Internal Revenue
bulletin

Bulletin No. 2015–8
February 23, 2015

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Proc. 2015–18, page 620.

Publication 1167, General Rules and Specifications for Substitute Forms and Schedules, provides guidelines and general requirements for the development, printing, and approval of substitute tax forms.

Rev. Proc. 2015–19, page 656.

This revenue procedure provides the depreciation deduction limitations for owners of passenger automobiles (including trucks and vans) first placed in service during calendar year 2015 and amounts to be included in income by lessees of passenger automobiles first leased during calendar year 2015. This revenue procedure also provides revised tables of depreciation limitations and lessee inclusion amounts for passenger automobiles first placed in service or first leased during 2014 and to which the 50 percent additional first year depreciation deduction applies.

T.D. 9710, page 603.

The final regulations provide guidance under section 909 addressing situations in which foreign income taxes have been separated from the related income.

EXEMPT ORGANIZATIONS

Announcement 2015–6, page 663.

Revocation of IRC 501(c)(3) Organizations for failure to meet the code section requirements. Contributions made to the organizations by individual donors are no longer deductible under IRC 170(b)(1)(A).

ADMINISTRATIVE

Notice 2015–11, page 618.

This notice sets forth the maximum face amount of Qualified Zone Academy Bonds ("Bond" or "Bonds") that may be issued for each State for the calendar year 2014. For this purpose, "State" includes the District of Columbia and the possessions of the United States.

IRS

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.
This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.
This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

26 CFR Part 1: Foreign Tax Credit Splitting Events.

T.D. 9710

Foreign Tax Credit Splitting Events

DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 1

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final Income Tax Regulations with respect to a provision of the Internal Revenue Code (Code) that addresses situations in which foreign income taxes have been separated from the related income. These regulations are necessary to provide guidance on applying the statutory provision, which was enacted as part of legislation commonly referred to as the Education Jobs and Medicaid Assistance Act (EJMAA) on August 10, 2010. These regulations affect taxpayers claiming foreign tax credits or deducting foreign income taxes.

DATES: *Effective date*: These regulations are effective on February 10, 2015.

Applicability dates: For dates of applicability, see §§ 1.704–1(b)(1)(ii)(*b*)(*3*), 1.909–1(e), 1.909–2(c), 1.909–3(c), 1.909–4(b), 1.909–5(c), and 1.909–6(h).

FOR FURTHER INFORMATION CONTACT: Suzanne M. Walsh, (202) 317-6936 (not a toll-free call).

SUPPLEMENTARY INFORMATION:

Background

On February 14, 2012, a notice of proposed rulemaking by cross-reference to temporary regulations (REG–132736–11) under sections 909 and 704 of the Code and temporary regulations (TD 9577) (2012 temporary regulations) were published in the **Federal Register** at [77 FR 8184] and [77 FR 8127], respectively.

Section 1.909–6T of the 2012 temporary regulations set forth an exclusive list of splitter arrangements that applied to foreign income taxes paid or accrued by a section 902 corporation in a taxable year beginning on or before December 31, 2010, comprised of reverse hybrid structure splitter arrangements, foreign consolidated group splitter arrangements, group relief or other loss sharing regime splitter arrangements, and hybrid instrument splitter arrangements (pre-2011 splitter arrangements).

For foreign income taxes paid or accrued by any person in a taxable year beginning on or after January 1, 2011, § 1.909–5T of the 2012 temporary regulations adopted the same list of splitter arrangements as § 1.909–6T, but added partnership inter-branch payment splitter arrangements to the list.

For foreign income taxes paid or accrued by any person in a taxable year beginning on or after January 1, 2012, § 1.909–2T adopted the list of splitter arrangements applicable to prior taxable years with certain changes. Because regulations under section 901 were modified for taxable years beginning after February 14, 2012, to address the application of the legal liability rule to combined income regimes, consolidated group splitter arrangements were removed from the list (although § 1.909–5T applied the consolidated group splitter arrangement rules to foreign income taxes paid or accrued by any person in a taxable year beginning on or after January 1, 2012, and on or before February 14, 2012). In addition, the definitions of hybrid instrument splitter arrangements and loss-sharing splitter arrangements were expanded.

Sections 1.909–3T and 1.909–6T provided interim mechanical rules for tracking taxes paid or accrued with respect to a splitter arrangement (split taxes) as well as the related income with respect to such taxes.

The 2012 temporary regulations also removed the special rule for inter-branch payments previously set forth in § 1.704–1(b)(4)(viii)(*d*)(*3*).

A public hearing was not requested and none was held. However, the IRS and the Treasury Department received written comments in response to the notice of proposed rulemaking. After consideration of all the comments, the proposed regulations under section 909 are adopted as amended by this Treasury decision. The revisions are discussed in this preamble. This Treasury decision also adopts the proposed regulations under section 704 without amendment.

Explanation of Revisions and Summary of Comments

I. *Splitter arrangements—in general*

This Treasury decision makes clarifying changes to certain of the definitions of splitter arrangements in § 1.909–2T. It also makes a clarifying change to the interim mechanical rules for tracking split taxes and related income. Apart from this clarifying change, this Treasury decision does not address mechanical issues, which are still under consideration and will be addressed in future guidance.

II. *Reverse hybrid splitter arrangements*

Section 1.909–2T(b)(1) provides that a splitter arrangement exists with respect to a reverse hybrid entity when a payor pays or accrues foreign income taxes with respect to the income of the reverse hybrid. The split taxes are the taxes paid or accrued with respect to income of the reverse hybrid. The related income with respect to such split taxes is the earnings and profits of the reverse hybrid attributable to the activities of the reverse hybrid that gave rise to the foreign taxable income with respect to which the split taxes were paid or accrued.

A comment indicated that there is confusion regarding the amount of the related income with respect to a reverse hybrid splitter arrangement in the case in which the reverse hybrid subsequently incurs a loss, causing its earnings and profits to fluctuate over multiple taxable years. The

final regulations include two new examples at § 1.909–2(b)(1)(v) that clarify how to determine the related income amount with respect to split taxes from a reverse hybrid splitter arrangement.

III. *Loss-sharing splitter arrangements*

Section 1.909–2T(b)(2) provides that a splitter arrangement exists to the extent that the "usable shared loss" of a "U.S. combined income group," which is an individual or corporation and all the entities with which it combines items of income and expense under U.S. federal income tax law, is used to offset foreign taxable income of another U.S. combined income group. A usable shared loss is defined as a shared loss of a U.S. combined income group that could be used under foreign law to offset the group's own income.

A comment requested that the definition of a usable shared loss be clarified to exclude any shared loss that could not be used within the U.S. combined income group in a current foreign taxable year but that could be used within a group by carrying the loss either forward or back to a different foreign taxable year. The Treasury Department and the IRS agree that the usable shared loss definition should not require a U.S. combined income group to carry forward losses because it will not necessarily be foreseeable whether the group will have sufficient foreign taxable income in a future taxable year to use a loss that cannot be used currently or carried back within the group. It would be too unpredictable to adopt a "wait and see" rule that required a taxpayer to forego the opportunity to use a loss to reduce an affiliate's foreign tax liability in a current (or prior) foreign taxable year based on the speculation that it may be able to use the loss itself in a future foreign taxable year.

It is appropriate, however, that the usable shared loss definition include a shared loss that could be used to offset foreign taxable income of the group in a previous taxable year. Because taxpayers can know in a current foreign taxable year whether a loss can be carried back for foreign law purposes within the U.S. combined income group, they should not be permitted to share such a loss in a way that inappropriately separates foreign income taxes from the related income. Although this may require taxpayers to treat taxes previously paid or accrued as split taxes, this is an acceptable outcome in light of the policy concerns that the loss-sharing splitter rules are intended to address. Furthermore, taxpayers can avoid having to treat taxes as split taxes on a retroactive basis by carrying back the loss. Accordingly, the regulations modify the definition to clarify that a usable shared loss is a shared loss that could be used under foreign tax law to offset income of the U.S. combined income group in a current or previous foreign taxable year.

Another comment recommended that sharing a usable shared loss outside of a U.S. combined income group should give rise to a splitter arrangement only to the extent that the gross amount of such a usable shared loss shared away from the U.S. combined income group exceeds the gross amount of shared losses from other U.S. combined income groups that are received by the group. The Treasury Department and the IRS have determined that it is too burdensome to administer such a netting rule, particularly in light of the fact that the comment did not provide a reason why a U.S. combined income group would seek to use shared losses from another U.S. combined income group while sharing its own usable shared loss outside the group, rather than using its usable shared loss within the group. Therefore, the comment is not adopted.

A further comment recommended that a U.S. combined income group with split taxes resulting from sharing a usable shared loss away from the group in a prior year be treated as receiving a distribution of related income to the extent of any shared loss received by it from a different U.S. combined income group. The Treasury Department and the IRS have determined that it is too burdensome to administer such a rule, which would entail reconciling actual related income accounts with deemed distributions of related income resulting from the receipt of a shared loss from another U.S. combined income group. Therefore, the comment is not adopted.

A question has arisen about when references to "income" in § 1.909–2T(b)(2) are intended to refer to income for purposes of U.S. federal income tax law or to income for purposes of foreign tax law. The regulations clarify that the reference to the term "income" of that U.S. combined income group in § 1.909–2(b)(2)(v) refers to income for purposes of foreign tax law.

IV. *Hybrid instrument splitter arrangements*

Section 1.909–2T(b)(3)(i) provides that there is a U.S. equity hybrid instrument splitter arrangement if payments or accruals with respect to a U.S. equity hybrid instrument (i) give rise to foreign income taxes paid or accrued by the owner of such instrument, (ii) are deductible by the issuer under the laws of its foreign jurisdiction, and (iii) do not give rise to income for U.S. federal income tax purposes.

A question has arisen as to whether there is a splitter arrangement if an accrual for foreign law purposes with respect to a U.S. equity hybrid instrument does not give rise to income under U.S. law but a separate payment of the accrued amount is made that gives rise to income under U.S. law equal to all or a portion of the amount of the accrual. The reference to "payments or accruals" created confusion regarding the effect of a payment. The final regulations are clarified to provide that if an accrual under foreign law with respect to a U.S. equity hybrid instrument gives rise to a foreign-law deduction by the issuer, then regardless of whether a payment is made on the instrument, a splitter arrangement exists whenever an accrual gives rise to the imposition of foreign income taxes on the instrument owner without giving rise to income under U.S. federal income tax law. Any actual payment of the accrued amount, whether or not it is made periodically under the terms of the instrument, does not prevent the hybrid instrument from being a splitter arrangement. The payments, however, may be treated as a distribution of related income to the extent provided by § 1.909–3 and § 1.909–6(d). An example is added at § 1.909–2(b)(3)(i)(E) to illustrate the application of the rule.

V. *Mechanical rules for tracking related income and split taxes.*

A comment recommended that the regulations should generally provide additional mechanical rules for tracking related income. The Treasury Department and the IRS recognize that there are a number of mechanical issues related to tracking related income and split taxes that are not fully addressed in § 1.909–6T. Other mechanical issues are under consideration and will be addressed in future guidance.

One comment recommended revising § 1.909–6T(e)(3) to provide for the carryover of split taxes in the circumstance in which a payor of split taxes that is a section 902 corporation combines with a section 902 shareholder in a transaction that is described in section 381. Section 1.909–6T(e)(3) provides that split taxes that carry over to a *foreign* corporation under section 381, § 1.367(b)–7, or similar rules retain their character as split taxes and, consequently, the transferee corporation is treated as the payor of the split taxes. That provision does not, however, provide that split taxes carry over to a *domestic* corporation in the case of a foreign-to-U.S. liquidation or other inbound transaction described in section 381.

The Treasury Department and the IRS have determined that it is not appropriate to expand the scope of § 1.909–6T(e)(3) as recommended by the comment. A carryover rule for inbound section 381 transactions would create preferential treatment, in certain fact patterns, of split foreign income taxes that are maintained by a section 902 corporation in suspension accounts rather than included in post-1986 foreign income tax pools, such as when the section 902 corporation has a deficit in post-1986 undistributed earnings and profits. In addition, if suspended foreign income taxes are carried over to a domestic section 902 shareholder, currency exchange rate fluctuations could cause a disparity between the dollar amount of income included by the domestic section 902 shareholder in respect of the functional currency amount of earnings and profits used to make the suspended tax payment and the creditable dollar amount of the foreign income taxes that are unsuspended. This disparity is inconsistent with the inclusion that results from unsuspending split taxes at the level of the payor section 902 corporation, deeming such taxes to be paid by the section 902 shareholder, and including the dollar amount of taxes in the shareholder's income under the section 78 gross-up. Moreover, taxpayers could choose to avoid permanent suspension of split taxes in an inbound transaction by, for example, causing a distribution of the related income to the payor of the split taxes before the payor of the split taxes is liquidated or otherwise combined with a domestic person. For these reasons, the final regulations do not modify § 1.909–6T(e)(3) to treat split taxes as a carryover attribute in inbound section 381 transactions.

Another comment addressed the fact pattern in which a covered person with the related income ceases to be a covered person with respect to the payor of split taxes and the payor does not take the related income into account before, or in connection with, the termination of the covered person relationship, resulting in the permanent suspension of split taxes. The comment recommended that, in this case, if the covered person is a direct or indirect subsidiary of the payor of the split taxes, the payor should be treated as having paid the split taxes on behalf of the covered person and as having made a capital contribution in the amount of the split taxes to the covered person directly or indirectly through a chain of subsidiaries, thereby stepping up basis in the covered person's stock. The comment also recommended reducing the earnings and profits of the covered person by the amount of the split taxes as though the covered person had paid the split taxes. Stepping up the basis of the stock of the covered person by the amount of the permanently suspended split taxes and reducing its earnings and profits by the same amount would ensure that any inclusion attributable to the earnings and profits or appreciated assets of the departing or liquidating covered person is reduced by the amount of the split taxes, effectively converting the permanently suspended split taxes into a deduction for the payor of the split taxes.

Section 909 contemplates that split taxes may remain permanently suspended as a result of a disposition or liquidation of the covered person. Section 909 provides that split taxes are suspended until the related income is taken into account generally by the payor of the split tax or relevant section 902 shareholder, and does not provide for a deduction of split taxes in lieu of a credit. If the covered person does not distribute the full amount of related income prior to the liquidation or disposition of the covered person, and such liquidation or disposition does not result in the reflection of the related income in the earnings and profits of the payor of the split tax (or the relevant section 902 shareholder), then the related income is not taken into account as prescribed by section 909. The Treasury Department and the IRS, therefore, have concluded that it is appropriate for split taxes to remain suspended until and unless the related income is taken into account. Accordingly, the comment is not adopted.

VI. *Taking related income into account as a result of a transaction under section 381*

A comment incorrectly interpreted § 1.909–6T(d)(8)(ii) as providing that when a payor section 902 corporation with suspended split taxes combines with the covered person with the related income in a transaction described in section 381, all related income is treated as taken into account even if the full amount of related income is not reflected in the earnings and profits of the payor section 902 corporation (or surviving corporation) as a result of the transaction.

The Treasury Department and the IRS did not intend for a transaction described under section 381 to result in the unsuspension of split taxes if the transaction does not cause the payor of the split taxes to take into account earnings and profits of the covered person equal to the amount of related income specified in the relevant splitter arrangement definition. Accordingly, the final regulations clarify that split taxes are unsuspended only when the appropriate amount of related income is taken into account by the payor section 902 corporation either as a result of a distribution or inclusion out of the earnings and profits of the covered person or as a result of the combination of the payor

section 902 corporation and the covered person in a transaction described in section 381.

VII. *Additional splitter arrangement fact patterns*

A comment recommended that the U.S. debt hybrid instrument splitter arrangement definition be expanded to include certain fact patterns in which the instrument owner is not related to the issuer of the instrument. The Treasury Department and the IRS have concluded that it is not appropriate at this time to extend the existing splitter arrangement list to include transactions between unrelated persons and do not adopt the comment. The Treasury Department and the IRS continue, however, to consider other arrangements that inappropriately separate foreign income taxes from the related income, and the circumstances under which a splitter arrangement described in regulations or other guidance under section 909 should be applied to arrangements between unrelated persons.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. Pursuant to section 7805(f) of the Internal Revenue Code, the NPRM preceding this regulation was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small businesses.

Drafting Information

The principal author of these regulations is Suzanne M. Walsh of the Office of Associate Chief Counsel (International). However, other personnel from the IRS and the Treasury Department participated in their development.

* * * * *

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding an entry in numerical order to read as follows:

Authority: 26 U.S.C. 7805 * * *

Sections 1.909–1 through 1.906–6 also issued under 26 U.S.C. 909(e). * * *

Par. 2. Section 1.704–1 is amended as follows:

a. Paragraph (b)(0) is amended by adding entries for § 1.704–1(b)(1)(ii)(*b*)(*3*) and § 1.704–1(b)(4)(viii)(*d*)(*3*).

b. Paragraph (b)(1)(ii)(*b*)(*3*) is revised.

c. Paragraph (b)(4)(viii)(*d*)(*3*) is revised.

d. Paragraph (b)(5), *Example 24*, is revised.

