct the information, as required by law. The payer will send a **Form W-9, Request for Taxpayer Identification Number and Certification**, or similar form, to verify the payee’s correct name and TIN. If the payee fails to respond or to supply the correct information, the payer is required to withhold Federal income tax at a rate of 28 percent (“backup withholding”) from future payments. Backup withholding is not a failure to pay you; it is an advance Federal income tax payment on your behalf. You should report all backup withholding as “Federal income tax withheld” on your federal income tax return.

Avoid Backup Withholding By Providing Correct Name/TIN Combinations To Payers

For an individual operating as a sole proprietor (and a single-member limited liability company (“LLC”) disregarded as an entity separate from its owner), the name is the individual’s name as recorded with the Social Security Administration and the TIN is the social security number (“SSN”) for that individual. For a corporation, partnership, or similar entity, the correct name is the name used on its income tax returns, payroll returns and similar filings. The TIN for a corporation, partnership, or similar entity is its employer identification number (“EIN”).

Review your medical service invoice and Form 1099-MISC for the name and TIN that is being used. Unless advised to the contrary on Form W-9, payers generally use the information on a payee’s invoice in their reports to the IRS unless advised differently on Form W-9.

Common Name/TIN Combination Mistakes

- You are a sole proprietor using a “doing business as” (DBA) name, and your individual SSN or the EIN of the sole proprietorship. *A sole proprietor must always use his/her individual name as the legal name of the business.*
- You are an individual medical provider (sole proprietor) using the EIN of the partnership, corporation, hospital, or clinic of which you are a member. *You should always use your SSN in combination with your individual legal name.*

-
- You change your business name and fail to notify the IRS. For example, you change your business name Johnson, McCleary & Reed, P.C. to JMC Medical Group, P.C. but fail to notify the IRS. Invoices or Form W-9, disclosing your old EIN with your new name, will cause a mismatch with IRS records. *You must notify the IRS of any name changes by writing to the “Entity Section” of the IRS Service Center handling your Federal tax returns.*
 - You are identifying your business name with initials instead of your complete name as recognized by the IRS. For example, you originally obtained your EIN under the business name Immediate Care Clinic, P.C. By filling out Form W-9 using ICC, P.C. as the name with your correct EIN, a mismatch will occur with IRS records. *You should always use your complete name when notifying payers of your Name/TIN combination.*
 - You are an operating unit of a large entity. Using your operating unit’s name with the EIN of the entity will cause a mismatch with IRS records. For example, you are Meadowbrook Nursing Home, an operating unit of Healthcare, Inc. *You must use the name Healthcare, Inc., with the correct EIN, to avoid an IRS mismatch.*
 - You are an employee who performs services for a practice, clinic, or facility. Frequently, medical service providers submit claims seeking payments in the name of the employee who performed the services, to track the source of funds. *If you are an employee of an entity, the entity’s name should appear as the payee on the check and on Form 1099-MISC.*

X ALERT FOR SOLE PROPRIETORS

Notify Payers of Your Correct Name and Identification Number Combination

High Rate of Errors for Sole Proprietor Businesses

Sole proprietor service providers have a higher than average error rate for name/taxpayer identification number (“Name/TIN”) combinations reported on Form **1099-MISC**, *Miscellaneous Income*. Payers are required by law to report to the IRS a payee’s: name, TIN, total payments, and any tax withholding, for each calendar year on Form 1099-MISC. **Form 1099-MISC recipients should review the name and TIN that they provide to organizations (“payers”) paying them for services.**

Mistakes May Cause Withholdings From Your Payments

When there is an error in the Name/TIN combination that is reported to the IRS, the IRS will notify the payer; and the payer will attempt to correct the information, as required by law. The payer will send a **Form W-9**, *Request for Taxpayer Identification Number and Certification*, or similar form, to verify the payee’s correct name and TIN. If the payee fails to respond or to supply the correct information, the payer is required to withhold Federal income tax at a rate of 28 percent (“backup withholding”) from future payments. Backup withholding is not a failure to pay you. It is an advance Federal income tax payment on your behalf. You should report all backup withholding as “Federal income tax withheld” on your federal income tax return.

Avoid Backup Withholding By Providing Correct Name/TIN Combinations To Payers

For an individual operating as a sole proprietor (and a single-member limited liability company (“LLC”) disregarded as an entity separate from its owner), the name is the individual’s name as recorded with the Social Security Administration and the TIN is the social security number (“SSN”) for that individual. For a corporation, partnership, or similar entity that is reportable for information return purposes, the correct name is the name used on its income tax returns, payroll returns, and similar filings. The TIN for a corporation, partnership, or similar entity is its employer identification number (“EIN”). Review your service invoice and Form 1099-MISC for the name and TIN that is being used. Unless advised to the contrary on Form W-9, payers generally use the information on a payee’s invoice in their reports to the IRS.

