



Note: *The draft you are looking for begins on the next page.*

Caution: DRAFT—NOT FOR FILING

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA) for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).

Instructions for Form 8876



(December 2025)

Excise Tax on Structured Settlement Factoring Transactions

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

Future Developments

For the latest information about developments related to Form 8876 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8876](https://www.irs.gov/Form8876).

What's New

Electronic payments. The use of paper-based payments (including checks and money orders) flowing into and out of the federal government is being transitioned into electronic payments to reduce delays, risks of fraud, lost payments, theft, and inefficiencies. Go to [IRS.gov/EO14247](https://www.irs.gov/EO14247) for more information.

Making a payment. Payments made to the federal government must be processed electronically. See [Line 6 — Tax Due](#), and [Non-electronic payment exceptions](#), later, for information on how to make a payment.

Direct deposit. To the extent permitted by law, the Secretary of the Treasury will cease issuing paper checks for all federal disbursements. Direct deposit is now available for this form. If there is an overpayment when filing your return, complete lines 7b, 7c, and 7d to enter your direct deposit information. See [Line 7 — Overpayment](#) and [Non-electronic federal disbursement exceptions](#), later, for more information.

General Instructions

Purpose of Form

Use Form 8876 to report and pay the 40% excise tax imposed under section 5891 on the factoring discount of a structured settlement factoring transaction. File a separate Form 8876 for each date on which you received structured settlement payment rights in one or more structured settlement factoring transactions.

Definitions

Structure settlement. A structured settlement is an arrangement:

- Established (a) by suit or agreement for the periodic payment of damages excludable from the gross income of the recipient under section 104(a)(2) or (b) by agreement for the periodic payment of compensation under any workers' compensation law excludable from the gross income of the recipient under section 104(a)(1); and
- Under which the periodic payments are (a) of the character described in section 130(c)(2) (A) and (B) and (b) payable by a person who is a party to the suit or agreement or to the workers' compensation claim or by a person who has assumed the liability for such periodic payments under a qualified assignment in accordance with section 130.

Structured settlement factoring transaction. A structured settlement factoring transaction is a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale,

assignment, pledge, or other form of encumbrance or alienation for consideration.

The following are not structured settlement factoring transactions.

- The creation or perfection of a security interest in structured settlement payment rights under a blanket security agreement entered into with an insured depository institution in the absence of any action to redirect the structured settlement payments to that institution (or agent or successor thereof) or otherwise to enforce such blanket security interest as against the structured settlement payment rights.
- A subsequent transfer of structured settlement payment rights acquired in a structured settlement factoring transaction.

Structured settlement payment rights. Structured settlement payment rights are rights to receive payments under a structured settlement.

Factoring discount. The factoring discount is the difference between the total undiscounted amount of structured settlement payments being acquired (line 1) and the total amount paid by the acquirer to the person(s) from whom the structured settlement payment rights are acquired (line 2).

Qualified order. A qualified order is a final order, judgment, or decree that:

- Finds that the transfer of structured settlement payment rights does not contravene any federal or state statute or the order of any court or responsible administrative authority, and is in the best interest of the payee, taking into account the welfare and support of the payee's dependents; and
- Is issued under the authority of an applicable state statute by an applicable state court, or by the responsible administrative authority (if any) that has exclusive jurisdiction over the underlying action or proceeding that was resolved by means of the structured settlement.

Who Must File

Generally, you must file Form 8876 if you acquire directly or indirectly structured settlement payment rights in a structured settlement factoring transaction entered into after February 21, 2002. However, do not file Form 8876 if the transfer of structured settlement payment rights was approved in advance in a qualified order, as no excise tax is due.

When To File

File Form 8876 by the 90th day following the receipt of structured settlement payment rights in a structured settlement factoring transaction.

If you need more time, file Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, by the due date of Form 8876. Form 7004 does not extend the time for payment of tax.

Where To File

Send Form 8876 to the following address.

Department of the Treasury
Internal Revenue Service Center
Kansas City, MO 64999-0019

Rounding Off to Whole Dollars

You can round off cents to whole dollars on your return and schedules. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Amended Return

To amend a previously filed Form 8876, file a corrected Form 8876 and write "Amended" at the top of the form.

Interest and Penalties

Interest. Interest is charged on taxes not paid by the due date at a rate determined under section 6621.