The revisions read as follows:

§ 1.704–1. Partner's distributive share.

* * * * *

(b) *Determination of partner's distributive share* –(0) *Cross-references*.

Heading	Section
* * * * * * *	
Special rules for certain interbranch payments.	1.704–1(b)(1)(ii)(*b*)(*3*)
* * * * * * *	
Special rules for certain interbranch payments	1.704–1(b)(4)(viii)(*d*)(*3*)
* * * * * * *	

(1) * * *

(ii) * * *

(*b*) * * *

(*3*) *Special rules for certain interbranch payments*—(A) *In general*. The provisions of § 1.704–1(b)(4)(viii)(*d*)(*3*) apply for partnership taxable years ending after February 9, 2015. See 26 CFR 1.704–1T(b)(4)(viii)(*d*)(*3*) (revised as of April 1, 2014) for rules applicable to taxable years beginning on or after January 1, 2012, and ending on or before February 9, 2015.

(B) *Transition rule*. Transition relief is provided herein to partnerships whose agreements were entered into prior to February 14, 2012. In such cases, if there has been no material modification to the partnership agreement on or after February 14, 2012, then the partnership may apply the provisions of § 1.704–1(b)(4)(viii)(*c*)(*3*)(*ii*) and § 1.704–1(b)(4)(viii)(*d*)(*3*) (revised as of April 1, 2011). For purposes of this paragraph (b)(1)(ii)(*b*)(*3*), any change in ownership constitutes a material modification to the partnership agreement. This transition rule does not apply to any taxable year in which persons bearing a relationship to each other that is specified in section 267(b) or section 707(b) collectively have the power to amend the partnership agreement without the consent of any unrelated party (and all subsequent taxable years).

* * * * *

(4) * * *

(vii) * * *

(*d*) * * *

(*3*) *Special rules for inter-branch payments*. For rules relating to foreign tax paid or accrued in partnership taxable years beginning before January 1, 2012, in respect of certain inter-branch payments, see 26 CFR 1.704–1(b)(4)(viii)(*d*)(*3*) (revised as of April 1, 2011).

* * * * *

(b)

(5) * * *

Example 24. (i) The facts are the same as in *Example 21*, except that businesses M and N are conducted by entities (DE1 and DE2, respectively) that are corporations for country X and Y tax purposes and disregarded entities for U.S. Federal income tax purposes. Also, assume that DE1 makes payments of $75,000 during 2012 to DE2 that are deductible by DE1 for country X tax purposes and includible in income of DE2 for country Y tax purposes. As a result of such payments, DE1 has taxable income of $25,000 for country X purposes on which $10,000 of taxes are imposed and DE2 has taxable income of $125,000 for country Y purposes on which $25,000 of taxes are imposed. For U.S. Federal income tax purposes, $100,000 of AB's income is attributable to the activities of DE1 and $50,000 of AB's income is attributable to the activities of DE2. Pursuant to the partnership agreement, all partnership items from business M, excluding CFTEs paid or accrued by business M, are allocated 75% to A and 25% to B, and all partnership items from business N, excluding CFTEs paid or accrued by business N, are split evenly between A and B (50% each). Accordingly, A is allocated 75% of the income from business M ($75,000), and 50% of the income from business N ($25,000). B is allocated 25% of the income from business M ($25,000), and 50% of the income from business N ($25,000).

(ii) Because the partnership agreement provides for different allocations of the net income attributable to businesses M and N, the net income attributable to each of business M and business N is income in separate CFTE categories. See paragraph (b)(4)(viii)(*c*)(*2*) of this section. Under paragraph (b)(4)(viii)(*c*)(*3*) of this section, the $100,000 of net income attributable to business M is in the business M CFTE category and the $50,000 of net income attributable to business N is in the business N CFTE category. Under paragraph (b)(4)(viii)(*d*)(*1*) of this section, the $10,000 of country X taxes is allocated to the business M CFTE category and $10,000 of the country Y taxes is allocated to the business N CFTE category. The additional $15,000 of country Y tax imposed with respect to the inter-branch payment is assigned to the business M CFTE category because for U.S. Federal income tax purposes, the related $75,000 of income that country Y is taxing is in the business M CFTE category. Therefore, $25,000 of taxes ($10,000 of country X taxes and $15,000 of the country Y taxes) is related to the $100,000 of net income in the business M CFTE category and the other $10,000 of country Y taxes is related to the $50,000 of net income in the business N CFTE category. See paragraph (b)(4)(viii)(*c*)(*1*) of this section. The allocations of country X taxes will be in proportion to the distributive shares of income to which they relate and will be deemed to be in accordance with the partners' interests in the partnership if such taxes are allocated 75% to A and 25% to B. The allocations of country Y taxes will be in proportion to the distributive shares of income to which they relate and will be deemed to be in accordance with the partners' interests in the partnership if $15,000 of such taxes is allocated 75% to A and 25% to B and the other $10,000 of such taxes is allocated 50% to A and 50% to B. No inference is intended with respect to the application of other provisions to arrangements that involve disregarded payments.

(iii) Assume that the facts are the same as in paragraph (i) of this *Example 24*, except that in order to reflect the $75,000 payment from DE1 to DE2, the partnership agreement allocates $75,000 of the income attributable to business M equally between A and B (50% each). In order to prevent separating the CFTEs from the related foreign income, the $75,000 payment is treated as a divisible part of the business M activity and, therefore, a separate activity. See paragraph (b)(4)(viii)(*c*)(*2*)(*iii*) of this section. Because items from the disregarded payment and business N are both shared equally between A and B, the disregarded payment activity and the business N activity are treated as a single CFTE category. See paragraph (b)(4)(viii)(*c*)(*2*)(*i*) of this section. Accordingly, $25,000 of net income attributable to business M is in the business M CFTE category and $75,000 of income of business M attributable to the disregarded payment and the $50,000 of net income attributable to business N are in the business N CFTE category. Under paragraph (b)(4)(viii)(*d*)(*1*) of this section, the $10,000 of country X taxes is allocated to the business M CFTE category and all $25,000 of the country Y taxes is allocated to the business N CFTE category. The allocations of country X taxes will be in proportion to the distributive shares of income to which they relate and will be deemed to be in accordance with the partners' interests in the partnership if such taxes are allocated 75% to A and 25% to B. The allocations of country Y taxes will be in proportion to the distributive shares of income to which they relate and will be deemed to be in accordance with the partners' interests in the partnership if such taxes are allocated 50% to A and 50% to B.

* * * * *

§ 1.704–1T [Removed]

Par. 3. Section 1.704–1T is removed.

Par. 4. Section 1.909–0 is added to read as follows:

§ 1.909–0 Outline of regulation provisions for section 909.

This section lists the headings for §§ 1.909–1 through 1.909–6.

§ 1.909–1 Definitions and special rules.

(a) Definitions.

(b) Taxes paid or accrued by a partnership, S corporation or trust.

(c) Related income of a partnership, S corporation or trust.

(d) Application of section 909 to pre-1987 accumulated profits and pre-1987 foreign income taxes.

(e) Effective/applicability date.

§ 1.909–2 Splitter arrangements.

(a) Foreign tax credit splitting event.

(1) In general.

(2) Split taxes not taken into account.

(b) Splitter arrangements.

(1) Reverse hybrid splitter arrangements.

(i) In general.

(ii) Split taxes from a reverse hybrid splitter arrangement.

(iii) Related income from a reverse hybrid splitter arrangement.

(iv) Reverse hybrid.

(v) Examples.

(2) Loss-sharing splitter arrangements.

(i) In general.

(ii) U.S. combined income group.

(iii) Income and shared loss of a U.S. combined income group.

(iv) Split taxes from a loss-sharing splitter arrangement.

(v) Related income from a loss-sharing splitter arrangement.

(vi) Foreign group relief or other loss-sharing regime.

(vii) Examples.

(3) Hybrid instrument splitter arrangements.

(i) U.S. equity hybrid instrument splitter arrangement.

(ii) U.S. debt hybrid instrument splitter arrangement.

(4) Partnership inter-branch payment splitter arrangements.

(i) In general.

(ii) Split taxes from a partnership inter-branch payment splitter arrangement.

(iii) Related income from a partnership inter-branch payment splitter arrangement.

(c) Effective/applicability date.

§ 1.909–3 Rules regarding related income and split taxes.

(a) Interim rules for identifying related income and split taxes.

(b) Split taxes on deductible disregarded payments.

(c) Effective/applicability date.

§ 1.909–4 Coordination rules.

(a) Interim rules.

(b) Effective/applicability date.

§ 1.909–5 2011 and 2012 splitter arrangements.

(a) Taxes paid or accrued in taxable years beginning in 2011.

(b) Taxes paid or accrued in certain taxable years beginning in 2012 with respect to a foreign consolidated group splitter arrangement.

(c) Effective/applicability date.

§ 1.909–6 Pre-2011 foreign tax credit splitting events.

(a) Foreign tax credit splitting event.

(1) In general.

(2) Taxes not subject to suspension under section 909.

(3) Taxes subject to suspension under section 909.

(b) Pre-2011 splitter arrangements.

(1) Reverse hybrid structure splitter arrangements.

(2) Foreign consolidated group splitter arrangements.

(3) Group relief or other loss-sharing regime splitter arrangements.

(i) In general.

(ii) Split taxes and related income.

(4) Hybrid instrument splitter arrangements.

(i) In general.

(ii) U.S. equity hybrid instrument splitter arrangement.

(iii) U.S. debt hybrid instrument splitter arrangement.

(c) General rules for applying section 909 to pre-2011 split taxes and related income.

(1) Annual determination.

(2) Separate categories.

(d) Special rules regarding related income.

(1) Annual adjustments.

(2) Effect of separate limitation losses and deficits.

(3) Pro rata method for distributions out of earnings and profits that include both related income and other income.

(4) Alternative method for distributions out of earnings and profits that include both related income and other income.

(5) Distributions, deemed distributions, and inclusions out of related income.

(6) Carryover of related income.

(7) Related income taken into account by a section 902 shareholder.

(8) Related income taken into account by a payor section 902 corporation.

(9) Related income taken into account by an affiliated group of corporations that includes a section 902 shareholder.

(10) Distributions of previously-taxed earnings and profits.

(e) Special rules regarding pre-2011 split taxes.

(1) Taxes deemed paid pro rata out of pre-2011 split taxes and other taxes.

(2) Pre-2011 split taxes deemed paid in pre-2011 taxable years.

(3) Carryover of pre-2011 split taxes.

(4) Determining when pre-2011 split taxes are no longer treated as pre-2011 split taxes.

(f) Rules relating to partnerships and trusts.

(1) Taxes paid or accrued by partnerships.

(2) Section 704(b) allocations.

(3) Trusts.

(g) Interaction between section 909 and other Code provisions.

(1) Section 904(c).

(2) Section 905(a).

(3) Section 905(c).

(4) Other foreign tax credit provisions.

(h) Effective/applicability date.

§ 1.909–0T [Removed]

Par. 5. Section 1.909–0T is removed.

Par. 6. Sections 1.909–1 is added to read as follows:

§ 1.909–1 Definitions and special rules.

(a) *Definitions.* For purposes of section 909, this section, and §§ 1.909–2 through 1.909–5, the following definitions apply:

(1) The term *section 902 corporation* means any foreign corporation with respect to which one or more domestic corporations meet the ownership requirements of section 902(a) or (b).

(2) The term *section 902 shareholder* means any domestic corporation that meets the ownership requirements of section 902(a) or (b) with respect to a section 902 corporation.

(3) The term *payor* means a person that pays or accrues a foreign income tax within the meaning of § 1.901–2(f), and also includes a person that takes foreign income taxes paid or accrued by a partnership, S corporation, estate or trust into account pursuant to section 702(a)(6), section 901(b)(5) or section 1373(a).

(4) The term *covered person* means, with respect to a payor—

(i) Any entity in which the payor holds, directly or indirectly, at least a 10 percent ownership interest (determined by vote or value);

(ii) Any person that holds, directly or indirectly, at least a 10 percent ownership interest (determined by vote or value) in the payor; or

(iii) Any person that bears a relationship that is described in section 267(b) or 707(b) to the payor.

(5) The term *foreign income tax* means any income, war profits, or excess profits tax paid or accrued to any foreign country or to any possession of the United States. A foreign income tax includes any tax paid or accrued in lieu of such a tax within the meaning of section 903.

(6) The term *post-1986 foreign income taxes* has the meaning provided in § 1.902–1(a)(8).

(7) The term *post-1986 undistributed earnings* has the meaning provided in § 1.902–1(a)(9).

(8) The term *disregarded entity* means an entity that is disregarded as an entity separate from its owner, as provided in § 301.7701–2(c)(2)(i) of this chapter.

(9) The term *hybrid partnership* means a partnership that is subject to income tax in a foreign country as a corporation (or otherwise at the entity level) on the basis of residence, place of incorporation, place of management or similar criteria.

(b) *Taxes paid or accrued by a partnership, S corporation or trust.* Under section 909(c)(1), section 909 applies at the partner level, and similar rules apply in the case of an S corporation or trust. Accordingly, in the case of foreign income taxes paid or accrued by a partnership, S corporation or trust, taxes allocated to one or more partners, shareholders or beneficiaries (as the case may be) will be treated as split taxes to the extent such taxes would be split taxes if the partner, shareholder or beneficiary had paid or accrued the taxes directly on the date such taxes are taken into account by the partner under sections 702 and 706(a), by the shareholder under section 1373(a),

or by the beneficiary under section 901(b)(5). Any such split taxes will be suspended in the hands of the partner, shareholder or beneficiary.

(c) *Related income of a partnership, S corporation or trust*. For purposes of determining whether related income is taken into account by a covered person, related income of a partnership, S corporation or trust is considered to be taken into account by the partner, shareholder or beneficiary to whom the related income is allocated.

(d) *Application of section 909 to pre-1987 accumulated profits and pre-1987 foreign income taxes*. Section 909 and §§ 1.909–1 through 1.909–5 will apply to pre-1987 accumulated profits (as defined in § 1.902–1(a)(10)(i)) and pre-1987 foreign income taxes (as defined in § 1.902–1(a)(10)(iii)) of a section 902 corporation attributable to taxable years beginning on or after January 1, 2012.

(e) *Effective/applicability date*. This section applies to taxable years ending after February 9, 2015. See 26 CFR 1.909–1T (revised as of April 1, 2014) for rules applicable to taxable years beginning on or after January 1, 2011, and ending on or before February 9, 2015.

§ 1.909–1T [Removed]

Par. 7. Section 1.909–1T is removed.

Par. 8. Section 1.909–2 is added to read as follows:

§ 1.909–2 Splitter arrangements.

(a) *Foreign tax credit splitting event*—(1) *In general*. There is a foreign tax credit splitting event with respect to foreign income taxes paid or accrued if and only if, in connection with an arrangement described in paragraph (b) of this section (a *splitter arrangement*) the related income was, is or will be taken into account for U.S. Federal income tax purposes by a person that is a covered person with respect to the payor of the tax. Foreign income taxes that are paid or accrued in connection with a splitter arrangement are split taxes to the extent provided in paragraph (b) of this section. Income (or, as appropriate, earnings and profits) that was, is or will be taken into account by a covered person in connection with a splitter arrangement is related income to the extent provided in paragraph (b) of this section.

(2) *Split taxes not taken into account*. Split taxes will not be taken into account for U.S. Federal income tax purposes before the taxable year in which the related income is taken into account by the payor or, in the case of split taxes paid or accrued by a section 902 corporation, by a section 902 shareholder of such section 902 corporation. Therefore, in the case of split taxes paid or accrued by a section 902 corporation, split taxes will not be taken into account for purposes of sections 902 or 960, or for purposes of determining earnings and profits under section 964(a), before the taxable year in which the related income is taken into account by the payor section 902 corporation, a section 902 shareholder of the section 902 corporation, or a member of the section 902 shareholder's consolidated group. See § 1.909–3(a) for rules relating to when split taxes and related income are taken into account.

(b) *Splitter arrangements*. The arrangements set forth in this paragraph (b) are splitter arrangements.

(1) *Reverse hybrid splitter arrangements*—(i) *In general*. A reverse hybrid is a splitter arrangement when a payor pays or accrues foreign income taxes with respect to income of a reverse hybrid. A reverse hybrid splitter arrangement exists even if the reverse hybrid has a loss or a deficit in earnings and profits for a particular year for U.S. Federal income tax purposes (for example, due to a timing difference).

(ii) *Split taxes from a reverse hybrid splitter arrangement*. The foreign income taxes paid or accrued with respect to income of the reverse hybrid are split taxes.

