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INTERNAL REVENUE SERVICE NATIONAL OFFICE SERVICE CENTER ADVICE

MEMORANDUM FOR DISTRICT COUNSEL, VIRGINIA/ WEST VIRGINIA
DISTRICT - RICHMOND

FROM: [REDACTED]
Deputy Assistant Chief Counsel
(Income Tax & Accounting)

SUBJECT: Significant Service Center Advice

This responds to your request for Significant Advice dated June 11, 1999, in connection with a question posed by the Martinsburg Computing Center.

Issue

Do the information reporting requirements imposed on a broker who effects a sale of stock over the Internet differ from the reporting requirements imposed if the sale is effected in the traditional manner, i.e., not over the Internet?

Conclusion

The information reporting requirements of § 6045 of the Internal Revenue Code are the same whether the broker effects the sale of stock over the Internet or not over the Internet.

Facts

A broker with a limited number of clients effects many thousands of sales of stock over the Internet.

Discussion

Section 6045(a) provides generally that every person doing business as a broker shall, when required by regulations, report gross proceeds and other information. Section 1.6045-1(a)(1) of the Income Tax Regulations defines the word "broker" to mean a person that, in the ordinary course of a trade or business, stands ready to effect sales by others. Section 1.6045-1(c)(2) provides generally that a broker shall make an information return for each sale effected by the broker in the ordinary course of the broker's trade or business. The information required to be reported on Form 1099 includes the name, address, and taxpayer identification number of the customer; the property sold; Committee on Uniform Security Identification Procedures number of the security sold (if known); gross proceeds; sale date; and such other information as may be required by Form 1099. Section 1.6045-1(d)(2).

No provision of § 6045 or the regulations thereunder excepts a broker from information reporting merely because the sale is effected over the Internet. Further, you have reviewed provisions of the Internet Tax Freedom Act, Pub. L. No. 105-277, 112 Stat. 2681 (1998), and conclude, in general, that because the same reporting requirements apply whether a sale is effected over the Internet or not over the Internet, the Act has no impact on a broker's reporting obligations. We agree. Thus, the reporting requirements for a broker who effects a sale of stock are the same whether the sale is effected over the Internet or not over the Internet.

If you need further assistance, please contact CC:DOM:IT&A:2 at 202-622-4920.