



Instructions for Forms 1099-INT and 1099-OID

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

What's New for 2004

Backup withholding. Recent legislation reduced the backup withholding rate to 28%.

An Item To Note

General instructions. In addition to these specific instructions, you should also use the **2004 General Instructions for Forms 1099, 1098, 5498, and W-2G**. Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- Who must file (nominee/middleman)
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS website at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions for Form 1099-INT

File **Form 1099-INT**, Interest Income, for each person

1. To whom you paid amounts reportable in boxes 1 and 3 of at least \$10 (or at least \$600 of interest paid in the course of your trade or business described in the instructions for **Box 1. Interest Income** below),

2. For whom you withheld and paid any foreign tax on interest, or

3. From whom you withheld (and did not refund) any Federal income tax under the backup withholding rules regardless of the amount of the payment.

Report only interest payments made in the course of your trade or business including Federal, state, and local government agencies and activities deemed nonprofit, or for which you were a nominee/middleman. Report interest that is treated as original issue discount (OID) in box 1 or 6 of **Form 1099-OID**, Original Issue Discount, not on Form 1099-INT.

Canadian nonresident aliens. If you pay U.S. bank deposit interest of at least \$10 to a nonresident alien who resides in Canada, you may have to report the interest on **Form 1042-S**, Foreign Person's U.S. Source Income Subject to Withholding. This interest is not subject to backup withholding. See the **Instructions for Form 1042-S**.

Exceptions to reporting. No Form 1099-INT is required to be filed for payments made to exempt recipients or for interest excluded from reporting.

Exempt recipients. You are not required to file Form 1099-INT for payments made to certain payees including but not limited to a corporation, a tax-exempt organization, any IRA or Archer MSA, a U.S. agency, a state, the District of Columbia, a U.S. possession, a registered securities or commodities dealer, nominees or custodians, brokers, or notional principal contract (swap) dealers. For additional exempt recipients, see Regulations section 1.6049-4 for more information.

Interest excluded from reporting. You are not required to file Form 1099-INT for interest on an obligation issued by an individual, interest on a tax-exempt obligation, interest on amounts from sources outside the United States paid outside the United States by a non-U.S. payer or non-U.S. middleman,

certain portfolio interest, interest on an obligation issued by an international organization and paid by that organization, and payments made to a foreign beneficial owner or foreign payee. See Regulations section 1.6049-5 for more information.

Other exception. Do not report tax-exempt or tax-deferred interest, such as interest on municipal bonds or interest that is earned but not distributed from an IRA. Also, an exempt-interest dividend from a regulated investment company (RIC) retains its tax-exempt status and is not reported on Form 1099-INT or **Form 1099-DIV**, Dividends and Distributions.

When is a payment made? Generally, interest is paid when it is credited or set apart for a person without any substantial limitation or restriction as to the time, manner, or condition of payment. The interest must be made available so that it may be drawn on at any time and its receipt brought within the control and disposition of the person.

For payments made on obligations subject to transactional reporting (e.g., savings bonds, interest coupons, and other demand obligations), interest is paid at the time the obligation is presented for payment. For example, interest on a coupon detached from a bond is paid when it is presented for payment.

Reporting interest and OID. If you are reporting interest and original issue discount (OID) on any obligation, you may report both the interest and the OID on Form 1099-OID. It is not necessary to file both Forms 1099-INT and 1099-OID. On Form 1099-OID, report the interest in box 2 and the OID in box 1 or 6. However, you may choose to report the interest on Form 1099-INT and the OID on Form 1099-OID.

Statements to recipients. If you are required to file Form 1099-INT, you must furnish a statement to the recipient. For more information about the requirement to furnish an official form or acceptable substitute statement to recipients in person, by statement mailing, or electronically, see part **H** in the **2004 General Instructions for Forms 1099, 1098, 5498, and W-2G**. If you have furnished Forms 1099-INT to a recipient for amounts received during the year at the time of the transaction, such as you might have done for window transactions, do not include these same amounts in a Form 1099-INT furnished to the same recipient for other payments during the year.

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.



For information on the TIN matching system offered by the IRS, see the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Payer's RTN (optional). If you are a financial institution that wishes to participate in the program for direct deposit of refunds, you may enter your routing and transit number (RTN).