(iii) *Related income from a reverse hybrid splitter arrangement*. The related income with respect to split taxes from a reverse hybrid splitter arrangement is the earnings and profits (computed for U.S. Federal income tax purposes) of the reverse hybrid attributable to the activities of the reverse hybrid that gave rise to income included in the payor's foreign tax base with respect to which the split taxes were paid or accrued. Accordingly, related income of the reverse hybrid includes items of income or expense attributable to a disregarded entity owned by the reverse hybrid only to the extent that the income attributable to the activities of the disregarded entity is included in the payor's foreign tax base.

(iv) *Reverse hybrid*. The term *reverse hybrid* means an entity that is a corporation for U.S. Federal income tax purposes but is a fiscally transparent entity (under the principles of § 1.894–1(d)(3)) or a branch under the laws of a foreign country imposing tax on the income of the entity.

(v) *Examples*. The following examples illustrate the rules of paragraph (b)(1) of this section.

Example 1. (i) *Facts*. USP, a domestic corporation, wholly owns DE, a disregarded entity for U.S. federal income tax purposes that is organized in country A and treated as a corporation for country A tax purposes. DE wholly owns RH, a corporation for U.S. Federal income tax purposes that is organized in country A and treated as a fiscally transparent entity for country A tax purposes. Country A imposes an income tax at the rate of 30% on DE with respect to the items of income earned by RH. Prior to year 1, RH had no income for country A purposes and had no post-1986 earnings and profits for U.S. Federal income tax purposes. In year 1, RH earns 200u of income on which DE pays 60u of country A tax. Pursuant to § 1.901–2(f)(4)(ii), USP is treated as legally liable for the 60u of country A taxes paid by DE. DE has no other income. In year 2, RH earns no income and incurs no losses or expenses. At the end of year 2, RH distributes 100u to DE.

(ii) *Result*. (A) *Split taxes and related income*. Pursuant to § 1.909–2(b)(1)(iv), RH is a reverse hybrid because it is a corporation for U.S. Federal income tax purposes and a fiscally transparent entity for country A purposes. Pursuant to § 1.909–2(b)(1), RH is a covered person with respect to USP because USP wholly owns RH for U.S. Federal income tax purposes. Pursuant to § 1.909–2(b)(1)(i), there is a splitter arrangement with respect to RH because USP paid country A tax with respect to the income of RH. All 60u of taxes paid by USP in year 1 with respect to the income of RH are split taxes pursuant to § 1.909–2(b)(1)(ii). The post-1986 earnings and profits of RH are 200u as of the end of year 1. Pursuant to § 1.909–2(b)(1)(iii), the related income in year 1 is the 200u of RH's earnings and profits that are attributable to the activities that gave rise to the split taxes. No additional split taxes or related income arise in year 2.

(B) *Distribution*. Because DE is a disregarded entity, the 100u distribution by RH at the end of year 2 is treated as a dividend to USP. Pursuant to § 1.909–6(d)(7) and § 1.909–3(a), 100u of the 200u of related income of RH, or 50%, is taken into account by USP by reason of the 100u dividend. Accordingly, pursuant to § 1.909–6(e)(4) and § 1.909–3(a), a ratable portion of the split taxes, or 30u of taxes (50% of 60u), is no longer treated as split taxes and is taken into account by USP for U.S. Federal income tax purposes.

Example 2. (i) *Facts*. The facts are the same as in *Example 1*, except that in year 2, RH has a 100u loss for U.S. Federal income tax purposes as well as for country A tax purposes. For country A tax purposes,

DE takes the 100u loss into account in year 2 and may not carry back the 100u loss to offset its country A taxable income for year 1. At the end of year 2, RH distributes 100u to DE.

(ii) *Result*. (A) *Split taxes and related income*. The split taxes and related income for year 1 are the same as in *Example 1*. Pursuant to § 1.909–2(b)(1)(iii), § 1.909–6(d)(1) and § 1.909–3(a), the total related income of RH is reduced to 100u (200u – 100u) in year 2 because RH incurred a 100u loss in year 2 attributable to the activities that are included in DE's country A tax base.

(B) *Distribution*. Because DE is a disregarded entity, the 100u distribution by RH at the end of year 2 is treated as a dividend to USP. Pursuant to § 1.909–6(d)(7) and § 1.909–3(a), 100u of the 100u of related income of RH, or 100%, is taken into account by USP by reason of the 100u dividend. Accordingly, pursuant to § 1.909–6(e)(4) and § 1.909–3(a), a ratable portion of the split taxes, or 60u of taxes (100% of 60u), is no longer treated as split taxes and is taken into account by USP for U.S. Federal income tax purposes.

(2) *Loss-sharing splitter arrangements*—(i) *In general*. A foreign group relief or other loss-sharing regime is a loss-sharing splitter arrangement to the extent that a shared loss of a U.S. combined income group could have been used to offset income of that group in the current or in a prior foreign taxable year (*usable shared loss*) but is used instead to offset income of another U.S. combined income group.

(ii) *U.S. combined income group*. The term *U.S. combined income group* means an individual or a corporation and all entities (including entities that are fiscally transparent for U.S. Federal income tax purposes under the principles of § 1.894–1(d)(3)) that for U.S. Federal income tax purposes combine any of their respective items of income, deduction, gain or loss with the income, deduction, gain or loss of such individual or corporation. A U.S. combined income group can arise, for example, as a result of an entity being disregarded or, in the case of a partnership or hybrid partnership and a partner, as a result of the allocation of income or any other item of the partnership to the partner. For purposes of this paragraph (b)(2)(ii), a branch is treated as an entity, all members of a U.S. affiliated group of corporations (as defined in section 1504) that file a consolidated return are treated as a single corporation, and two or more individuals that file a joint return are treated as a single individual. A U.S. combined income group may consist of a single individual or corporation and no other entities, but cannot include more than one individual or corporation. In addition, an entity may belong to more than one U.S. combined income group. For example, a hybrid partnership with two corporate partners that do not combine any of their items of income, deduction, gain or loss for U.S. Federal income tax purposes is in a separate U.S. combined income group with each of its partners.

(iii) *Income and shared loss of a U.S. combined income group*—(A) *Income*. Except as otherwise provided in this paragraph (b)(2)(iii)(A), the income of a U.S. combined income group is the aggregate amount of taxable income recognized or taken into account for foreign tax purposes by those members that have positive taxable income for foreign tax purposes. In the case of an entity that is fiscally transparent (under the principles of § 1.894–1(d)(3)) for foreign tax purposes and that is a member of more than one U.S. combined income group, the foreign taxable income of the entity is allocated between or among the groups under foreign tax law. In the case of an entity that is not fiscally transparent for foreign tax purposes and that is a member of more than one U.S. combined income group, the foreign taxable income of the entity is allocated between or among those groups based on U.S. Federal income tax principles. For example, in the case of a hybrid partnership, the foreign taxable income of the partnership is allocated between or among the groups in the manner the partnership allocates the income under section 704(b). To the extent the foreign taxable income would be income under U.S. Federal income tax principles in another year, the income is allocated between or among the groups based on how the hybrid partnership would allocate the income if the income were recognized for U.S. Federal income tax purposes in the year in which the income is recognized for foreign tax purposes. To the extent the foreign taxable income would not constitute income under U.S. Federal income tax principles in any year, the income is allocated between or among the groups in the same manner as the partnership items attributable to the activity giving rise to the foreign taxable income.

(B) *Shared loss*. The term *shared loss* means a loss of one entity for foreign tax purposes that, in connection with a foreign group relief or other loss-sharing regime, is taken into account by one or more other entities. Except as otherwise provided in this paragraph (b)(2)(iii)(B), the amount of shared loss of a U.S. combined income group is the sum of the shared losses of all members of the U.S. combined income group. In the case of an entity that is fiscally transparent (under the principles of § 1.894–1(d)(3)) for foreign tax purposes and that is a member of more than one U.S. combined income group, the shared loss of the entity is allocated between or among the groups under foreign tax law. In the case of an entity that is not fiscally transparent for foreign tax purposes and that is a member of more than one U.S. combined income group, the shared loss of the entity will be allocated between or among those groups based on U.S. Federal income tax principles. For example, in the case of a hybrid partnership, the shared loss of the partnership will be allocated between or among the groups in the manner the partnership allocates the loss under section 704(b). To the extent the shared loss would be a loss under U.S. Federal income tax principles in another year, the loss is allocated between or among the groups based on how the partnership would allocate the loss if the loss were recognized for U.S. Federal income tax purposes in the year in which the loss is recognized for foreign tax purposes. To the extent the shared loss would not constitute a loss under U.S. Federal income tax principles in any year, the loss is allocated between or among the groups in the same manner as the partnership items attributable to the activity giving rise to the shared loss.

(iv) *Split taxes from a loss-sharing splitter arrangement*. Split taxes from a loss-sharing splitter arrangement are foreign income taxes paid or accrued by a member of the U.S. combined income group with respect to income from the current foreign taxable year, or, in the case of a foregone carryback loss, from the prior foreign taxable year, equal to the amount of the usable shared loss of that group that offsets income of another U.S. combined income group.

(v) *Related income from a loss-sharing splitter arrangement*. The related income with respect to split taxes from a loss-

sharing splitter arrangement is an amount of income of the individual or corporate member of the U.S. combined income group equal to the amount of income under foreign tax law of that U.S. combined income group that is offset by the usable shared loss of another U.S. combined income group.

(vi) *Foreign group relief or other loss-sharing regime*. A foreign group relief or other loss-sharing regime exists when an entity may surrender its loss to offset the income of one or more other entities. A foreign group relief or other loss-sharing regime does not include an allocation of loss of an entity that is a partnership or other fiscally transparent entity (under the principles of § 1.894–1(d)(3)) for foreign tax purposes or regimes in which foreign tax is imposed on combined income (such as a foreign consolidated regime), as described in § 1.901–2(f)(3).

(vii) *Examples*. The following examples illustrate the rules of paragraph (b)(2) of this section.

Example 1. (i) *Facts*. USP, a domestic corporation, wholly owns CFC1, a corporation organized in country A. CFC1 wholly owns CFC2 and CFC3, both corporations organized in country A. CFC2 wholly owns DE, an entity organized in country A. DE is a corporation for country A tax purposes and a disregarded entity for U.S. Federal income tax purposes. Country A has a loss-sharing regime under which a loss of CFC1, CFC2, CFC3 or DE may be used to offset the income of one or more of the others. Country A imposes an income tax at the rate of 30% on the taxable income of corporations organized in country A. In year 1, before any loss sharing, CFC1 has no income, CFC2 has income of 50u, CFC3 has income of 200u, and DE has a loss of 100u. Under the provisions of country A's loss-sharing regime, the group decides to use DE's 100u loss to offset 100u of CFC3's income. After the loss is shared, for country A's tax purposes, CFC2 still has 50u of income on which it pays 15u of country A tax. CFC3 has income of 100u (200u less the 100u shared loss) on which it pays 30u of country A tax. For U.S. Federal income tax purposes, the loss sharing with CFC3 is not taken into account. Because DE is a disregarded entity, its 100u loss is taken into account by CFC2 and reduces its earnings and profits for U.S. Federal income tax purposes. Accordingly, before application of section 909, CFC2 has a loss for earnings and profits purposes of 65u (50u income less 15u taxes paid to country A less 100u loss of DE). CFC2 also has the U.S. dollar equivalent of 15u of foreign income taxes to add to its post-1986 foreign income taxes pool. CFC3 has earnings and profits of 170u (200u income less 30u of taxes) and the dollar equivalent of 30u of foreign income taxes to add to its post-1986 foreign income taxes pool.

(ii) *Result*. Pursuant to § 1.909–2(b)(2)(ii), CFC2 and DE constitute one U.S. combined income group, while CFC1 and CFC3 each constitute separate U.S. combined income groups. Pursuant to § 1.909–2(b)(2)(iii)(A), the income of the CFC2 U.S. combined income group is 50u (CFC2's country A taxable income of 50u). The income of the CFC3 U.S. combined income group is 200u (CFC3's country A taxable income of 200u). Pursuant to § 1.909–2(b)(2)(iii)(B), the shared loss of the CFC2 U.S. combined income group includes the 100u of shared loss incurred by DE. The usable shared loss of the CFC2 U.S. combined income group is 50u, the amount of the group's shared loss that could have otherwise offset CFC2's 50u of country A taxable income that is included in the income of the CFC2 U.S. combined income group. There is a splitter arrangement because the 50u usable shared loss of the CFC2 U.S. combined income group was used instead to offset income of CFC3, which is included in the CFC3 U.S. combined income group. Pursuant to § 1.909–2(b)(2)(iv), the split taxes are the 15u of country A income taxes paid by CFC2 on 50u of income, an amount of income of the CFC2 U.S. combined income group equal to the amount of usable shared loss of that group that was used to offset income of the CFC3 U.S. combined income group. Pursuant to § 1.909–2(b)(2)(v), the related income is the 50u of CFC3's income that equals the amount of income of the CFC3 U.S. combined income group that was offset by the usable shared loss of the CFC2 U.S. combined income group.

Example 2. (i) *Facts*. USP, a domestic corporation, wholly owns CFC1, a corporation organized in country B. CFC1 wholly owns CFC2 and CFC3, both corporations organized in country B. CFC2 wholly owns DE, an entity organized in country B. DE is a corporation for country B tax purposes and a disregarded entity for U.S. Federal income tax purposes. CFC2 and CFC3 each own 50% of HP1, an entity organized in country B. HP1 is a corporation for country B tax purposes and a partnership for U.S. Federal income tax purposes. All items of income and loss of HP1 are allocated for U.S. Federal income tax purposes equally between CFC2 and CFC3, and all entities use the country B currency "u" as their functional currency. Country B has a loss-sharing regime under which a loss of any of CFC1, CFC2, CFC3, DE, and HP1 may be used to offset the income of one or more of the others. Country B imposes an income tax at the rate of 30% on the taxable income of corporations organized in country B. In year 1, before any loss sharing, CFC2 has income of 100u, CFC1 and CFC3 have no income, DE has a loss of 100u, and HP1 has income of 200u. Under the provisions of country B's loss-sharing regime, the group decides to use DE's 100u loss to offset 100u of HP1's income. After the loss is shared, for country B tax purposes, CFC2 has 100u of income on which it pays 30u of country B income tax, and HP1 has 100u of income (200u less the 100u shared loss) on which it pays 30u of country B income tax. For U.S. Federal income tax purposes, the loss sharing with HP1 is not taken into account, and, because DE is a disregarded entity, its 100u loss is taken into account by CFC2 and reduces CFC2's earnings and profits for U.S. Federal income tax purposes. The 200u income of HP1 is allocated 50/50 to CFC2 and CFC3, as is the 30u of country B income tax paid by HP1. Accordingly, before application of section 909, for U.S. Federal income tax purposes, CFC2 has earnings and profits of 55u (100u income plus 100u share of HP1's income less 100u loss of DE less 30u country B income tax paid by CFC2 less 15u share of HP1's country B income tax) and the dollar equivalent of 45u of country B income tax to add to its post-1986 foreign income taxes pool. CFC3 has earnings and profits of 85u (100u share of HP1's income less 15u share of HP1's country B income taxes) and the dollar equivalent of 15u of country B income tax to add to its post-1986 foreign income taxes pool.

(ii) *U.S. combined income groups*. Pursuant to § 1.909–2(b)(2)(ii), because the income and loss of HP1 are combined in part with the income and loss of both CFC2 and CFC3, it belongs to both of the separate CFC2 and CFC3 U.S. combined income groups. DE is a member of the CFC2 U.S. combined income group.

(iii) *Income of the U.S. combined income groups*. Pursuant to § 1.909–2(b)(2)(iii)(A), the income of the CFC2 U.S. combined income group is the 200u country B taxable income of the members of the group with positive taxable incomes (CFC2's country B taxable income of 100u plus 50% of HP1's country B taxable income of 200u, or 100u). Because DE does not have positive taxable income for country B tax purposes, its 100u loss is not included in the income of the CFC2 U.S. combined income group. The income of the CFC3 U.S. combined income group is 100u (50% of HP1's country B taxable income of 200u, or 100u).

(iv) *Shared loss of the U.S. combined income groups*. Pursuant to § 1.909–2(b)(2)(iii)(B), the shared loss of the CFC2 U.S. combined income group is the 100u loss incurred by DE that is used to offset 100u of HP1's income. The CFC3 U.S. combined income group has no shared loss. Pursuant to § 1.909–2(b)(2)(i), the usable shared loss of the CFC2 U.S. combined income group is 100u, the full amount of the group's 100u shared loss that could have been used to offset income of the CFC2 U.S. combined income group had the loss been used to offset 100u of CFC2's country B taxable income.

(v) *Income offset by shared loss*. The shared loss of the CFC2 combined income group is used to offset 100u country B taxable income of HP1. Because the taxable income of HP1 is allocated 50/50 between the CFC2 and CFC3 U.S. combined income groups, the shared loss is treated as offsetting 50u of the CFC2 U.S. combined income group's income and 50u of the CFC3 U.S. combined income group's income.

