

Changes to Reporting Requirements for 1997 Forms 1099-S and 1099-LTC

Announcement 97-106

Background

Forms 1099 are released early in the year so that payers, brokers, etc., can collect necessary information during the year to report to the IRS, recipients, sellers, etc. Because the Taxpayer Relief Act of 1997 (Public Law 105-34) was enacted August 5, 1997, changes in the 1997 reporting requirements of the following Forms 1099 are required:

- Form 1099-S, Proceeds From Real Estate Transactions
- Form 1099-LTC, Long-Term Care and Accelerated Death Benefits (also, the 1998 instructions for Form 1099-LTC will include changes suggested by industry)

Reporting changes are described in the following sections.

Form 1099-S: Reporting the Sale of a Principal Residence After May 6, 1997

Filers who receive an acceptable written assurance from the seller are not required to file Form 1099-S with the IRS nor furnish the seller Form 1099-S for any sale or exchange after May 6, 1997, of a principal residence for \$250,000 or less (\$500,000 or less if the written assurance includes an assurance that the seller is married). The written assurance must state that the:

- Property sold is the seller's principal residence, and
- Full gain on the sale or exchange is excludable from gross income under section 121 of the Code.

As soon as possible, the IRS will issue guidance on what will be considered an acceptable written assurance. Although filers are not required to obtain the written assurance, if the written assurance is not obtained, Form 1099-S must be filed with the IRS and a Form 1099-S statement must be furnished to the seller.

Form 1099-LTC: Telephone Number Required

The Act requires payers to provide a telephone number of a person to contact on statements to recipients (Copies B and C) for Form 1099-LTC. This new requirement applies to the 1997 statements due to recipients by February 2, 1998. The number must be in any conspicuous place on the statements and must provide direct access to a person who can answer questions about the statements.

Because this requirement was enacted after the 1997 forms were printed, a failure to include a telephone number on the 1997 statements will be considered to have arisen from an event beyond the control of the filer. As a result, the penalty under section 6722 of the Code will be waived for reasonable cause if the next statement required to be provided (generally for 1998) includes the number. Although the penalty will be waived for 1997 statements, payers are encouraged to enter the number anywhere they choose on the statements.

Payers are not required to report the telephone number to the IRS.

Form 1099-LTC: Instructions Changes

At the request of industry, the IRS plans to revise the 1998 instructions for box 3 of Form 1099-LTC to require payers of accelerated death benefits to check a box to indicate whether payments were made on a per diem or reimbursed basis. If the payments were made on behalf of a terminally ill person, payers are not required to check either box in box 3. In addition, the instructions will make it clear that, in the case of a group contract, the term "policyholder" means the certificate holder, and the "policyholder" statement must be furnished to the certificate holder.

Payers are encouraged to follow these new instructions in filing their 1997 forms and in providing 1997 statements to recipients.