Box 1. Interest Income

Enter interest not included in box 3. Include amounts of \$10 or more, whether or not designated as interest, that are paid or credited to the person's account by savings and loan associations, mutual savings banks not having capital stock represented by shares, building and loan associations, cooperative banks, homestead associations, credit unions, or similar organizations. Include interest on bank deposits, accumulated dividends paid by a life insurance company, indebtedness (including bonds, debentures, notes, and certificates other than those of the U.S. Treasury) issued in

registered form or of a type offered to the public, or amounts from which you withheld Federal income tax or foreign tax. In addition, report interest of \$10 or more accrued to a real estate mortgage investment conduit (REMIC) or financial asset securitization investment trust (FASIT) regular interest holder or paid to a collateralized debt obligation (CDO) holder, as explained below.

Also include interest of \$600 or more paid in the course of your trade or business not meeting the above criteria, such as interest on delayed death benefits paid by a life insurance company, interest received with damages, interest on a state or Federal income tax refund, or interest attributable to a swap with significant nonperiodic payments.

Include in box 1 any accrued interest on bonds sold between interest dates (or on a payment date). Also show OID on short-term obligations of 1 year or less and interest on all bearer certificates of deposit.

Do not include in box 1 interest on tax-free covenant bonds or dividends from money market funds (which are reportable on Form 1099-DIV). Do not include any description in box 1, but if you wish to show a description, use the blank box above box 1.

Box 2. Early Withdrawal Penalty

Enter interest or principal forfeited because of an early withdrawal of time deposits, such as an early withdrawal from a certificate of deposit (CD), that is deductible from gross income by the recipient. Do not reduce the amount reported in box 1 by the amount of the forfeiture. For detailed instructions for determining the amount of forfeiture deductible by the depositor, see Rev. Ruls. 75-20, 1975-1 C.B. 29, and 75-21, 1975-1 C.B. 367.

Box 3. Interest on U.S. Savings Bonds and Treas. Obligations

Enter interest on U.S. Savings Bonds, Treasury bills, Treasury notes, and Treasury bonds. Do not include in box 1.

If you make payment on a U.S. Savings Bond or other U.S. obligation on which interest is reportable, enter **your** name, address, and Federal identification number on Form 1099-INT and **Form 1096**, Annual Summary and Transmittal of U.S. Information Returns, not those of the U.S. Treasury Department or the Bureau of Public Debt.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, if a recipient does not furnish its TIN to you in the manner required, you must backup withhold at a 28% rate on payments required to be reported in box 1 (which may be reduced by the amount reported in box 2) and box 3 on this form.

For information on requesting the recipient's TIN, see part F in the General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 5. Investment Expenses

For single-class REMICs only, see **Box 5. Investment Expenses** under **Rules for REMICs, FASITs, and Issuers of CDOs** below.

Box 6. Foreign Tax Paid

Enter any foreign tax withheld and paid on interest. Report this amount in U.S. dollars.

Box 7. Foreign Country or U.S. Possession

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

Rules for REMICs, FASITs, and Issuers of CDOs

REMICs, holders of ownership interests in FASITs, issuers of CDOs, and any broker or middleman who holds as a nominee a REMIC or FASIT regular interest or CDO must file Form 1099-INT. The form is used to report interest of \$10 or more, other than OID, accrued to a REMIC or FASIT regular interest holder during the year or paid to a holder of a CDO. If you are also reporting OID, this interest and the OID can be reported on Form 1099-INT. You do not have to file both Forms 1099-INT and 1099-OID.

You are not required to file or issue Form 1099-INT for exempt recipients including but not limited to the following:

- A corporation.
- A broker.
- A middleman/nominee.
- A financial institution.
- Any IRA or Archer MSA.
- A tax-exempt organization.

For additional exempt recipients, see Regulations section 1.6049-7(c).

Box 1. Interest Income

Report in box 1 the amount of interest, other than OID, accrued to each REMIC or FASIT regular interest holder or paid to a CDO holder for the period during the year for which the return is made. If you are a single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)), increase the amount otherwise reportable in box 1 by the regular interest holder's share of investment expenses of the REMIC for the year. No amount should be reported in box 3.