(vi) *Splitter arrangement*. There is a splitter arrangement because 50u of the 100u usable shared loss of the CFC2 U.S. combined income group was used to offset income of the CFC3 U.S. combined income group. Pursuant to § 1.909–2(b)(2)(iv), the split taxes are the 15u of country B income tax paid by CFC2 on 50u of its income, which is equal to the amount of the CFC2 U.S. combined income group's usable shared loss that was used to offset income of another U.S. combined income group. Pursuant to § 1.909–2(b)(2)(v), the related income is the 50u of CFC3's income that was offset by the usable shared loss of the CFC2 U.S. combined income group.

(3) *Hybrid instrument splitter arrangements*—(i) *U.S. equity hybrid instrument*

splitter arrangement—(A) *In general*. A U.S. equity hybrid instrument is a splitter arrangement if:

(*1*) Under the laws of a foreign jurisdiction in which the instrument owner is subject to tax, the instrument gives rise to income includible in the instrument owner's income and such inclusion results in foreign income taxes paid or accrued by the instrument owner;

(*2*) Under the laws of a foreign jurisdiction in which the issuer is subject to tax, the instrument gives rise to deductions that are incurred or otherwise taken into account by the issuer; and

(*3*) The events that give rise to income includible in the instrument owner's income for foreign tax purposes as described in paragraph (b)(3)(i)(A)(1) of this section, and to deductions for the issuer for foreign tax purposes as described in paragraph (b)(3)(i)(A)(2) of this section, do not result in an inclusion of income for the instrument owner for U.S. federal income tax purposes.

(B) *Split taxes from a U.S. equity hybrid instrument splitter arrangement*. Split taxes from a U.S. equity hybrid instrument splitter arrangement equal the total amount of foreign income taxes paid or accrued by the owner of the hybrid instrument less the amount of foreign income taxes that would have been paid or accrued had the owner of the U.S. equity hybrid instrument not been subject to foreign tax on income from the instrument with respect to the events described in § 1.909–2(b)(3)(i)(A).

(C) *Related income from a U.S. equity hybrid instrument splitter arrangement*. The related income with respect to split taxes from a U.S. equity hybrid instrument splitter arrangement is income of the issuer of the U.S. equity hybrid instrument in an amount equal to the amounts giving rise to the split taxes that are deductible by the issuer for foreign tax purposes, determined without regard to the actual amount of the issuer's income or earnings and profits for U.S. Federal income tax purposes.

(D) *U.S. equity hybrid instrument*. The term *U.S. equity hybrid instrument* means an instrument that is treated as equity for U.S. Federal income tax purposes but for foreign income tax purposes either is treated as indebtedness or otherwise entitles the issuer to a deduction with respect to such instrument.

(E) *Example*. (i) *Facts*. USP, a domestic corporation, wholly owns CFC1, which wholly owns CFC2. Both CFC1 and CFC2 are corporations organized in country A. CFC2 issues an instrument to CFC1 that is treated as indebtedness for country A tax purposes but equity for U.S. Federal income tax purposes. Under country A's income tax laws, the instrument accrues interest at the end of each month, which results in a deduction for CFC2 and an income inclusion and tax liability for CFC1 in country A. The accrual of interest does not result in an inclusion of income for CFC1 for U.S. Federal income tax purposes. Pursuant to the terms of the instrument, CFC2 makes a distribution at the end of the year equal to the amounts of interest that have accrued during the year, and such payment is treated as a dividend that is included in the income of CFC1 for U.S. Federal income tax purposes.

(ii) *Result*. Pursuant to § 1.909–2(b)(3)(i)(D), because the instrument is treated as equity for U.S. Federal income tax purposes but is treated as indebtedness for country A tax purposes, it is a U.S. equity hybrid instrument. Pursuant to § 1.909–2(b)(3)(i)(A)(*3*), because the accrual of interest under foreign law does not result in an inclusion of income of CFC1 for U.S. Federal income tax purposes, there is a splitter arrangement. The fact that the payment of the accrued amount at the end of the year pursuant to the terms of the instrument gives rise to a dividend that is included in income of CFC1 for U.S. Federal income tax purposes does not change the result because it is the accrual of interest and not the payment that gives rise to income or deductions under foreign law. The payments will be treated as a distribution of related income to the extent provided by § 1.909–3 and § 1.909–6(d).

(ii) *U.S. debt hybrid instrument splitter arrangement*—(A) *In general*. A U.S. debt hybrid instrument is a splitter arrangement if foreign income taxes are paid or accrued by the issuer of a U.S. debt hybrid instrument with respect to income in an amount equal to the interest (including original issue discount) paid or accrued on the instrument that is deductible for U.S. Federal income tax purposes but that does not give rise to a deduction under the laws of a foreign jurisdiction in which the issuer is subject to tax.

(B) *Split taxes from a U.S. debt hybrid instrument splitter arrangement*. Split taxes from a U.S. debt hybrid instrument splitter arrangement are the foreign income taxes paid or accrued by the issuer on the income that would have been offset by the interest paid or accrued on the U.S. debt hybrid instrument had such interest been deductible for foreign tax purposes.

(C) *Related income from a U.S. debt hybrid instrument splitter arrangement*. The related income from a U.S. debt hybrid instrument splitter arrangement is the gross amount of the interest income recognized for U.S. Federal income tax purposes by the owner of the U.S. debt hybrid instrument, determined without regard to the actual amount of the owner's income or earnings and profits for U.S. Federal income tax purposes.

(D) *U.S. debt hybrid instrument*. The term *U.S. debt hybrid instrument* means an instrument that is treated as equity for foreign tax purposes but as indebtedness for U.S. Federal income tax purposes.

(4) *Partnership inter-branch payment splitter arrangements*—(i) *In general*. An allocation of foreign income tax paid or accrued by a partnership with respect to an inter-branch payment as described in § 1.704–1(b)(4)(viii)(*d*)(*3*) (revised as of April 1, 2011) (the *inter-branch payment tax*) is a splitter arrangement to the extent the inter-branch payment tax is not allocated to the partners in the same proportion as the distributive shares of income in the CFTE category to which the inter-branch payment tax is or would be assigned under § 1.704–1(b)(4)(viii)(*d*) without regard to § 1.704–1(b)(4)(viii)(*d*)(*3*).

(ii) *Split taxes from a partnership inter-branch payment splitter arrangement*. The split taxes from a partnership inter-branch splitter arrangement equal the excess of the amount of the inter-branch payment tax allocated to a partner under the partnership agreement over the amount of the inter-branch payment tax that would have been allocated to the partner if the inter-branch payment tax had been allocated to the partners in the same proportion as the distributive shares of income in the CFTE category referred to in paragraph (b)(4)(i) of this section.

(iii) *Related income from a partnership inter-branch payment splitter arrangement*. The related income from a partnership inter-branch payment splitter arrangement equals the amount of income allocated to a partner that exceeds the amount of income that would have been allocated to the partner if income in the CFTE category referred to in paragraph (b)(4)(i) of this section in the amount of the inter-branch payment had been allocated to the partners in the same proportion as the inter-branch payment tax was allocated under the partnership agreement.

(c) *Effective/applicability date*. This section applies to foreign income taxes paid or accrued in taxable years ending after February 9, 2015. However, a taxpayer may choose to apply the provisions of § 1.909–2T (as contained in 26 CFR part 1, revised as of April 1, 2014) in lieu of this section to foreign income taxes paid or accrued in its first taxable year ending after February 9, 2015, and in taxable years of foreign corporations with respect to which the taxpayer is a domestic shareholder (as defined in § 1.902–1(a)) that end with or within that first taxable year. See 26 CFR 1.909–2T (revised as of April 1, 2014) for rules applicable to foreign income taxes paid or accrued in taxable years beginning on or after January 1, 2012, and ending on or before February 9, 2015.

§ 1.909–2T [Removed]

Par. 9. Section 1.909–2T is removed.

Par.10. Section 1.909–3 is added to read as follows:

§ 1.909–3 Rules regarding related income and split taxes.

(a) *Interim rules for identifying related income and split taxes*. The principles of paragraphs (d) through (f) of § 1.909–6 apply to related income and split taxes in taxable years beginning on or after January 1, 2011, except that the alternative method for identifying distributions of related income described in § 1.909–6(d)(4) applies only to identify the amount of pre-2011 split taxes of a section 902 corporation that are suspended as of the first day of the section 902 corporation's first taxable year beginning on or after January 1, 2011.

(b) *Split taxes on deductible disregarded payments*. Split taxes include taxes paid or accrued in taxable years beginning on or after January 1, 2011, with respect to the amount of a disregarded payment that is deductible by the payor of the disregarded payment under the laws of a foreign jurisdiction in which the payor of the disregarded payment is subject to tax on related income from a splitter arrangement. The amount of the deductible disregarded payment to which this paragraph (b) applies is limited to the amount of related income from such splitter arrangement.

(c) *Effective/applicability date*. This section applies to taxable years ending after February 9, 2015. See 26 CFR 1.909–3T (revised as of April 1, 2014) for rules applicable to taxable years beginning on or after January 1, 2011, and ending on or before February 9, 2015.

§ 1.909–3T [Removed]

Par. 11. Section 1.909–3T is removed.

Par. 12. Section 1.909–4 is added to read as follows:

§ 1.909–4 Coordination rules.

(a) *Interim rules*. The principles of paragraph (g) of § 1.909–6 apply to taxable years beginning on or after January 1, 2011.

(b) *Effective/applicability date*. This section applies to taxable years ending after February 9, 2015. See 26 CFR 1.909–4T (revised as of April 1, 2014) for rules applicable to taxable years beginning on or after January 1, 2011, and ending on or before February 9, 2015.

§ 1.909–4T [Removed]

Par. 13. Section 1.909–4T is removed.

Par. 14. Section 1.909–5 is added to read as follows:

§ 1.909–5 2011 and 2012 splitter arrangements.

(a) *Taxes paid or accrued in taxable years beginning in 2011*. (1) Foreign income taxes paid or accrued by any person in a taxable year beginning on or after January 1, 2011, and before January 1, 2012, in connection with a pre-2011 splitter arrangement (as defined in § 1.909–6(b)), are split taxes to the same extent that such taxes would have been treated as pre-2011 split taxes if such taxes were paid or accrued by a section 902 corporation in a taxable year beginning on or before December 31, 2010. The related income with respect to split taxes from such an arrangement is the related income described in § 1.909–6(b), determined as if the payor were a section 902 corporation.

(2) Foreign income taxes paid or accrued by any person in a taxable year beginning on or after January 1, 2011, and before January 1, 2012, in connection with a partnership inter-branch payment splitter arrangement described in § 1.909–2(b)(4) are split taxes to the extent that such taxes are identified as split taxes in § 1.909–2(b)(4)(ii). The related income with respect to the split taxes is the related income described in § 1.909–2(b)(4)(iii).

(b) *Taxes paid or accrued in certain taxable years beginning in 2012 with respect to a foreign consolidated group splitter arrangement*. Foreign income taxes paid or accrued by any person in a taxable year beginning on or after January 1, 2012, and on or before February 14, 2012, in connection with a foreign consolidated group splitter arrangement described in § 1.909–6(b)(2) are split taxes to the same extent that such taxes would have been treated as pre-2011 split taxes if such taxes were paid or accrued by a section 902 corporation in a taxable year beginning on or before December 31, 2010. The related income with respect to split taxes from such an arrangement is the related income described in § 1.909–6(b)(2), determined as if the payor were a section 902 corporation.

(c) *Effective/applicability date*. The rules of this section apply to foreign income taxes paid or accrued in taxable years beginning on or after January 1, 2011, and on or before February 14, 2012.

§ 1.909–5T [Removed]

Par. 15. Section 1.909–5T is removed.

Par. 16. Sections 1.909–6 is added to read as follows:

§ 1.909–6 Pre-2011 foreign tax credit splitting events.

(a) *Foreign tax credit splitting event*—(1) *In general*. This section provides rules for determining whether foreign income taxes paid or accrued by a section 902 corporation (as defined in section 909(d)(5)) in taxable years beginning on or before December 31, 2010 (*pre-2011 taxable years* and *pre-2011 taxes*) are suspended under section 909 in taxable years beginning after December 31, 2010, (*post-2010 taxable years*) of a section 902 corporation. Paragraph (b) of this section

identifies an exclusive list of arrangements that will be treated as giving rise to foreign tax credit splitting events in pre-2011 taxable years (*pre-2011 splitter arrangements*). Paragraphs (c), (d), and (e) of this section provide rules for determining the related income and pre-2011 split taxes paid or accrued with respect to pre-2011 splitter arrangements. Paragraph (f) of this section provides rules concerning the application of section 909 to partnerships and trusts. Paragraph (g) of this section provides rules concerning the interaction between section 909 and other Internal Revenue Code (*Code*) provisions.

(2) *Taxes not subject to suspension under section 909*. Pre-2011 taxes that will not be suspended under section 909 or paragraph (a) of this section are:

(i) Any pre-2011 taxes that were not paid or accrued in connection with a pre-2011 splitter arrangement identified in paragraph (b) of this section;

(ii) Any pre-2011 taxes that were paid or accrued in connection with a pre-2011 splitter arrangement identified in paragraph (b) of this section (*pre-2011 split taxes*) but that were deemed paid under section 902(a) or 960 on or before the last day of the section 902 corporation's last pre-2011 taxable year;

(iii) Any pre-2011 split taxes if either the payor section 902 corporation took the related income into account in a pre-2011 taxable year or a section 902 shareholder (as defined in § 1.909–1(a)(2)) of the relevant section 902 corporation took the related income into account on or before the last day of the section 902 corporation's last pre-2011 taxable year; and

(iv) Any pre-2011 split taxes paid or accrued by a section 902 corporation in taxable years of such section 902 corporation beginning before January 1, 1997.

(3) *Taxes subject to suspension under section 909*. To the extent that the section 902 corporation paid or accrued pre-2011 split taxes that are not described in paragraph (a)(2) of this section, section 909 and the regulations under that section will apply to such pre-2011 split taxes for purposes of applying sections 902 and 960 in post-2010 taxable years of the section 902 corporation. Accordingly, these taxes will be removed from the section 902 corporation's pools of post-1986 foreign income taxes and suspended under section 909 as of the first day of the section 902 corporation's first post-2010 taxable year. There is no increase to a section 902 corporation's earnings and profits for the amount of any pre-2011 taxes to which section 909 applies that were previously deducted in computing earnings and profits in a pre-2011 taxable year.

(b) *Pre-2011 splitter arrangements*. The arrangements set forth in this paragraph (b) are pre-2011 splitter arrangements.

(1) *Reverse hybrid structure splitter arrangements*. A reverse hybrid structure exists when a section 902 corporation owns an interest in a reverse hybrid. A reverse hybrid is an entity that is a corporation for U.S. Federal income tax purposes but is a pass-through entity or a branch under the laws of a foreign country imposing tax on the income of the entity. As a result, the owner of the reverse hybrid is subject to tax on the income of the entity under foreign law. A pre-2011 splitter arrangement involving a reverse hybrid structure exists when pre-2011 taxes are paid or accrued by a section 902 corporation with respect to income of a reverse hybrid that is a covered person with respect to the section 902 corporation. A pre-2011 splitter arrangement involving a reverse hybrid structure may exist even if the reverse hybrid has a deficit in earnings and profits for a particular year (for example, due to a timing difference). Such taxes paid or accrued by the section 902 corporation are pre-2011 split taxes. The related income is the earnings and profits (computed for U.S. Federal income tax purposes) of the reverse hybrid attributable to the activities of the reverse hybrid that gave rise to income included in the foreign tax base with respect to which the pre-2011 split taxes were paid or accrued. Accordingly, related income of the reverse hybrid would not include any item of income or expense attributable to a disregarded entity (as defined in § 301.7701–2(c)(2)(i) of this chapter) owned by the reverse hybrid if income attributable to the activities of the disregarded entity is not included in the foreign tax base.

(2) *Foreign consolidated group splitter arrangements*. A foreign consolidated group exists when a foreign country imposes tax on the combined income of two or more entities. Tax is considered imposed on the combined income of two or more entities even if the combined income is computed under foreign law by attributing to one such entity the income of one or more entities. A foreign consolidated group is a pre-2011 splitter arrangement to the extent that the taxpayer did not allocate the foreign consolidated tax liability among the members of the foreign consolidated group based on each member's share of the consolidated taxable income included in the foreign tax base under the principles of § 1.901–2(f)(3) (revised as of April 1, 2011). A pre-2011 splitter arrangement involving a foreign consolidated group may exist even if one or more members has a deficit in earnings and profits for a particular year (for example, due to a timing difference). Pre-2011 taxes paid or accrued with respect to the income of a foreign consolidated group are pre-2011 split taxes to the extent that taxes paid or accrued by one member of the foreign consolidated group are imposed on a covered person's share of the consolidated taxable income included in the foreign tax base. The related income is the earnings and profits (computed for U.S. Federal income tax purposes) of such other member attributable to the activities of that other member that gave rise to income included in the foreign tax base with respect to which the pre-2011 split taxes were paid or accrued. No inference should be drawn from the treatment of foreign consolidated groups under section 909 as to the determination of the person who paid the foreign income tax for U.S. Federal income tax purposes.