If you receive a Form 1099-MISC that shows an incorrect Name/TIN combination, immediately notify the payer. If you receive a B-Notice letter from the payer, please respond immediately; failure to correct problems as they arise increases the likelihood that your payments may become subject to backup withholding.

Common Name/EIN Combination Mistakes

- You are a sole proprietor using your “doing business as (DBA)” name, use your individual SSN for the EIN of your sole proprietorship. The IRS can match your individual name with your SSN or EIN, but cannot match your DBA name or trade name with either your SSN or EIN.

Do not use your DBA name or your trade name with either your SSN or EIN. A sole proprietor must always use his/her individual name as the main legal name of the business.

- For a corporation, partnership or similar entity that is reportable for information return purposes, you are identifying your business name with initials instead of your complete name as recognized by the IRS. For example, you originally obtained your EIN under the business name Immediate Care Clinic, P.C. By filling out Form W-9 using ICC, P.C. as the name with your correct EIN, a mismatch will occur with IRS records. *You should always use your complete name when notifying payers of your Name/EIN combination.*
- You are a sole proprietor operating as a single-member LLC that is disregarded as an entity separate from its owner and provide only the LLC name to the payer. Because your LLC will not be filing its own tax return, the IRS will need your individual name to match with either your SSN or pre-LLC EIN. *Provide your individual name and SSN (or “pre-LLC” EIN, if desired) to the payer.*

For flow-through entities issuing Schedules K-1

- Ensure proper taxpayer identification numbers are obtained for use on Schedules K-1, particularly from owners of “disregarded entities” (i.e. Grantor Trusts, Single-Member Limited Liability Companies and Qualified Subchapter S Trusts). “Disregarded entities” are legal entities that exist for state purposes but are not considered taxable entities for federal tax purposes. Federal information returns (such as K-1s, 1099s, etc.) should not be issued to federal employer identification numbers assigned to entities disregarded for federal income tax purposes. The proper reporting document should be issued to the owner of the entity.

XI WHERE TO CALL FOR HELP

If you have any questions about Notice 972CG or the listing received, you may call:

Information Reporting Program (IRP) Centralized Call Site

Telephone . . . 1(866) 455-7438

Hours . . . 8:30 am to 4:30 pm EST Monday through Friday

Forms may be received by accessing the IRS website at www.irs.gov.

If you think you may be using an incorrect Name/TIN combination, call the IRS at 1-800-829-3676 to order Publication 1635, Understanding Your TIN, Form W-9, Instructions for the Requestor of Form W-9, or Circular E, Employer's Tax Guide (Publication 15). You may also visit the IRS website at www.irs.gov to order the above referenced forms and publications or to obtain additional information.

INSTRUCTIONS FOR READING MAGNETIC TAPE CARTRIDGE

General

A tape cartridge file will have the following characteristics:

(A) 18 channel Standard Label/EBCDIC with:

(a) odd parity and

(b) a density of 1600 BPI.

(B) Tape cartridges will be $\frac{1}{2}$ -inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension. Magnetic tape will be chromium dioxide particle based $\frac{1}{2}$ -inch tape.

(C) Tape cartridges are 3480 compatible

(a) Contain 37,871 CPI

(b) Tape thickness - 1.0 or 1.5 mils

Record Length

A tape cartridge will be blocked 20, subject to the following:

- (A) a record will be 208 Cartridge positions,
- (B) all records except the Header and Trailer Labels will be blocked,
- (C) a block will be 4,160 Cartridge positions, and
- (D) in the event of a short block (less than 20 records), all remaining positions will be filled in with 9s.

Tape Cartridge Marking Conventions**Header Label:**

1. Standard headers will be used. They will be marked VOL1, HDR1, HDR2.
2. The HDR1 record will contain the Data Set Name "04064211."
3. This record will be 80 positions long.

Trailer Label:

1. Standard trailer labels will be used. They will begin with EOR1, EOR2, EOF1 or EOF2.
2. This label will be 80 positions long.

Tape Cartridge Mark:

1. Cartridge marks are used to signify the physical end of the recording on the Cartridge.
2. They follow the header label and precede and follow the trailer label.

External Label:

A label marked with the Data Set Name "04064211" will be put on the Cartridge(s).