Late filing of return. Generally, a penalty of 5% a month or part of a month, up to a maximum of 25%, is imposed on the net amount due if Form 8876 is not filed when due. This penalty will not be imposed if you have reasonable cause for not filing on time. If you do, attach an explanation.

Late payment of tax. Generally, the penalty for not paying tax when due is $\frac{1}{2}$ of 1% of the unpaid amount, up to a maximum of 25%, for each month or part of a month the tax remains unpaid. The penalty is imposed on the net amount due. This penalty will not be imposed if you have reasonable cause for not paying on time.

Additional Information

For more details, see section 5891 and Regulations section 157.5891-1.

Specific Instructions

Name and address. Enter the name shown on your most recently filed federal income tax return. If the Post Office does not deliver mail to the street address and you have a P.O. box, show the box number instead of the street address.

Foreign address. Follow the country's practice for entering the postal code. In some countries, the postal code may come before the city or town name. Enter the full name of the country using uppercase letters in English.

Identifying number. If you are an individual, enter your social security number. Other filers should enter their employer identification number.

Tax Computation

Line 5

If you filed Form 7004 for the payment rights received on the date shown on the top of this Form 8876, enter the amount of tax paid, if any, when you filed that extension application.

Line 6—Tax Due

If the amount on line 7 is more than the amount on line 8, subtract line 8 from line 7. This is the amount you owe.

Payments made to the federal government must be processed electronically. Go to [IRS.gov/EO14247](https://www.irs.gov/EO14247) for more information. Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information on how to make a payment and also see *EFTPS* and *Same-day wire* below. If you qualify for an exception, an alternative payment option (check or money order) may be permitted. See [Non-electronic payment exceptions](#), later, for more information.

EFTPS. Payment of the tax due may be submitted electronically through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a free service of the Department of the Treasury.

To be considered timely, payments made through EFTPS must be completed no later than 8 p.m. Eastern time the day before the due date. All EFTPS payments must be scheduled in advance of the due date and, if necessary, may be changed or canceled up to 2 business days before the scheduled payment date.

To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](https://www.eftps.gov) or call 800-555-4477. To contact EFTPS using Telecommunications Relay Service (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number, above, or 800-733-4829. Additional information about EFTPS is available in Pub. 966, *Electronic Federal Tax Payment System: A Guide to Getting Started*.

Same-day wire. Payment of the tax due may be submitted electronically through same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

What you need to know about making a same-day wire payment.

- You do not need to enroll to make a same-day wire payment, and no PIN is needed.
- Your financial institution may charge a fee for this service.
- The cutoff time to make a same-day wire payment is 5 p.m. Eastern time. Your financial institution may have an earlier cutoff time.
- Download and complete page 1 of the Same-Day Taxpayer Worksheet, and provide pages 1 and 2 to your financial institution. See *How do I make an electronic payment?* under [Frequently asked questions on estate taxes](#) on [IRS.gov](https://www.irs.gov) for the worksheet and more information.

Non-electronic payment exceptions. If you qualify for one of the exceptions below, a check or money order may still be permitted as a payment option.

1. Individuals who do not have access to banking services or electronic payment systems.
2. Certain emergency payments where electronic disbursement would cause undue hardship, as contemplated in 31 C.F.R. Part 208.
3. National security- or law enforcement-related activities where non-EFT transactions are necessary or desirable.
4. Other circumstances as determined by the Secretary of the Treasury, as reflected in regulations or other guidance.

Note. If you don't qualify for one of the exceptions above, an electronic payment option must be used to make a payment. If you do qualify for an exception above, go to [IRS.gov/Payments/Pay-by-Check-or-Money-Order](https://www.irs.gov/Payments/Pay-by-Check-or-Money-Order) for details on what needs to go on the check to mail your payment.

Line 7—Overpayment

To the extent permitted by law, the Secretary of the Treasury will cease issuing paper checks for all federal disbursements. Direct deposit is available for this form. If there is an overpayment when filing your return, complete Part III, lines 7b, 7c, and 7d to input your direct deposit information. If you qualify for an exception, an alternative payment option (paper check) may be permitted. See [Non-electronic federal disbursement exceptions](#), later, for more information.