(3) *Group relief or other loss-sharing regime splitter arrangements*—(i) *In general*. A foreign group relief or other loss-sharing regime exists when one entity with a loss permits the loss to be used to offset the income of one or more entities (*shared loss*). A pre-2011 splitter arrangement involving a shared loss exists when the following three conditions are met:

(A) There is an instrument that is treated as indebtedness under the laws of the jurisdiction in which the issuer is subject to tax and that is disregarded for U.S. Federal income tax purposes (*disregarded debt instrument*). Examples of a disregarded debt instrument include a debt obligation between two disregarded entities

that are owned by the same section 902 corporation, two disregarded entities that are owned by a partnership with one or more partners that are section 902 corporations, a section 902 corporation and a disregarded entity that is owned by that section 902 corporation, or a partnership in which the section 902 corporation is a partner and a disregarded entity that is owned by such partnership.

(B) The owner of the disregarded debt instrument pays a foreign income tax attributable to a payment or accrual on the instrument.

(C) The payment or accrual on the disregarded debt instrument gives rise to a deduction for foreign tax purposes and the issuer of the instrument incurs a shared loss that is taken into account under foreign law by one or more entities that are covered persons with respect to the owner of the instrument.

(ii) *Split taxes and related income*. In situations described in paragraph (b)(3)(i) of this section, pre-2011 taxes paid or accrued by the owner of the disregarded debt instrument with respect to amounts paid or accrued on the instrument (up to the amount of the shared loss) are pre-2011 split taxes. The related income of a covered person is an amount equal to the shared loss, determined without regard to the actual amount of the covered person's earnings and profits.

(4) *Hybrid instrument splitter arrangements*—(i) *In general*. A hybrid instrument for purposes of this paragraph (b)(4) is an instrument that either is treated as equity for U.S. Federal income tax purposes but is treated as indebtedness for foreign tax purposes (*U.S. equity hybrid instrument*), or is treated as indebtedness for U.S. Federal income tax purposes but is treated as equity for foreign tax purposes (*U.S. debt hybrid instrument*).

(ii) *U.S. equity hybrid instrument splitter arrangement*. If the issuer of a U.S. equity hybrid instrument is a covered person with respect to a section 902 corporation that is the owner of the U.S. equity hybrid instrument, there is a pre-2011 splitter arrangement with respect to the portion of the pre-2011 taxes paid or accrued by the owner section 902 corporation with respect to the amounts on the instrument that are deductible by the issuer as interest under the laws of a foreign jurisdiction in which the issuer is subject to tax but that do not give rise to income for U.S. Federal income tax purposes. Pre-2011 split taxes paid or accrued by the section 902 corporation equal the total amount of pre-2011 taxes paid or accrued by the section 902 corporation less the amount of pre-2011 taxes that would have been paid or accrued had the section 902 corporation not been subject to tax on income from the U.S. equity hybrid instrument. The related income of the issuer of the U.S. equity hybrid instrument is an amount equal to the amounts that are deductible by the issuer for foreign tax purposes, determined without regard to the actual amount of the issuer's earnings and profits.

(iii) *U.S. debt hybrid instrument splitter arrangement*. If the owner of a U.S. debt hybrid instrument is a covered person with respect to a section 902 corporation that is the issuer of the U.S. debt hybrid instrument, there is a pre-2011 splitter arrangement with respect to the portion of the pre-2011 taxes paid or accrued by the section 902 corporation on income in an amount equal to the interest (including original issue discount) paid or accrued on the instrument that is deductible for U.S. Federal income tax purposes but that does not give rise to a deduction under the laws of a foreign jurisdiction in which the issuer is subject to tax. Pre-2011 split taxes are the pre-2011 taxes paid or accrued by the section 902 corporation on the income that would have been offset by the interest paid or accrued on the U.S. debt hybrid instrument had such interest been deductible for foreign tax purposes. The related income with respect to a U.S. debt hybrid instrument is the gross amount of the interest income recognized for U.S. Federal income tax purposes by the owner of the U.S. debt hybrid instrument, determined without regard to the actual amount of the owner's earnings and profits.

(c) *General rules for applying section 909 to pre-2011 split taxes and related income*—(1) *Annual determination*. The determination of related income, other income, pre-2011 split taxes, and other taxes, and the portion of these amounts that were distributed, deemed paid or otherwise transferred or eliminated must be made on an annual basis beginning with the first taxable year of the section 902 corporation beginning after December 31, 1996 (*post-1996 taxable year*) in which the section 902 corporation paid or accrued a pre-2011 tax with respect to a pre-2011 splitter arrangement and ending with the section 902 corporation's last pre-2011 taxable year. Annual amounts of related income and pre-2011 split taxes are aggregated for each separate pre-2011 splitter arrangement.

(2) *Separate categories*. The determination of annual and aggregate amounts of related income and pre-2011 split taxes with respect to each pre-2011 splitter arrangement must be made for each separate category as defined in § 1.904–4(m) of the section 902 corporation, each covered person, and any other person that succeeds to the related income and pre-2011 split taxes. In the case of a pre-2011 splitter arrangement involving a shared loss (as described in paragraph (b)(3) of this section), the amount of the related income in each separate category of the covered person is equal to the amount of income in that separate category that was offset by the shared loss for foreign tax purposes. In the case of a pre-2011 splitter arrangement involving a U.S. equity hybrid instrument (as described in paragraph (b)(4)(ii) of this section), the related income is assigned to the issuer's separate categories in the same proportions as the pre-2011 split taxes. Earnings and profits, including related income, are assigned to separate categories under the rules of §§ 1.904–4, 1.904–5, and 1.904–7. Foreign income taxes, including pre-2011 split taxes, are assigned to separate categories under the rules of § 1.904–6. A section 902 shareholder must consistently apply methodologies for determining pre-2011 split taxes and related income with respect to all pre-2011 splitter arrangements.

(d) *Special rules regarding related income*—(1) *Annual adjustments*. In the case of each pre-2011 splitter arrangement involving a reverse hybrid or a foreign consolidated group (as described in paragraphs (b)(1) and (2) of this section, respectively), a covered person's aggregate amount of related income must be adjusted each year by the net amount of income and expense attributable to the activities of the covered person that give rise to income included in the foreign tax

base, even if the net amount is negative and regardless of whether the section 902 corporation paid or accrued any pre-2011 split taxes in such year.

(2) *Effect of separate limitation losses and deficits*. Related income is determined without regard to the application of § 1.960–1(i)(4) (relating to the effect of separate limitation losses on earnings and profits in another separate category) or section 952(c)(1) (relating to certain earnings and profits deficits).

(3) *Pro rata method for distributions out of earnings and profits that include both related income and other income*. If the earnings and profits of a covered person include amounts attributable to both related income and other income, including earnings and profits attributable to taxable years beginning before January 1, 1997, then distributions, deemed distributions, and inclusions out of earnings and profits (for example, under sections 301, 304, 367(b), 951(a), 964(e), 1248, or 1293) of the covered person are considered made out of related income and other income on a pro rata basis. Any reduction of a covered person's earnings and profits that results from a payment on stock that is not treated as a dividend for U.S. Federal income tax purposes (for example, pursuant to section 312(n)(7)) will also reduce related income and other income on a pro rata basis.

(4) *Alternative method for distributions out of earnings and profits that include both related income and other income*. Solely for purposes of identifying the amount of pre-2011 split taxes of a section 902 corporation that are suspended as of the first day of the section 902 corporation's first post-2010 taxable year, in lieu of the rule set forth in paragraph (d)(3) of this section, a section 902 shareholder may choose to treat all distributions, deemed distributions, and inclusions out of earnings and profits of a covered person as attributable first to related income. A section 902 shareholder may choose to use this alternative method on a timely filed original income tax return for the first post-2010 taxable year in which the shareholder computes an amount of foreign income taxes deemed paid with respect to a section 902 corporation that paid or accrued pre-2011 split taxes. Such choice by a section 902 shareholder is evidenced by employing the method on its income tax return; the section 902 shareholder need not file a separate statement. A section 902 shareholder that chooses this alternative method must consistently apply it with respect to all pre-2011 splitter arrangements.

(5) *Distributions, deemed distributions, and inclusions of related income*. Distributions, deemed distributions, and inclusions of related income (including indirectly through a partnership) to persons other than the payor section 902 corporation retain their character as related income with respect to the associated pre-2011 split taxes.

(6) *Carryover of related income*. Related income carries over to other corporations in the same manner as earnings and profits carry over under section 381, § 1.367(b)–7, or similar rules, and retains its character as related income with respect to the associated pre-2011 split taxes.

(7) *Related income taken into account by a section 902 shareholder*. Related income will be considered taken into account by a section 902 shareholder to the extent that the related income is recognized as gross income by the section 902 shareholder, or by an affiliated corporation described in paragraph (d)(9) of this section, upon a distribution, deemed distribution, or inclusion (such as under section 951(a)) out of the earnings and profits of the covered person attributable to such related income.

(8) *Related income taken into account by a payor section 902 corporation*. Related income will be considered taken into account by a payor section 902 corporation to the extent that:

(i) The related income is reflected in the earnings and profits of such section 902 corporation for U.S. Federal income tax purposes by reason of a distribution, deemed distribution, or inclusion out of the earnings and profits of the covered person attributable to such related income; or

(ii) The related income is reflected as a positive adjustment to the earnings and profits of such section 902 corporation for U.S. Federal income tax purposes by reason of the section 902 corporation and the covered person combining in a transaction described in section 381(a)(1) or (a)(2).

(9) *Related income taken into account by an affiliated group of corporations that includes a section 902 shareholder*. A section 902 shareholder will be considered to have taken related income into account if one or more members of an affiliated group of corporations (as defined in section 1504) that files a consolidated Federal income tax return that includes the section 902 shareholder takes the related income into account.

(10) *Distributions of previously-taxed earnings and profits*. Distributions and deemed distributions described in paragraph (d) of this section (including in the case of a section 902 shareholder that has chosen the alternative method described in paragraph (d)(4) of this section) do not include distributions of amounts described in section 959(c)(1) or (c)(2), which are distributed before amounts described in section 959(c)(3).

(e) *Special rules regarding pre-2011 split taxes*—(1) *Taxes deemed paid pro-rata out of pre-2011 split taxes and other taxes*. If the pre-2011 taxes of a section 902 corporation include both pre-2011 split taxes and other taxes, then foreign income taxes deemed paid under section 902 or 960 or otherwise removed from post-1986 foreign income taxes in pre-2011 taxable years will be treated as attributable to pre-2011 split taxes and other taxes on a pro-rata basis.

(2) *Pre-2011 split taxes deemed paid in pre-2011 taxable years*. Pre-2011 split taxes deemed paid in pre-2011 taxable years in connection with a dividend paid to a shareholder described in section 902(b) retain their character as pre-2011 split taxes. The section 902(b) shareholder will be treated as the payor section 902 corporation with respect to those pre-2011 split taxes.

(3) *Carryover of pre-2011 split taxes*. Pre-2011 split taxes that carry over to another foreign corporation, including under section 381, § 1.367(b)–7 or similar rules, retain their character as pre-2011 split taxes. The transferee foreign corporation will be treated as the payor section 902 corporation with respect to those pre-2011 split taxes.

(4) *Determining when pre-2011 split taxes are no longer treated as pre-2011 split taxes*. For each pre-2011 splitter arrangement, as related income is taken into

account by the payor section 902 corporation or a section 902 shareholder as provided in paragraph (d) of this section, a ratable portion of the associated pre-2011 split taxes will no longer be treated as pre-2011 split taxes. In the case of a pre-2011 splitter arrangement involving a reverse hybrid or a foreign consolidated group (as described in paragraphs (b)(1) and (2) of this section, respectively), if aggregate related income is reduced to zero (other than as a result of a distribution, deemed distribution, or inclusion described in paragraph (d) of this section) or less than zero, pre-2011 split taxes will retain their character as pre-2011 split taxes until the amount of aggregate related income is positive and the related income is taken into account by the payor section 902 corporation or a section 902 shareholder as provided in paragraph (d) of this section.

(f) *Rules relating to partnerships and trusts*—(1) *Taxes paid or accrued by partnerships*. In the case of foreign income taxes paid or accrued by a partnership, the taxes will be treated as pre-2011 split taxes to the extent such taxes are allocated to one or more section 902 corporations and would be pre-2011 split taxes if the partner section 902 corporation had paid or accrued the taxes directly on the date such taxes are included by the section 902 corporation under sections 702 and 706(a). Further, any foreign income taxes subject to section 909 will be suspended in the hands of the partner section 902 corporation.

(2) *Section 704(b) allocations*. Partnership allocations that satisfy the requirements of section 704(b) and the regulations thereunder will not constitute pre-2011 splitter arrangements except to the extent the arrangement is otherwise described in paragraph (b) of this section (for example, a payment or accrual on a disregarded debt instrument that gives rise to a shared loss).

(3) *Trusts*. Rules similar to the rules of paragraph (f)(1) of this section will apply in the case of any trust with one or more beneficiaries that is a section 902 corporation.

(g) *Interaction between section 909 and other Code provisions*—(1) *Section 904(c)*. Section 909 does not apply to excess foreign income taxes that were paid or accrued in pre-2011 taxable years and carried forward and deemed paid or accrued under section 904(c) in a post-2010 taxable year.

(2) *Section 905(a)*. For purposes of determining in post-2010 taxable years the allowable deduction for foreign income taxes paid or accrued under section 164(a), the carryover of excess foreign income taxes under section 904(c), and the extended period for claiming a credit or refund under section 6511(d)(3)(A), foreign income taxes to which section 909 applies are first taken into account and treated as paid or accrued in the year in which the related income is taken into account, and not in the earlier year to which the tax relates (determined without regard to section 909).

(3) *Section 905(c)*. If a redetermination of foreign income taxes claimed as a direct credit under section 901 occurs in a post-2010 taxable year and the foreign tax redetermination relates to a pre-2011 taxable year, to the extent such foreign tax redetermination increased the amount of foreign income taxes paid or accrued with respect to the pre-2011 taxable year (for example, due to an additional assessment of foreign tax or a payment of a previously accrued tax not paid within two years), section 909 will not apply to such taxes. If a redetermination of foreign tax paid or accrued by a section 902 corporation occurs in a post-2010 taxable year and increases the amount of foreign income taxes paid or accrued by the section 902 corporation with respect to a pre-2011 taxable year (for example, due to an additional assessment of foreign tax or a payment of a previously accrued tax not paid within two years), such taxes will be treated as pre-2011 taxes. Section 909 will apply to such taxes if they are pre-2011 split taxes and the taxes will be suspended in the post-2010 taxable year in which they would otherwise be taken into account as a prospective adjustment to the section 902 corporation's pools of post-1986 foreign income taxes.

(4) *Other foreign tax credit provisions*. Section 909 does not affect the applicability of other restrictions or limitations on the foreign tax credit under existing law, including, for example, the substantiation requirements of section 905(b).

(h) *Effective/applicability date*. This section applies to foreign income taxes paid or accrued by section 902 corporations in pre-2011 taxable years for purposes of computing foreign income taxes deemed paid with respect to distributions or inclusions out of earnings and profits of section 902 corporations in taxable years of the section 902 corporation ending after February 9, 2015. See 26 CFR 1.909–6T (revised as of April 1, 2014) for rules applicable to foreign income taxes paid or accrued by section 902 corporations in pre-2011 taxable years for purposes of computing foreign income taxes deemed paid with respect to distributions or inclusions out of earnings and profits of section 902 corporations in taxable years of the section 902 corporation beginning after December 31, 2010, and ending on or before February 9, 2015.

§ 1.909–6T [Removed]

Par. 17. Section 1.909–6T is removed.

Rosemary Sereti,
Acting Deputy Commissioner for Services and Enforcement.

Approved: February 4, 2015.

Mark J. Mazur,
Assistant Secretary of the Treasury (Tax Policy).

Part III. Administrative, Procedural, and Miscellaneous

Qualified Zone Academy Bond Allocations for 2014

Notice 2015–11

SECTION 1. PURPOSE

This notice sets forth the maximum face amount of Qualified Zone Academy Bonds ("QZABs") that may be issued for each State for the calendar year 2014 under § 54E(c)(2) of the Internal Revenue Code. Under § 54A(e)(3), the term State includes the District of Columbia and any possession of the United States.