PAYER “A” RECORD Cartridge

POSITION	FIELD TITLE	LENGTH	DESCRIPTION AND REMARKS
1	RECORD TYPE	1	AN “A” WILL BE ENTERED
2-10	ACCESS KEY	15	NUMBER SUED BY THE IRS TO GROUP A PAYER’S INFORMATION RETURN TRANSMITTAL
17-18	SERVICE CAMPUS	2	TWO DIGIT SERVICE CAMPUS CODE BROOKHAVEN=19 CINCINNATI = 17 MEMPHIS = 49 OGDEN = 29 PHILADELPHIS = 28
19-27	PAYER’S EIN	9	THE NINE DIGIT NUMBER ASSIGED BY THE IRS
28-67	PAYER’S NAME	40	SELF-EXPLANATORY
68-75	NUMBER OF DOCUMENTS	8	THE NUMBER OF INFORMATION RETURNS WITH MISSING AND INCORRECT TINS ASSOCIATED WITH THIS PAYER. IT WILL BE RIGHT JUSTIFIED AND ZERO FILLED
76-83	BWH TIN STATUS I CNT	8	THE NUMBER OF DOUCMENTS SENT TO THE PAYER WITH A BWH-TIN STATUS-IND EQUAL TO “1” (SEE PAYER “B” RECORD). IT WILL BE RIGHT JUSTIFIED AND ZERO FILLED
84-91	BWH TIN STATUS 2 CNT	8	THE NUMBER OF DOCUMENTS SENT TO THE PAYER WITH A BWH-TIN-STATUS-IND EQUAL TO “2” (SEE PAYER “B” RECORD) IT WILL BE RIGHT JUSTIFIED AND ZERO FILLED.
92-99	BWH TIN STATUS 3 CNT	8	THE NUMBER OF DOCUMENTS SENT TO THE PAYER WITH A BWH-TIN-STATUS-UBD-EQUAL TO “3” (SEE PAYER “B” RECORD) IT WILL BE RIGHT JUSTIFIED AND ZERO FILLED.
100	FILLER	1	BLANK FILLED
101-104	TAX YEAR	4	TAX YEAR DOCUMENTS WERE SUBMITTED
105-208	FILLER	104	BLANK FILLED

PAYER "B RECORD CARTRIDGE

POSITION	FIELD TITLE	LENGTH	DESCRIPTION AND REMARKS
1	RECORD TYPE	1	AN "B WILL BE ENTERED
2-10	TIN	9	THE PAYEE'S TIN
11	BWH TIN STATUS	1	"1" MISSING TIN "2" NOT CURRENTLY ISSUED "3" INCORRECT NAME/TIN
12-16	TCC	5	TRANSMITTER CONTROL CODE
17-18	DOC TYPE	2	"02" = Form 1042-T "21" = Form W-2 "27" = Form 5498MSA "28" = Form 5498 "31" = Form 1099-Q "32" = Form W2-G "71" = Form 1099-H "72" = Form 5498-ESA "73" = Form 1099-CAP "75" = 1099-S "79" = 1099-B "80" = Form 1099-A "81" = Form 1098 "83" = Form 1098-T "84" = Form 1098-E "85" = Form 1099-C "86" = Form 1099-G "91" = Form 1099-DIV "92" = Form 1099-INT "93" = Form 1099-LTC "94" = Form 1099-MSA "95" = Form 1099-MISC "96" = Form 1099-OID "97" = Form 1099-PATR "98" = Form 1099-R
19-38	ACCOUNT NUMBER	20	PAYEE'S ACCOUNT NUMBER FROM PAYER
39-78	NAME LINE	2	PAYEE'S NAME LINE 2
119-158	STR. ADDRESS	40	PAYEE'S STREET ADDRESS
159-188	CITY	30	PAYEE'S CITY
189-190	STATE CODE	2	PAYEE'S STATE CODE
191-195	ZIP CODE	5	PAYEE'S ZIP CODE
196	TIN INDICATOR	1	"1" = Payer indicated EIN "2" = Payer indicated SSN "0" = no TIN indicated
197-200	FILLER	4	BLANK FILLED
201-208	SEQUENCE	8	NUMBER WITHIN PAYER

PAYER "C" RECORD CARTRIDGE

POSITION	FIELD TITLE	LENGTH	DESCRIPTION AND REMARKS
1	RECORD TYPE	1	A "C" WILL BE ENTERED
2-33	RECORD COUNTS	32	COUNTS AS DESCRIBED IN POSITIONS 68-99 OF THE PAYER "A"
34-208	FILLER	175	BLANK FILLED
17-18	DOC TYPE	2	"85" = Form 1099-C "86" = Form 1099-G "91" = Form 1099-DIV "92" = Form 1099-INT "93" = Form 1099-LTC "94" = Form 1099-MSA "95" = Form 1099-MISC "96" = Form 1099-OID "97" = Form 1099-PATR "98" = Form 1099-R
19-38	ACCOUNT NUMBER	20	PAYEE'S ACCOUNT NUMBER FROM PAYER
39-78	NAME LINE 1	1	PAYEE'S NAME LINE 1
79-118	NAME LINE 2	2	PAYEE'S NAME LINE 2
119-158	STREET ADDRESS	40	PAYEE'S STREET ADDRESS
159-188	CITY	30	PAYEE'S CITY
189-190	STATE CODE	2	PAYEE'S STATE CODE
191-195	ZIP CODE	5	PAYEE'S ZIP CODE
196	TIN -INDICATOR	1	"1" = payer indicated EIN "2" = payer indicated SSN "0" = no TIN indicated
197-200	FILLER	4	BLANK FILLED
201-208	SEQUENCE NUMBER	8	SEQUENCE NUMBER WITHIN PAYER