Box 5. Investment Expenses

Enter the regular interest holder's pro rata share of investment expenses deductible by a single-class REMIC.

Statements to holders. For each Form 1099-INT you are required to file, you must furnish a statement to the REMIC or FASIT regular interest or CDO holder identified on the form. The statement must contain the information shown on Form 1099-INT, including the legend shown on Copy B of the official Form 1099-INT, and an indication that these items are being furnished to the IRS. The statement also must show the information specified in Regulations section 1.6049-7(f)(2)(i). In addition, the statement furnished by a REMIC must show, for each calendar quarter, the information specified in Regulations section 1.6049-7(f)(3). Also see Regulations section 1.6049-7(f)(3)(ii) for information that may be required to be reported to a real estate investment trust (REIT) that holds a REMIC regular interest.

A single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)) must include in the statement the investment expenses paid or accrued during each calendar quarter by the REMIC for which the REMIC is allowed a deduction under section 212 and the proportionate share of those investment expenses allocated to the regular interest holder.

The statement must be furnished to holders by **March 15**. To meet the statement requirement, you may furnish a copy of Form 1099-INT and a separate statement containing the additional information to the REMIC or FASIT regular interest or CDO holder.

For information about reporting income to REMIC residual interest holders, see the instructions for **Schedule Q (Form 1066)**, Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, in the separate **Instructions for Form 1066**.

Form 8811 and reporting by brokers or middlemen.

REMICs, holders of ownership interests in FASITs, and issuers of CDOs must also file **Form 8811**, Information Return for Real Estate Mortgage Investment Conduits (REMICs) and Issuers of Collateralized Debt Obligations, within 30 days after the start-up date of the REMIC or issue date of a FASIT regular interest or CDO. The IRS will use the information on Forms 8811 to update **Pub. 938**, Real Estate Mortgage Investment Conduits (REMICs) Reporting Information, for use by certain brokers, middlemen, corporations, and others specified in Regulations section 1.6049-7(e)(4). Pub. 938 is available only on the IRS website at www.irs.gov.

For the requirements that a REMIC or CDO issuer (including the holder of the ownership interest in a FASIT) or a broker or middleman who holds a REMIC or FASIT regular interest or a CDO furnish certain information on request, see Regulations sections 1.6049-7(e) and 1.6049-7(f)(7).

For more information about FASITs, see sections 860H through 860L.

Specific Instructions for Form 1099-OID

File **Form 1099-OID**, Original Issue Discount, if the original issue discount (OID) includible in gross income is at least \$10 and you are any of the following:

- An issuer with any bond outstanding or other evidence of indebtedness in registered or bearer form issued with OID;
- An issuer of a certificate of deposit (CD) made, purchased, or renewed after 1970 if the CD has OID and a term of more than 1 year (see **Caution** below);
- A financial institution having other deposit arrangements, such as time deposits or bonus-savings plans, if the arrangements have OID and a term of more than 1 year;
- A broker or other middleman holding an OID obligation, including CDs, as nominee for the actual owner; or
- A real estate mortgage investment conduit (REMIC), a holder of an ownership interest in a financial asset securitization investment trust (FASIT), or an issuer of a collateralized debt obligation (CDO).

Also, file Form 1099-OID for any person for whom you withheld and paid any foreign tax on OID or from whom you withheld (and did not refund) any Federal income tax under the backup withholding rules even if the amount of the OID is less than \$10.

Original issue discount. OID is the excess of an obligation's stated redemption price at maturity over its issue price (acquisition price for a stripped bond or coupon). A discount of less than $\frac{1}{4}$ of 1% of the stated redemption price at maturity, multiplied by the number of full years from the date of issue to maturity, is considered to be zero.

Reporting OID. You must prepare a Form 1099-OID for each person who is a holder of record of the obligation if the OID includible in the holder's gross income is at least \$10.

For a discussion of the reporting requirements for REMICs, FASITs, and CDOs, see the instructions on page INT-4.

Ordinarily, you will file only one Form 1099-OID for the depositor or holder of a particular obligation for the calendar year. If a person holds more than one discount obligation, issue a separate Form 1099-OID for each obligation. However, if a person holds more than one certificate of the same issue for the same period of time during the calendar year, and if Form 1099-OID amounts are proportional, you may treat all such certificates as one discount obligation and file a single Form 1099-OID.