SECTION 2. BACKGROUND

.01 INTRODUCTION

Section 313 of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Div. C of Pub. L. No. 110–343, 122 Stat. 3765 (2008) ("Act") added new § 54E, which provides revised program provisions for QZABs in lieu of the existing provisions under § 1397E, effective for obligations issued after October 3, 2008. The Act amended § 54A(d)(1) to provide that the term qualified tax credit bond ("QTCB") means, in part, a qualified zone academy bond which is part of an issue that meets the requirements of §§ 54A(d)(2), (3), (4), (5), and (6) regarding expenditures of bond proceeds, information reporting, arbitrage, maturity limitations, and prohibitions against financial conflicts of interest. The Act also amended § 54A(d)(2)(C) to provide that, for purposes of § 54A(d)(2), the term "qualified purpose" for a QZAB means a purpose specified in § 54E(a)(1), described below.

The Act added § 54E(c)(1) to provide a national zone academy bond limitation authorization for QZABs of $400 million for each of calendar years 2008 and 2009. Section 1522 of Title I of Division B of the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111–5, 123 Stat. 115 (2009) ("2009 Act") amended § 54E(c)(1) to provide an increased national zone academy bond limitation authorization for QZABs of $1.4 billion for each of calendar years 2009 and 2010. Section 758 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public L. No. 111–312, 124 Stat. 3296 (2010) ("2010 Act") amended § 54E(c)(1) to provide an authorization for QZABs of $400 million for calendar year 2011. Section 310 of the American Taxpayer Relief Act of 2012, Public L. No. 112–240, 126 Stat. 2313 (2012) ("2012 Act") amended § 54E(c)(1) to provide authorization for QZABs of $400 million for each of calendar years 2012 and 2013. Section 120 of the Tax Increase Prevention Act of 2014, Public L. No. 113–295 (2014) ("2014 Act") amended § 54E(c)(1) to provide authorization for QZABs of $400 million for calendar year 2014. The amendment made by § 120 of the 2014 Act applies to obligations issued after December 31, 2013. Section 202 of the 2014 Act also amended § 6431(f)(3)(A)(iii) to provide that the direct-pay subsidy option does not apply to any national zone academy bond limitation for years after 2010 or any carryforward of any such limitation.

.02 QUALIFIED ZONE ACADEMY BOND UNDER § 54E

Section 54E(d) defines "qualified zone academy" as any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level provided: (A) the public school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates and prepare students for college and the workforce; (B) students will be subject to the same academic standards and assessments as other students educated by the eligible local education agency; (C) the comprehensive education plan is approved by the eligible local education agency; and (D)(i) such public school is located in an empowerment zone or enterprise community including such designated after October 3, 2008; or (ii) there is a reasonable expectation (as of the date of bond issuance) that at least 35 percent of the students will be eligible for free or reduced cost lunches under the school lunch program established under the National School Lunch Act.

Section 54E(a) provides that a "qualified zone academy bond" or QZAB means any bond issued as part of an issue if: (1) 100 percent of the available project proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency; (2) the bond is issued by a State or local government within the jurisdiction of which such academy is located, and (3) the issuer: (A) designates such bond for purposes of this section; (B) certifies that it has written assurances that the private business contribution requirement of § 54E(b) will be met; and, (C) certifies that it has the written approval of the eligible local education agency for such bond issuance.

Section 54E(d)(3) provides that a qualified purpose with respect to each academy means: (A) rehabilitating or repairing the public school facility; (B) providing equipment; (C) developing course materials; and, (D) training teachers and other school personnel. The private business contribution requirement of § 54E(b) is met if the eligible local education agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue. Section 54E(d)(4) defines "qualified contributions" as any contribution (of a type and quality acceptable to the eligible local education agency) of: (A) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment); (B) technical assistance in developing curriculum or in training teachers to promote appropriate market driven technology in the classroom; (C) employees' services as volunteer mentors; (D) internships, field trips, or other educational opportunities outside the academy; or (E) any other property or service specified by the eligible education agency. Section 54E(d)(2) defines "eligible local education agency" as any local educational agency as defined in § 9101 of the Elementary and Secondary Education Act of 1965.

Section 54E(c)(2) provides that the Department of the Treasury shall allocate the national zone academy bond limitation among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State under the preceding sentence shall be allocated by the State education agency to qualified zone academies within such State.

Under § 54E(c)(3), the maximum aggregate face amount of bonds issued during any calendar year which may be designated as QZABs with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy for such calendar year. However, under § 54E(c)(4)(A), if for any calendar year the limitation amount for any State exceeds the amount of bonds issued during such year which are designated QZABs with respect to qualified zone academies within such State, the limitation amount for such State for the following calendar year shall be increased by the amount of such excess. Under § 54E(c)(4)(B), however, any carryforward of a limitation amount may be carried only to the first 2 years following the unused limitation year. For these purposes, the limitation amount shall be treated as used on a first-in first-out basis.

Sections 1.1397E–1 (the "Final Regulations") sets forth regulations that were issued under § 1397E. For other guidance concerning the applicability of the regulations issued under § 1397E, the credit rate, and the sinking fund yield see § 1.397E–1(m), and Notice 2009–15, 2009–6 I.R.B. 449, Notice 2009–30, 2009–16 I.R.B. 852, Notice 2010–22, 2010–10 I.R.B. 435, and Rev. Proc. 2011–19, 2011–6 I.R.B. 465.

SECTION 3. NATIONAL ZONE ACADEMY BOND LIMITATION FOR 2014

The national limitation for QZABs issued under § 54E for calendar year 2014 is $400 million. This amount is allocated among the States as follows:

Qualified Zone Academy Bond Allocations (in dollars) by State or Territory, 2014

State or Territory	QZAB Allocation
Alabama	$ 7,035,000
Alaska	$ 575,000
Arizona	$ 9,550,000
Arkansas	$ 4,410,000
California	$50,069,000
Colorado	$ 5,264,000
Connecticut	$ 2,954,000
Delaware	$ 916,000
DC	$ 911,000
Florida	$25,858,000
Georgia	$14,637,000
Hawaii	$ 1,214,000
Idaho	$ 1,952,000
Illinois	$14,574,000
Indiana	$ 7,979,000
Iowa	$ 2,983,000
Kansas	$ 3,099,000
Kentucky	$ 6,354,000
Louisiana	$ 7,099,000
Maine	$ 1,435,000
Maryland	$ 4,680,000
Massachusetts	$ 6,100,000
Michigan	$13,024,000
Minnesota	$ 4,688,000
Mississippi	$ 5,476,000
Missouri	$ 7,349,000
Montana	$ 1,260,000
Nebraska	$ 1,857,000
Nevada	$ 3,428,000
New Hampshire	$ 911,000
New Jersey	$ 7,876,000
New Mexico	$ 3,465,000
New York	$24,276,000
North Carolina	$13,540,000
North Dakota	$ 641,000
Ohio	$14,191,000
Oklahoma	$ 4,939,000
Oregon	$ 5,044,000
Pennsylvania	$13,355,000
Rhode Island	$ 1,173,000
South Carolina	$ 6,793,000
South Dakota	$ 904,000
Tennessee	$ 8,930,000
Texas	$ 35,854,000
Utah	$ 2,849,000
Vermont	$ 585,000
Virginia	$ 7,446,000
Washington	$ 7,620,000
West Virginia	$ 2,624,000
Wisconsin	$ 5,963,000
Wyoming	$ 491,000
American Samoa	$ 247,000
Guam	$ 287,000
Northern Mariana Islands	$ 211,000
Puerto Rico	$ 12,872,000
U.S. Virgin Islands	$ 183,000
Total Allocation	$400,000,000

SECTION 4. EFFECTIVE DATE OF NATIONAL ZONE ACADEMY BOND LIMITATIONS

The national limitation allocated in section 3 for calendar year 2014 is effective for QZABs issued after December 31, 2013.

SECTION 5. DRAFTING INFORMATION

The principal authors of this notice are James A. Polfer and David E. White of the Office of Associate Chief Counsel (Financial Institutions and Products). For further information regarding this notice contact David White or James Polfer at (202) 317-6980 (not a toll-free call).

NOTE. This revenue procedure will be reproduced as the next revision of IRS Publication 1167, General Rules and Specifications for Substitute Forms and Schedules.

Rev. Proc. 2015–18

TABLE OF CONTENTS

Part 1
Introduction to Substitute Forms

Section 1.1 – Overview of Revenue Procedure 2015–18

1.1.1
Purpose

The purpose of this revenue procedure is to provide guidelines and general requirements for the development, printing, and approval of substitute tax forms. Approval will be based on these guidelines. After review and approval, submitted forms will be accepted as substitutes for official IRS forms.

1.1.2
Unique Forms

Certain unique specialized forms require the use of other additional publications to supplement this publication. See *Part 4*.

1.1.3
Scope

The IRS accepts quality substitute tax forms that are consistent with the official forms and have no adverse impact on our processing. The IRS Substitute Forms Unit administers the formal acceptance and processing of these forms nationwide. While this program deals with paper documents, it also reviews for approval other processing and filing forms such as those used in electronic filing.

Only those substitute forms that comply fully with these requirements are acceptable. This revenue procedure is updated as required to reflect pertinent tax year form changes and to meet processing and/or legislative requirements.

1.1.4
Forms Covered by This Revenue Procedure

The following types of forms are covered by this revenue procedure:

- IRS tax forms and their related schedules,
- Worksheets as they appear in instruction packages,
- Applications for permission to file returns electronically and forms used as required documentation for electronically filed returns,
- Powers of Attorney,
- Over-the-counter estimated tax payment vouchers, and
- Forms and schedules relating to partnerships, exempt organizations, and employee plans.

1.1.5
Forms Not Covered by This Revenue Procedure

The following types of forms are not covered by this revenue procedure:

- W–2 and W–3 (see Publication 1141 for information on these forms),
- W–2c and W–3c (see Publication 1223 for information on these forms),
- 941, Schedule B (Form 941), Schedule D (Form 941), and Schedule R (Form 941) (see Publication 4436 for information on these forms),
- 1096, 1097–BTC, 1098 series, 1099 series, 3921, 3922, 5498 series, W–2G, 1042–S, and 8935 (see Publication 1179 for information on these forms),
- 8027 (see Publication 1239 for information on this form),
- Forms 1040–ES (OCR) and 1041–ES (OCR), which may not be reproduced,
- Forms 5500 (for more information on these forms, see the Department of Labor website at *www.efast.dol.gov*),
- Forms 5300, 5307, 8717, and 8905, bar-coded forms requiring separate approval,
- Requests for information or documentation initiated by the IRS,
- Forms used internally by the IRS,
- State tax forms,
- Forms developed outside the IRS, and
- General Instructions and Specific Instructions (these are not reviewed by the Substitute Forms Program Unit).

Section 1.2 – IRS Contacts

1.2.1 Where To Send Substitute Forms

Send your substitute forms for approval to the following offices (do not send forms with taxpayer data):

Form	Office and Address
5500	Check EFAST2 information at the Department of Labor's website at *www.efast.dol.gov*
5300, 5307, 8717, and 8905	*Sandra.K.Barnes@irs.gov*
Software developer vouchers (see *Sections 2.3.7 – 2.3.9*)	Internal Revenue Service Attn: Doris Bethea, C5-226 5000 Ellin Road Lanham, MD 20706 *Doris.E.Bethea@irs.gov*
All others (except W–2, W–2c, W–3, W–3c, 941, Schedules B and R (Form 941), 1096, 1097–BTC, 1098, 1099, 3921, 3922, 5498, W–2G, 1042–S, 8027, and 8935) covered by this publication	Internal Revenue Service Attn: Substitute Forms Program 5000 Ellin Road, C6–440 Lanham, MD 20706

In addition, the Substitute Forms Program Unit can be contacted via email at *substituteforms@irs.gov*. Please include "PDF Submissions" on the subject line.

For questions about Forms W–2 and W–3, refer to IRS Publication 1141, General Rules and Specifications for Substitute Forms W–2 and W–3. For Forms W–2c and W–3c, refer to IRS Publication 1223, General Rules and Specifications for Substitute Forms W–2c and W–3c. For Form 941 and Schedules B, D, and R (Form 941), refer to IRS Publication 4436, General Rules and Specifications for Substitute Form 941, Schedule B (Form 941) and Schedule R (Form 941). For Forms 1096, 1097–BTC, 1098, 1099, 3921, 3922, 5498, W–2G, 1042–S, and 8935, refer to IRS Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns. For Form 8027, refer to IRS Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Electronically.

Section 1.3 – What's New

1.3.1 What's New

The following changes have been made to this year's revenue procedure.

- **.01 Substitute Forms Program address change.** The mailing address for the Substitute Forms Program has changed to:

  Internal Revenue Service
  Attn: Substitute Forms Program
  5000 Ellin Road, C6–440
  Lanham, MD 20706

- **.02 FinCEN Forms.** All references to FinCEN forms have been removed from this Publication. Since all BSA forms are electronically filed and only accessible through the BSA E-Filing System, substitute forms cannot be used or approved. The BSA forms are the BCTR, BSAR, Registration of Money Services Business (RMSB), the Designation of Exempt Person (DOEP), Form 8300, and the FBAR.
- **.03 Editorial Changes.** We made editorial changes throughout and redundancies were eliminated as much as possible.

Section 1.4 – Definitions

1.4.1
Substitute Form

A tax form (or related schedule) that differs in any way from the official version and is intended to replace the form that is printed and distributed by the IRS. This term also covers those approved substitute forms exhibited in this revenue procedure.

1.4.2
Printed/ Preprinted Form

A form produced using conventional printing processes, or a printed form which has been reproduced by photocopying or a similar process.

1.4.3
Preprinted Pin-Fed Form

A printed form that has marginal perforations for use with automated and high-speed printing equipment.

1.4.4
Computer Prepared Substitute Form

A preprinted form in which the taxpayer's tax entry information has been inserted by a computer, computer printer, or other computer-type equipment.

1.4.5
Computer Generated Substitute Tax Return or Form

A tax return or form that is entirely designed and printed using a computer printer on plain white paper. This return or form must conform to the physical layout of the corresponding IRS form, although the typeface may differ. The text should match the text on the officially printed form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis.

Exception. All jurats (perjury statements) must be reproduced verbatim.

1.4.6
Manually Prepared Form

A preprinted reproduced form in which the taxpayer's tax entry information is entered by an individual using a pen, pencil, typewriter, or other non-automated equipment.

1.4.7
Graphics

Parts of a printed tax form that are not tax amount entries or required text. Examples of graphics are line numbers, captions, shadings, special indicators, borders, rules, and strokes created by typesetting, photographics, photocomposition, etc.

1.4.8
Acceptable Reproduced Form

A legible photocopy or an exact replica of an original form.

1.4.9
Supporting Statement (Supplemental Schedule)

A document providing detailed information to support a line entry on an official or approved substitute form and filed with (attached to) a tax return.

Note. A supporting statement is not a tax form and does not take the place of an official form.

1.4.10
Specific Form Terms

The following specific terms are used throughout this revenue procedure in reference to all substitute forms: format, sequence, line reference, item caption, and data entry field.

1.4.11
Format

The overall physical arrangement and general layout of a substitute form.

1.4.12
Sequence

Sequence is an integral part of the total format requirement. The substitute form should show the same numeric and logical placement order of data, as shown on the official form.

1.4.13
Line Reference

The line numbers, letters, or alphanumerics used to identify each captioned line on an official form. These line references are printed to the immediate left of each caption and/or data entry field.

1.4.14
Item Caption

The text on each line of a form, which identifies the data required.

1.4.15
Data Entry Field

Designated areas for the entry of data such as dollar amounts, quantities, responses, and checkboxes.

1.4.16
Advance Draft

A draft version of a new or revised form may be posted to the IRS website (*www.irs.gov/ap/picklist/list/draftTaxForms.html*) for information purposes. Substitute forms may be submitted based on these advance drafts, but any submitter that receives forms approval based on these early drafts is responsible for monitoring and revising forms to mirror any revisions in the final forms provided by the IRS.

1.4.17
Approval

Generally, approval could be in writing or assumed after 20 business days from our receipt for forms that have not been substantially changed by the IRS. Also, this does not apply to newly created or substantially revised IRS forms.

Section 1.5 – Agreement

1.5.1
Important Stipulation of This Revenue Procedure

Any person or company who uses substitute forms and makes all or part of the changes specified in this revenue procedure agrees to the following stipulations.

- The IRS presumes that any required changes are made in accordance with these procedures and will not be disruptive to the processing of the tax return.
- Should any of the changes be disruptive to the IRS's processing of the tax return, the person or company agrees to accept the determination of the IRS as to whether the form may continue to be filed.
- The person or company agrees to work with the IRS in correcting noted deficiencies. Notification of deficiencies may be made by any combination of letter, email, or phone contact and may include the request for the re-submission of unacceptable forms.

1.5.2
Response Policy and Stipulations

The Substitute Forms Unit (the Unit) will email confirmation of receipt of your forms submission, if possible. Even if you do not receive emailed confirmation of receipt, you will receive an emailed "submission receipt," which will provide feedback on your submission. Your submission can be considered approved if you do not receive a response from the Unit within 20 business days of the receipt date. If the Unit anticipates problems in completing the review of your submission within the 20 business day period, the Unit will send an interim email notifying you of the extended period for review.