Why use direct deposit? You get your refund faster by direct deposit than you do by check. Payment is more secure. There is no check that can get lost or stolen. It is more convenient. You don't have to make a trip to the bank to

deposit your check. It saves tax dollars. It costs the government less to refund by direct deposit. It's proven itself. Nearly 98% of social security and veterans' benefits are sent electronically using direct deposit.

Account must be in your name. Don't request a deposit of your refund to an account that isn't in your name. The number of refunds that can be directly deposited to a single account or prepaid debit card is limited to three a year. After this limit is reached, paper checks will be sent instead. Learn more at [IRS.gov/DepositLimit](https://www.irs.gov/DepositLimit).

Line 7a

If the amount on line 5 is more than the amount on line 4, subtract line 4 from line 5. This is the amount you overpaid. If you want us to directly deposit the amount shown on line 7a to your checking or savings account at a U.S. bank or other U.S. financial institution (such as a mutual fund, brokerage firm, or credit union) complete lines 7b through 7d.

Line 7b

The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Ask your financial institution for the correct routing number to enter on line 7b if:

- The routing number on a deposit slip is different from the routing number on your checks,
- Your deposit is to a savings account that doesn't allow you to write checks, or
- Your checks state they are payable through a financial institution different from the one at which you have your checking account.

Line 7c

Check the appropriate box for the type of account. Don't check more than one box. You must check the correct box to ensure your deposit is accepted.

Line 7d

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. Don't include the check number.

If the direct deposit to your account is different from the amount you expected, you will receive an explanation in the mail about 2 weeks after your refund is deposited.

Reasons your direct deposit will be rejected. If any of the following apply, your direct deposit request will be rejected and a check will be sent instead.

- You are asking to have a joint refund deposited to an individual account, and your financial institution(s) won't allow this. The IRS isn't responsible if a financial institution rejects a direct deposit.
- The name on your account doesn't match the name on the refund, and your financial institution(s) won't allow a refund to be

deposited unless the name on the refund matches the name on the account.

- Three direct deposits of tax refunds have already been made to the same account or prepaid debit card.
- You haven't given a valid account number.
- Any numbers or letters on lines 10b through 10d are crossed out or whited out.



The IRS isn't responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

Non-electronic federal disbursement exceptions. If you qualify for one of the exceptions below, a paper check may still be permitted as a federal disbursement option.

1. Individuals who do not have access to banking services or electronic payment systems.
2. Certain emergency payments where electronic disbursement would cause undue hardship, as contemplated in 31 C.F.R. Part 208.
3. National security- or law enforcement-related activities where non-EFT transactions are necessary or desirable.
4. Other circumstances as determined by the Secretary of the Treasury, as reflected in regulations or other guidance.

Note. If you don't qualify for one of the exceptions above, the direct deposit information must be entered on lines 7b, 7c, and 7d. If you do qualify for an exception above, leave lines 7b, 7c, and 7d blank.

Signature

For information on who must sign Form 8876, see the instructions for the signature section of your federal income tax return.

Paid Preparer Use Only

A paid preparer must sign Form 8876 and provide the information in the *Paid Preparer Use Only* section at the end of the form if the preparer was paid to prepare the form and is not an employee of the filing entity. The preparer must give you a copy of the form in addition to the copy to be filed with the IRS.

If you are a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. If you work for a tax preparation firm, you must also enter the firm's name, address, and EIN. However, you cannot use the PTIN of the tax preparation firm in place of your PTIN.

You can apply for a PTIN online or by filing Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal. For more information about applying for a PTIN online, go to [IRS.gov/ptin](https://www.irs.gov/ptin).

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. If you do not file a return, do not provide the information we ask for, or provide fraudulent information, you may be subject to penalties.

Our legal right to ask for information is sections 6001, 6011, and 6012(a) and their regulations, which require you to file a return or statement with us for any tax for which you are liable. Your response is mandatory under these sections. Section 6109 requires you to provide your identifying number. You must fill in all parts of the form that apply to you.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. We ask for the information on this form to carry out the tax laws of the United States.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described there. For example, we may disclose your tax information to the Department of Justice to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, and U.S. commonwealths or possessions to administer their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	3 hr., 6 min.
Learning about the law or the form	1 hr., 12 min.
Preparing and sending the form to the IRS	1 hr., 17 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Don't** send Form 8876 to this address. Instead, see *Where To File*, earlier.