For information about how to compute OID, see sections 1271-1275 and their regulations.

If you are a **broker** or **middleman** who holds a bank CD as nominee, whether or not you sold the CD to the owner, you must determine the amount of OID includible in the income of the owner, if any, and report it on Form 1099-OID.

Pub. 1212, List of Original Issue Discount Instruments, contains information on certain outstanding publicly offered discount obligations. It is available on the IRS website at www.irs.gov.

Issuers of certain publicly offered debt instruments having OID must file **Form 8281**, Information Return for Publicly Offered Original Issue Discount Instruments, within 30 days after the date of issuance. The information provided on that form will enable the IRS to update Pub. 1212. See Form 8281 for details.

Exceptions. You are not required to file Form 1099-OID for payments made to certain payees including a corporation, a tax-exempt organization, any IRA, an Archer MSA or Medicare+Choice MSA, a U.S. agency, a state, the District of Columbia, a U.S. possession, or a registered securities or commodities dealer.



Report interest on U.S. Savings Bonds on Form 1099-INT. Also report OID on obligations with a term of 1 year or less on Form 1099-INT.

Reporting Interest and OID. If you are reporting stated interest and OID on an obligation, you may report both the interest and the OID on Form 1099-OID. It is not necessary to file both Forms 1099-INT and 1099-OID. On Form 1099-OID, report the interest in box 2 and the OID in box 1 or 6. However,

you may choose to report the interest on Form 1099-INT and the OID on Form 1099-OID.

Statements to recipients. If you are required to file Form 1099-OID, you must furnish a statement to the recipient. For more information about the requirement to furnish an official form or acceptable substitute statement to recipients in person, by statement mailing, or electronically, see part **H** in the **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.



For information on the TIN matching system offered by the IRS, see the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 1. Original Issue Discount for 2004

Report the OID on the obligation for the part of the year it was owned by the record holder. Do not include the amount reported in box 6. For a discussion of REMICs, FASITs, and CDOs, see the instructions on page INT-4.

Box 2. Other Periodic Interest

Enter any stated interest (that is not OID) paid or credited on this obligation during the year. However, you may report any stated interest that is not OID on Treasury Inflation-Indexed Securities in box 3 of Form 1099-INT rather than in box 2 of Form 1099-OID. Interest reported here must not be reported on Form 1099-INT. For a discussion of REMICs, FASITs, and CDOs, see the instructions on page INT-4.

Box 3. Early Withdrawal Penalty

Enter interest or principal forfeited because of an early withdrawal, such as an early withdrawal from a CD, that is deductible from gross income by the recipient. Do not reduce the amounts in boxes 1 and 2 by the amount of the forfeiture. For detailed instructions for determining the amount of forfeiture deductible by the holder, see Rev. Ruls. 75-20, 1975-1 C.B. 29, and 75-21, 1975-1 C.B. 367.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, if a recipient does not furnish its TIN to you in the manner required, you must backup withhold at a 28% rate. The 28% rate applies to amounts required to be reported in boxes 1, 2, and 6 but limited to the cash paid on these obligations. Before applying the 28% rate, you may reduce the amounts reported in boxes 1 and 2 by the amount reported in box 3.

For information on requesting the recipient's TIN, see part **F** in the General Instructions for Forms 1099, 1098, 5498, and W-2G.

Box 5. Description

Enter the CUSIP (Committee on Uniform Security Identification Procedures) number, if any. If there is no CUSIP number, enter the abbreviation for the stock exchange, the abbreviation for the issuer used by the stock exchange, the coupon rate, and the year of maturity (e.g., NYSE XYZ 12 $\frac{1}{2}$ 25). If the issuer of the obligation is other than the payer, show the name of the issuer.

Box 6. Original Issue Discount on U.S. Treasury Obligations

Enter the OID on a U.S. Treasury obligation for the part of the year it was owned by the record holder. Do not include this amount in box 1. You may enter any stated interest on the Treasury obligation in box 2.

If you make payment on a U.S. Treasury obligation on which OID is reportable, enter **your** name, address, and Federal identification number on Forms 1099-OID and 1096, not those of the U.S. Treasury Department or the Bureau of Public Debt.