Once the substitute forms have been approved by the Substitute Forms Unit, you can release them after the final versions of the forms have been issued by the IRS. Before releasing the forms, you are responsible for updating forms approved as draft and for making form changes we requested.

The policy has the following stipulations.

- This 20-day policy applies to electronic submissions only. It does not apply to substitute forms submitted for approval by paper.
- The policy applies to submissions of 15 (optimal) or fewer items and submissions containing 75 pages or less. Submissions of more than 15 items may require additional review time.
- If you send a large number of submissions within a short period of time, processing may be delayed.
- Delays in processing could occur if the Unit finds significant errors in your submission or has experienced an increase in submissions. The Unit will send you an interim email in this case.
- Any anticipated problems in processing your submission within the 20-day period will generate an interim email on or about the 15th business day.
- If any significant inaccuracies are discovered after the 20-day period, the Unit reserves the right to inform you and will require that changes be made to correct the inaccuracies.
- The policy does not apply to substantially revised forms or to new forms created by the IRS for which you have already made an initial submission.

Part 2
General Guidelines for Submissions and Approvals

Section 2.1 – General Specifications for Approval

2.1.1
Overview

If you produce any tax forms following only those changes specifically outlined by the Substitute Forms Unit, you can generate your own substitute forms without further approval. If your changes are more extensive, you must get IRS approval before using substitute forms. More extensive changes can include the use of typefaces and sizes other than those found on the official form and the condensing of line item descriptions to save space.

Note. The 20-day turnaround policy may not apply to extensive changes.

2.1.2
Email Submissions

The Substitute Forms Program accepts substitute forms submissions via email. The email address is *substituteforms@irs.gov*. Please include the term "PDF Submissions" on the subject line.

Follow these guidelines.

- Your submission should include all the forms you wish to submit in one attached PDF file. **Do not email each form individually. Do not attach each individual form to an email.**
- The emailed submission should include a maximum of 3 PDFs to include: a check sheet, a cover letter or accompanying statement, and a single PDF that includes all of the forms listed on your check sheet, cover letter, or accompanying statement.
- A submission should contain a maximum of 15 forms.
- An approval check sheet listing the forms you are submitting should always be included in the PDF file along with the forms. Excluding the check sheet can slow the reviewing process down, which can result in a delayed response to your submission. See a sample check sheet in Exhibit D.
- Optimize PDF files before submitting.
- The maximum allowable email attachment is 2.5 megabytes.
- The Substitute Forms Unit accepts zip files.
- To alleviate delays during the peak time of September through December, submit advance draft forms as early as possible.

If the guidelines are not followed, you may need to resubmit.

Emailing PDF submissions will not expedite review and approval. Submitting your substitute forms package via email is the preferred and suggested method for submitting forms for review.

If, for some reason, you are not able to email your submission(s), you can mail your submission(s) to:

Internal Revenue Service
Attn: Substitute Forms Program
SE:W:CAR:MP:P:TP
5000 Ellin Road, C6–440
Lanham, MD 20706

2.1.3 Expediting the Process

Follow these basic guidelines for expediting the process:

- Always include a check sheet for the Substitute Forms Unit's response.
- Include an accompanying statement identifying most, if not all, of the deviations your substitute forms may include which the official IRS version of the form does not.
- Follow the guidance in this publication for general substitute form guidelines. Follow the guidance in specialized publications produced by the Substitute Forms Unit for other specific forms.
- To spread out the workload, send in draft versions of substitute forms when they are posted. **Note.** Be sure to make any changes to approved drafts before releasing final versions.

2.1.4 Schedules

Schedules are considered to be an integral part of a complete tax return. A schedule may be included as part of a form or printed separately.

2.1.5 Examples of Schedules That Must Be Submitted with the Return

Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, is an example of this situation. Its Schedules A through U have pages numbered as part of the basic return. For Form 706 to be considered for approval, the entire form, including Schedules A through PC, must be submitted.

2.1.6 Examples of Schedules That Can Be Submitted Separately

However, Schedules C, D, E, and Form 1040 are examples of schedules that can be submitted separately. Although printed by the IRS as a supplement to Form 1040, none of these schedules are required to be filed with Form 1040. These schedules may be separated from Form 1040 and submitted as substitute forms.

2.1.7 Use and Distribution of Unapproved Forms

The IRS is continuing a program to identify and contact tax return preparers, forms developers, and software publishers who use or distribute unapproved forms that do not conform to this revenue procedure. The use of unapproved forms hinders the processing of the returns.

Section 2.2 – Highlights of Permitted Changes and Requirements

2.2.1 Methods of Reproducing Internal Revenue Service Forms

There are methods of reproducing IRS printed tax forms suitable for use as substitutes without prior approval:

- You can photocopy most tax forms and use them instead of the official ones. The entire substitute form, including entries, must be legible.
- You can reproduce any current tax form as cut sheets, snap sets, and marginally punched, pin-fed forms as long as you use an official IRS version as the master copy.
- You can reproduce a form that requires a signature as a valid substitute form. Many tax forms (including returns) have a taxpayer signature requirement as part of the form layout. The jurat/perjury statement/signature line areas must be retained and worded exactly as on the official form. The requirement for a signature, by itself, does not prohibit a tax form from being properly computer-generated.

2.3.1
Overview

All payment vouchers (Forms 940–V, 941–V, 943–V, 945–V, 1040–ES, 1040–V, 1041–V, and 2290–V) must be reproduced in conjunction with their forms. Substitute vouchers must be the same size as the officially printed vouchers. Vouchers that are prepared for printing on a laser printer may include a scan line.

2.3.2
Scan Line Specifications

	NNNNNNNNN AA XXXX NN N NNNNNN NNN
Item:	A B C D E F G
A.	Social Security Number/Employer Identification Number (SSN/EIN) has 9 numeric (N) spaces.
B.	Check Digits have 2 alpha (A) spaces.
C.	Name Control has 4 alphanumeric (X) spaces.
D.	Master File Tax (MFT) Code has 2 numeric (N) spaces (see below).
E.	Taxpayer Identification Number (TIN) Type has 1 numeric (N) space (see below).
F.	Tax Period has 6 numeric (N) spaces in year/month format (YYYYMM).
G.	Transaction Code has 3 numeric (N) spaces.

2.3.3
MFT Code

Code Number for Forms:
- 1040 (family) – 30,
- 940 – 10,
- 941 – 01,
- 943 – 11,
- 944 – 14,
- 945 – 16,
- 1041–V – 05,
- 2290 – 60, and
- 4868 – 30.

2.3.4
TIN Type

Type Number for:
- Form 1040 (family), 4868 – 0, and
- Forms 940, 941, 943, 944, 945, 1041–V, and 2290 – 2.

2.3.5
Voucher Size

The voucher size must be exactly 8.0″ × 3.25″ (Forms 1040–ES and 1041–ES must be 7.625″ × 3.0″). The document scan line must be vertically positioned 0.25 inches from the bottom of the scan line to the bottom of the voucher. The last character on the right of the scan line must be placed 3.5 inches from the right leading edge of the document. The minimum required horizontal clear space between characters is .014 inches. The line to be scanned must have a clear band 0.25 inches in height from top to bottom of the scan line, and from border to border of the document. "Clear band" means no printing except for dropout ink.

2.3.6
Print and Paper Weight

Vouchers must be imaged in black ink using OCR A, OCR B, or Courier 10. These fonts may not be mixed in the scan line. The horizontal character pitch is 10 CPI. The preferred paper weight is 20 to 24 pound OCR bond.

2.3.7
Specifications for Software Developers

Certain vouchers may be reproduced for use in the IRS lockbox system. These include the 1040–V, 1040–ES, 1041–V, the 940 family, and 2290 vouchers. Software developers must follow these specific guidelines to produce scannable vouchers strictly for lockbox purposes. Also see *Exhibit C*:

- The total depth must be 3.25 inches.
- The scan line must be .5 inches from the bottom edge and 1.75 inches from the left edge of the voucher and left-justified.
- Software developers vouchers must be 8.5 inches wide (instead of 8 inches with a cut line). Therefore, no vertical cut line is required.
- Scan line positioning must be exact.
- Do not use the over-the-counter format voucher and add the scan line to it.
- All scanned data must be in 12-point OCR A font.
- The 4-digit NACTP ID code should be placed under the payment indicator arrow.
- Windowed envelopes must not display the scan line in order to avoid disclosure and privacy issues.

Note. All software developers must ensure that their software uses OCR A font so taxpayers will be able to print the vouchers in the correct font.

2.3.8
Specific Line Positions

Follow these line specifications for entering taxpayer data in the lockbox vouchers.

	Start Row	Start Column	Width	End Column
Line Specifications for Taxpayer Data:				
Taxpayer Name	56	6	36	41
Taxpayer Address, Apt.	57	6	36	41
Taxpayer City, State, ZIP	58	6	36	41
Foreign Country Name	59	6	36	41
Foreign Province/ Country	60	6	17	22
Foreign Postal Code	60	26	16	41
Line Specifications for Mail To Data:				
Mail Name	56	43	38	80
Mail Address	57	43	38	80
Mail City, State, ZIP	58	43	38	80
Line Specifications for:				
Scan Line	63	26	n/a	n/a

2.3.9
How to Get Approval

To receive approval, please send in 25 voucher samples yearly for each form type or scenarios, by December 12, 2014, for testing to the following address.

Internal Revenue Service
Attn: Doris Bethea, C5-226
5000 Ellin Road
Lanham, MD 20706

For further information, contact Doris Bethea, *Doris.E.Bethea@irs.gov*, at 240-613-5922.

Section 2.4 – Restrictions on Changes

2.4.1
What You Cannot Do to Forms Suitable for Substitute Tax Forms

You cannot, without prior IRS approval, change any IRS tax form or use your own (non-approved) versions including graphics, unless specifically permitted by this revenue procedure. See *Sections 2.5.7 to 2.5.11*.

You cannot adjust any of the graphics on Forms 1040, 1040A, and 1040EZ (except in those areas specified in *Part 5* of this revenue procedure) without prior approval from the IRS Substitute Forms Unit.

You cannot re-arrange or re-distribute data entry fields, and/or allow data entry fields to flow from one page onto the next (i.e., each page of a substitute form must contain the exact number of data entry fields as there are on the official IRS form). The order and flow of information on the substitute form must be identical to the IRS version of the form.

Note. The 20-day turnaround policy may not apply to extensive changes.

Section 2.5 – Guidelines for Obtaining IRS Approval

2.5.1
Basic Requirements

Preparers who submit substitute privately designed, privately printed, computer generated, or computer prepared tax forms must develop these substitutes using the guidelines established in this part. These forms, unless there is an exception outlined by the revenue procedure, must be approved by the IRS before being filed.

2.5.2
Conditional Approval Based on Advanced Drafts

The IRS cannot grant final approval of your substitute form until the official form has been published. However, the IRS posts advance draft forms on its website at: *www.irs.gov/app/picklist/list/draftTaxForms.html*.

We encourage submission of proposed substitutes of these advance draft forms and will grant conditional approval based solely on these early drafts. These advance drafts are subject to significant change before forms are finalized. If these advance drafts are used as the basis for your substitute forms, you will be responsible for subsequently updating your final forms to agree with the final official version. These revisions need not be resubmitted for further approval.

Note. Approval of forms based on advance drafts will not be granted after the final version of an official form is published.

2.5.3
Submission Procedures

Follow these general guidelines when submitting substitute forms for approval.

- Any alteration of forms must be within the limits acceptable to the IRS. It is possible that, from one filing period to another, a change in law or a change in internal need (processing, audit, compliance, etc.) may change the allowable limits for the alteration of the official form.
- When approval of any substitute form (other than those exceptions specified in *Part 1, Section 1.2 – IRS Contacts*) is requested, a sample of the proposed substitute form should be forwarded for consideration via email or by letter to the Substitute Forms Unit at the address shown in *Section 1.2.1*.

- Schedules and forms (for example, Forms 3468, 4136, etc.) that can be used with more than one type of return (for example, 1040, 1041, 1120, etc.) should be submitted only once for approval, regardless of the number of different tax returns with which they may be associated. Also, all pages of multi-page forms or returns should be submitted in the same package.

2.5.4
Approving Offices

Because only the Substitute Forms Unit is authorized to approve substitute forms, unnecessary delays may occur if forms are sent to the wrong office. You may receive an interim letter about the delay. The Substitute Forms Unit may then coordinate the response with the originator responsible for revising that particular form. Such coordination may include allowing the originator to officially approve the form. No IRS office is authorized to allow deviations from this revenue procedure.

2.5.5
IRS Review of Software Programs, etc.

The IRS does not review or approve the logic of specific software programs, nor does the IRS confirm the calculations on the forms produced by these programs. The accuracy of the program remains the responsibility of the software package developer, distributor, or user.

The Substitute Forms Unit is primarily concerned with the pre-filing quality review of the final forms that are expected to be processed by IRS field offices. For this purpose, you should submit forms without including any taxpayer information such as names, addresses, monetary amounts, etc.

2.5.6
When To Send Proposed Substitutes

Proposed substitutes, which are required to be submitted per this revenue procedure, should be sent as much in advance of the filing period as possible. This is to allow adequate time for analysis and response.

2.5.7
Accompanying Statement

When submitting sample substitutes, you should include an accompanying statement that lists each form number and its changes from the official form (position, arrangement, appearance, line numbers, additions, deletions, etc.). With each of the items you should include a detailed reason for the change.

When requesting approval, please include a check sheet. Check sheets expedite the approval process. The check sheet may look like the example in *Exhibit D* displayed in the back of this procedure or may be one of your own design. Please include your email address on the check sheet. If the Unit will need to fax the check sheet, the number will be requested at that time.

2.5.8
Approval/Non-Approval Notice

The Substitute Forms Unit will email the check sheet or an approval letter to the originator, unless:

- The requester has asked for a faxed response or for a formal letter, or
- Significant corrections to the submitted forms are required.

Notice of approval may impose qualifications before using the substitutes. Notices of unapproved forms may specify the changes required for approval and require re-submission of the form(s) in question. When appropriate, you will be contacted by telephone.

2.5.9
Duration of Approval

Most signature tax returns and many of their schedules and related forms have the tax (liability) year printed in the upper right corner. Approvals for these annual forms are usually good for one calendar year (January through December of the year of filing). Quarterly tax forms in the 94X series and Form 720 require approval for any quarter in which the form has been revised.

Because changes are usually made to an annual form every year, each new filing season generally requires a new submission of a substitute form. Very rarely is updating the preprinted year the only change made to an annual form.

2.5.10
Limited Continued Use of an Approved Change

Limited changes approved for one tax year may be allowed for the same form in the following tax year. Examples are the use of abbreviated words, revised form spacing, compressed text lines, and shortened captions, etc., which do not change the integrity of lines or text on the official forms.

If substantial changes are made to the form, new substitutes must be submitted for approval. If only minor editorial changes are made to the form, it is not subject to review. It is the responsibility of each vendor who has been granted permission to use substitute forms to monitor and revise forms to mirror any revisions to official forms made by the Service. If there are any questions, please contact the Substitute Forms Unit.

2.5.11
When Approval Is Not Required

If you received approval for a specific change on a form last year, you may make the same change this year if the item is still present on the official form:

- The new substitute form does not have to be submitted to the IRS and approval based on that change is not required.
- However, the new substitute form must conform to the official current year IRS form in other respects: date, Office of Management and Budget (OMB) approval number, attachment sequence number, Paperwork Reduction Act Notice statement, arrangement, item caption, line number, line reference, data sequence, etc.
- The new substitute form must also comply with changes to the guidelines in this revenue procedure. The procedure may have eliminated, added to, or otherwise changed the guideline(s) that affected the change approved in the prior year.
- An approved change is authorized only for the period from a prior tax year substitute form to a current tax year substitute form.

Exception. Forms with temporary, limited, or interim approvals (or with approvals that state a change is not allowed in any other tax year) are subject to review in subsequent years.

2.5.12
Continuous-Use Forms

Forms without preprinted tax years are called “continuous-use” forms. Continuous-use forms are revised when a legislative change affects the form or a change will facilitate processing. These forms frequently have revision dates that are valid for longer than one year.

2.5.13
Required Copies

Generally, you must send us one copy of each form being submitted for approval. However, if you are producing forms for different computer systems (for example, Microsoft compatible vs. Apple) or different types of printers and these forms differ **significantly** in appearance, submit one copy for each type of system or printer.

2.5.14
Requestor’s Responsibility

Following receipt of an initial approval for a substitute forms package or a software output program to print substitute forms, it is the responsibility of the originator (designer or distributor) to provide client firms or individuals with forms that meet the IRS’s requirements for continuing acceptability. Examples of this responsibility include:

- Using the prescribed print paper, font size, legibility, state tax data deletion, etc., and
- Informing all users of substitute forms of the legal requirements of the Paperwork Reduction Act Notice, which is generally found in the instructions for the official IRS forms.