Box 7. Investment Expenses

For single-class REMICs only, see **Box 7. Investment Expenses** under **Rules for REMICs, FASITs, and Issuers of CDOs** on page INT-4.

Rules for REMICs, FASITs, and Issuers of CDOs

REMICs, holders of ownership interests in FASITs, issuers of CDOs, and any broker or middleman who holds as a nominee a REMIC or FASIT regular interest or CDO must file Form 1099-OID. The form is used to report OID of \$10 or more accrued to a REMIC or FASIT regular interest holder or to a holder of a CDO. Also use Form 1099-OID to report other interest accrued to a REMIC or FASIT regular interest holder during the year or paid to a holder of a CDO. You may use Form 1099-INT rather than Form 1099-OID to report interest for an instrument issued with OID if no OID is includible in the regular interest holder's or CDO holder's income for the year.

You are not required to file or issue Form 1099-OID for exempt recipients including but not limited to the following:

- A corporation.
- A broker.
- A middleman/nominee.
- A financial institution.
- Any IRA or Archer MSA.
- A tax-exempt organization.

For additional exempt recipients, see Regulations section 1.6049-7(c).

Box 1. Original Issue Discount for 2004

Report in box 1 the aggregate amount of OID includible in the gross income of each REMIC or FASIT regular interest or CDO holder for the period during the year for which the return is made. No amount should be reported in box 6.

Box 2. Other Periodic Interest

Report in box 2 any amount of interest, other than OID, accrued to each REMIC or FASIT regular interest holder or paid to each CDO holder. If you are a single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)), increase the amount otherwise reportable in box 2 by the regular interest holder's share of investment expenses of the REMIC for the year.

Box 7. Investment Expenses

Enter the regular interest holder's pro rata share of investment expenses deductible by a single-class REMIC.

Statements to holders. For each Form 1099-OID you are required to file, you must furnish a statement to the REMIC or FASIT regular interest or CDO holder identified on the form. The statement must contain the information shown on Form 1099-OID, including the legend shown on Copy B of the official Form 1099-OID, and an indication that these items are being

furnished to the IRS. The statement also must show the information specified in Regulations section 1.6049-7(f)(2)(ii). In addition, the statement furnished by a REMIC must show, for each calendar quarter, the information specified in Regulations section 1.6049-7(f)(3). Also see Regulations section 1.6049-7(f)(3)(ii) for information that may be required to be reported to a real estate investment trust (REIT) that holds a REMIC regular interest.

A single-class REMIC (as defined in Temporary Regulations section 1.67-3T(a)(2)(ii)(B)) must include in the statement the investment expenses paid or accrued during each calendar quarter by the REMIC for which the REMIC is allowed a deduction under section 212 and the proportionate share of those investment expenses allocated to the regular interest holder.

The statement must be furnished to holders by **March 15**. To meet the statement requirement, you may furnish a copy of Form 1099-OID and a separate statement containing the additional information to the REMIC or FASIT regular interest or CDO holder.

For information about reporting income to REMIC residual interest holders, see the instructions for **Schedule Q (Form 1066)**, Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, in the separate **Instructions for Form 1066**.

Form 8811 and reporting by brokers or middlemen.

REMICs, holders of ownership interests in FASITs, and issuers of CDOs must also file **Form 8811**, Information Return for Real Estate Mortgage Investment Conduits (REMICs) and Issuers of Collateralized Debt Obligations, within 30 days after the start-up date of the REMIC or issue date of a FASIT regular interest or CDO. The IRS will use the information on Forms 8811 to update **Pub. 938**, Real Estate Mortgage Investment Conduits (REMICs) Reporting Information, for use by certain brokers, middlemen, corporations, and others specified in Regulations section 1.6049-7(e)(4). Pub. 938 is available only on the IRS website at www.irs.gov.

For the requirements that a REMIC or CDO issuer (including the holder of the ownership interest in a FASIT) or a broker or middleman who holds a REMIC or FASIT regular interest or a CDO furnish certain information on request, see Regulations sections 1.6049-7(e) and 1.6049-7(f)(7).

For more information about FASITs, see sections 860H through 860L.