2.5.15
Source Code

The Substitute Forms Unit will assign a unique source code to each firm that submits substitute paper forms for approval. This source code will be a permanent identifier that must be used on every submission by a particular firm.

The source code consists of three alpha characters and should generally be printed at the bottom left margin area on the first page of every approved substitute form.

Section 2.6 – Office of Management and Budget (OMB) Requirements for All Substitute Forms

2.6.1
OMB Requirements for All Substitute Forms

There are legal requirements of the Paperwork Reduction Act of 1995 (the Act). Public Law 104–13 requires the following.

- OMB approves all IRS tax forms that are subject to the Act.
- Each IRS form contains (in the upper right corner) the OMB number, if assigned.
- Each IRS form (or its instructions) states why the IRS needs the information, how it will be used, and whether or not the information is required to be furnished to the IRS.

This information must be provided to every user of official or substitute IRS forms or instructions.

2.6.2
Application of the Paperwork Reduction Act

On forms that have been assigned OMB numbers:

- All substitute forms must contain in the upper right corner the OMB number that is on the official form, and
- The required format is: OMB No. 1545-XXXX (Preferred) or OMB # 1545-XXXX (Acceptable).

2.6.3
Required Explanation to Users

You must inform the users of your substitute forms of the IRS use and collection requirements stated in the instructions for official IRS forms.

- If you provide your users or customers with the official IRS instructions, each form must retain either the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice), or a reference to it as the IRS does on the official forms (usually in the lower left corner of the forms).
- This notice reads, in part, "We ask for tax return information to carry out the tax laws of the United States...."

Note. If no IRS instructions are provided to users of your forms, the exact text of the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice) must be furnished separately or on the form.

2.6.4
Finding the OMB Number and Paperwork Reduction Act Notice

The OMB number and the Paperwork Reduction Act Notice, or references to it, may be found printed on an official form (or its instructions). The number and the notice are included on the official paper format and in other formats produced by the IRS.

Part 3
Physical Aspects and Requirements

Section 3.1 – General Guidelines for Substitute Forms

3.1.1
General Information

The official form is the standard. Because a substitute form is a variation from the official form, you should know the requirements of the official form for the year of use before you modify it to meet your needs. The IRS provides several means of obtaining the most frequently used tax forms. These include IRS.gov and ordering products by calling 1-800-TAX-FORMS (1-800-829-3676).

3.1.2
Design

Each form must follow the design of the official form as to format arrangement, item caption, line numbers, line references, and sequence.

3.1.3
State Tax Information Prohibited

Generally, state tax information must not appear on the federal tax return, associated form, or schedule that is filed with the IRS. Exceptions occur when amounts are claimed on, or required by, the federal return (for example, state and local income taxes, on Schedule A of Form 1040).

3.1.4
Vertical Alignment of Amount Fields

IF a form is to be. . .	THEN. . .
Manually prepared	1. The entry column must have a vertical line or some type of indicator in the amount field to separate dollars from cents. 2. The cents column must be at least 3⁄10″ wide.
Computer generated	1. Vertically align the amount entry fields where possible. 2. Use one of the following amount formats: a) 0,000,000, or b) 0,000,000.00.
Computer prepared	1. You may remove the vertical line in the amount field that separates dollars from cents. 2. Use one of the following amount formats: a) 0,000,000, or b) 0,000,000.00.

3.1.5
Attachment Sequence Number

Many individual income tax forms have a required "attachment sequence number" located just below the year designation in the upper right corner of the form. The IRS uses this number to indicate the order in which forms are to be attached to the tax return for processing. Some of the attachment sequence numbers may change from year to year.

The following applies to computer prepared forms.

- The sequence number may be printed in no less than 12-point boldface type and centered below the form's year designation.
- The sequence number may also be placed following the year designation for the tax form and separated with an asterisk.
- The actual number may be printed without labeling it the "Attachment Sequence Number."

3.1.6
Assembly of Forms

When developing software or forms for use by others, please inform your customers/clients that the order in which the forms are arranged may affect the processing of the package. A return must be arranged in the order indicated below.

IF the form is...	THEN the sequence is. . .
1040	• Form 1040, and • Schedules and forms in attachment sequence number order.
Any other tax return (Form 1120, 1120S, 1065, 1041, etc.)	• The tax returns, • Directly associated schedules (Schedule D, etc.), • Directly associated forms, • Additional schedules in alphabetical order, and • Additional forms in numerical order.

Supporting statements should then follow in the same sequence as the forms they support. Additional information required should be attached last.

In this way, the forms are received in the order in which they must be processed. If you do not send returns to the IRS in order, processing may be delayed.

3.1.7
Paid Preparer's Information and Signature Area

On Forms 1040EZ, 1040A, 1040, and 1120, etc., the "Paid Preparer Use Only" area may not be rearranged or relocated. You may, however, add three extra lines to the paid preparer's address area without prior approval. This applies to other tax forms as well.

3.1.8
Some Common Reasons for Requiring Changes to Substitute Forms

Some reasons that substitute form submissions may require changes include the following.

- Failing to preprint certain amounts in entry spaces.
- Shading areas incorrectly.
- Failing to include a reference to the location of the Paperwork Reduction Act Notice.
- Not including parentheses for losses.
- Not including "Attach Statement" when appropriate.
- Including line references or entry spaces that do not match the official form.
- Printing text that is different from the official form.
- Altering the jurat (perjury statement).

Section 3.2 – Paper

3.2.1
Paper Content

The paper must be:

- Chemical wood writing paper that is equal to or better than the quality used for the official form,
- At least 18 pound (17″ × 22″, 500 sheets), or
- At least 50 pound offset book (25″ × 38″, 500 sheets).

3.2.2
Paper with Chemical Transfer Properties

There are several kinds of paper prohibited for substitute forms. These are:

1. Carbon-bonded paper, and
2. Chemical transfer paper except when the following specifications are met:
   a. Each ply within the chemical transfer set of forms must be labeled, and
   b. Only the top ply (ply one and white in color), the one that contains chemical on the back only (coated back), may be filed with the IRS.

3.2.3
Example

A set containing three plies would be constructed as follows: ply one (coated back), "Federal Return, File with IRS"; ply two (coated front and back), "Taxpayer's copy"; and ply three (coated front), "Preparer's copy."

The file designation, "Federal Return, File with IRS" for ply one, must be printed in the bottom right margin (just below the last line of the form) in 12-point boldface type.

It is not mandatory, but recommended, that the file designation "Federal Return, File with IRS" be printed in a contrasting ink for visual emphasis.

3.2.4
Paper and Ink Color

It is preferred that the color and opacity of paper substantially duplicates that of the original form. This means that your substitute must be printed in black ink and may be on white or on the colored paper the IRS form is printed on. Forms 1040A and 1040 substitute reproductions may be in black ink without the colored shading. The only exception to this rule is Form 1041–ES, which should be printed with a PMS 100 yellow shading in the color screened area. This is necessary to assist us in expeditiously separating this form from the very similar Form 1040–ES.

3.2.5
Page Size

Substitute or reproduced forms and computer prepared/generated substitutes may be the same size as the official form or they may be the standard commercial size (8 ½″ × 11″). The thickness of the stock cannot be less than .003 inches.

Section 3.3 – Printing

3.3.1
Printing Medium

The private printing of all substitute tax forms must be by conventional printing processes, photocopying, computer graphics, or similar reproduction processes.

3.3.2
Legibility

All forms must have a high standard of legibility as to printing, reproduction, and fill-in matter. Entries of taxpayer data may be no smaller than eight points. The IRS reserves the right to reject those with poor legibility. The ink and printing method used must ensure that no part of a form (including text, graphics, data entries, etc.) develops "smears" or similar quality deterioration. This standard must be followed for any subsequent copies or reproductions made from an approved master substitute form, either during preparation or during IRS processing.

3.3.3
Type Font

Many federal tax forms are printed using "Helvetica" as the basic type font. It is preferred that you use this type font when composing substitute forms.

3.3.4
Print Spacing

Substitute forms should be printed using a 6 lines/inch vertical print option. They should also be printed horizontally in 10 pitch pica (that is, 10 print characters per inch) or 12 pitch elite (that is, 12 print positions per inch).

3.3.5
Image Size

The image size of a printed substitute form should be as close as possible to that of the official form. You may omit any text on both computer-prepared and computer-generated forms that is solely instructional.

3.3.6
Title Area Changes

To allow a large top margin for marginal printing and more lines per page, the title line(s) for all substitute forms (not including the form's year designation and sequence number, when present), may be photographically reduced by 40 percent or reset as one line of type. When reset as one line, the type size may be no smaller than 14-point. You may omit "Department of the Treasury—Internal Revenue Service" and all reference to instructions in the form's title area.

3.3.7
Remove Government Printing Office Symbol and IRS Catalog Number

When privately printing substitute tax forms, the Government Printing Office (GPO) symbol and/or jacket number must be removed. In the same place using the same type size, print the Employer Identification Number (EIN) of the printer or designer or the IRS assigned source code. (We prefer this last number be printed in the lower left area of the first page of each form.) Also, remove the IRS Catalog Number (Cat. No.) and the recycle symbol if the substitute is not produced on recycled paper.

3.3.8
Printing on One Side of Paper

Even though the IRS uses both sides of the paper for printing official paper forms or schedules, the IRS will accept your forms if only one side of the paper is used.

3.3.9
Photocopy Equipment

The IRS does not undertake to approve or disapprove the specific equipment or process used in reproducing official forms. Photocopies of forms must be entirely legible and satisfy the conditions stated in this and other revenue procedures.

3.3.10
Reproductions

Reproductions of official forms and substitute forms that do not meet the requirements of this revenue procedure may not be filed instead of the official forms. Illegible photocopies are subject to being returned to the filer for re-submission of legible copies.

3.3.11
Removal of Instructions

Generally, you may remove references to instructions. No prior approval is needed. However, in some instances, you may be requested to include references to instructions.

Exception. The words "For Paperwork Reduction Act Notice, see instructions" must be retained, or a similar statement indicating the location of the Notice, must be provided on each form.

Section 3.4 – Margins

3.4.1
Margin Size

The format of a reproduced tax form when printed on the page must have margins on all sides at least as large as the margins on the official form. This allows room for IRS employees to make necessary entries on the form during processing.

- A ½-inch to ¼-inch margin must be maintained across the top, bottom, and both sides of all substitute forms.
- The marginal, perforated strips containing pin-fed holes must be removed from all forms prior to filing with the IRS.

3.4.2
Marginal Printing

Prior approval is not required for the marginal printing allowed when printed on an official form or on a photocopy of an official form.

- With the exception of the actual tax forms (for example, Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.), you may print in the left vertical margin and in the left half of the bottom margin.
- Printing is never allowed in the top right margin of the tax form (for example, Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.). The Service uses this area to imprint a Document Locator Number for each return. There are no exceptions to this requirement.

Section 3.5 – Examples of Approved Formats

3.5.1
Examples of Approved Formats From the Exhibits

Two sets of exhibits (*Exhibits A–1 and 2; B–1 and 2*) at the end of this revenue procedure are examples of how these guidelines may be used. Vertical spacing is six (6) lines to the inch. A combination of upper-case and lower-case print font is acceptable in producing substitute forms.

The same logic may be applied to any IRS form that is normally reproducible as a substitute form, with the exception of the tax return forms as discussed elsewhere.

Note. These exhibits may be from a prior year and are not to be used as current substitute forms.

Section 3.6 – Miscellaneous Information for Substitute Forms

3.6.1
Filing Substitute Forms

To be acceptable for filing, a substitute form must print out in a format that will allow the filer to follow the same instructions that accompany official forms. The form must be legible, must be on the appropriately sized paper, and must include a jurat (perjury statement) where one appears on the published form.

3.6.2
Caution to Software Publishers

The IRS has received returns produced by software packages with approved output where either the form heading was altered or the lines were spaced irregularly. This produces an illegible or unrecognizable return or a return with the wrong number of pages. We realize that many of these problems are caused by individual printer differences but they may delay input of return data and, in some cases, generate correspondence to the taxpayer. Therefore, in the instructions to the purchasers of your product, both individual and professional, please stress that their returns will be processed more efficiently if they are properly formatted. This includes:

- Having the correct form numbers and titles at the top of the return, and
- Submitting the same number of pages as if the form were an official IRS form with the line items on the proper pages.

3.6.3
Caution to Producers of Software Packages

If you are producing a software package that generates name and address data onto the tax return, do not under any circumstances program either the IRS preprinted check digits or a practitioner derived name control to appear on any return prepared and filed with the IRS.

3.6.4
Programming to Print Forms

Whenever applicable:

- Use only the following label information format for single filers: JOHN Q. PUBLIC 310 OAK DRIVE HOMETOWN, STATE 94000
- Use only the following information for joint filers: JOHN Q. PUBLIC MARY I. PUBLIC 310 OAK DRIVE HOMETOWN, STATE 94000

Part 4
Additional Resources

Section 4.1 – Guidance From Other Revenue Procedures

4.1.1
General

The IRS publications listed below provide guidance for substitute tax forms not covered in this revenue procedure. These publications are available on the IRS website. Identify the requested document by the IRS publication number.

- Publication 1141, General Rules and Specifications for Substitute Forms W–2 and W–3.
- Publication 1179, Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W–2G, and 1042–S.
- Publication 1187, Specifications for Electronic Filing of Form 1042–S, Foreign Person's U.S. Source Income Subject to Withholding.
- Publication 1220, Specifications for Electronic Filing of Form 1098,1099, 5498, and W2–G.
- Publication 1223, General Rules and Specifications for Substitute Forms W–2c and W–3c.
- Publication 1239, Specifications for Electronic Filing of Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips.
- Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns.
- Publication 4436, General Rules and Specifications for Substitute Form 941, Schedule B (Form 941).

Section 4.2 – Electronic Tax Products

4.2.1
The IRS Website

Copies of tax forms with instructions, publications, draft forms, fillable forms, prior year forms and publications, and other tax-related information may be found on the IRS website at IRS.gov.

4.2.2
System Requirements and Ordering Forms and Instructions

For system requirements, contact the National Technical Information Service (NTIS) at *www.ntis.gov*. Prices are subject to change.

You can order IRS forms and other tax material, online at IRS.gov. Click on the *Forms and Pubs* link and then the *Order Forms and Pubs* link, or by calling 1-800-TAX-FORM (1-800-829-3676).

Part 5
Requirements for Specific Tax Returns

Section 5.1 – Tax Returns (Forms 1040, 1040A, 1120, etc.)

5.1.1
Acceptable Forms

Tax forms (such as Forms 1040, 1040A, and 1120) require a signature and establish tax liability. Computer-generated versions are acceptable under the following conditions.

- These substitute forms must be printed on plain white paper.
- Substitute forms must conform to the physical layout of the corresponding IRS form although the typeface may differ. The text should match the text on the officially published form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis. **Caution.** All jurats (perjury statements) must be reproduced verbatim. No text can be added, deleted, or changed in meaning.
- Various computer graphic print media such as laser printing, inkjet printing, etc., may be used to produce the substitute forms.
- The substitute form must be the same number of pages and contain the same line text as the official form.
- All substitute forms must be submitted for approval prior to their original use. You do not need approval for a substitute form if its only change is the preprinted year and you had received a prior year approval letter. **Exception.** If the approval letter specifies a one-time exception for your form, the next year's form must be approved.

5.1.2
Prohibited Forms

The following are prohibited.

- Computer-generated tax forms (for example, Form 1040, etc.) on lined or color barred paper.
- Tax forms that differ from the official IRS forms in a manner that makes them non-standard or unable to process.

5.1.3
Changes Permitted to Forms 1040 and 1040A

Certain changes (listed in *Sections 5.2 through 5.4*) are permitted to the graphics of the form without prior approval, but these changes apply to only acceptable preprinted forms. Changes not requiring prior approval are good only for the annual filing period, which is the current tax year. Such changes are valid in subsequent years only if the official form does not change.

5.1.4
Other Changes Not Listed

All changes not listed in *Sections 5.2 through 5.4* require approval from the IRS before the form can be filed.

5.2.1 Adjustments

You may make minor vertical and horizontal spacing adjustments to allow for computer or word processing printing. This includes widening the amount columns or tax entry areas if the adjustments comply with other provisions stated in revenue procedures. No prior approval is needed for these changes.

5.2.2 Name and Address Area

The horizontal rules and instructions within the name and address area may be removed and the entire area left blank. No line or instruction can remain in the area. The heavy ruled border (when present) that outlines the name, address area, and social security number must not be removed, relocated, expanded, or contracted.

5.2.3 Required Format

When the name and address area is left blank, the following format must be used when printing the taxpayer's name and address.

- 1st name line (35 characters maximum).
- 2nd name line (35 characters maximum).
- In-care-of name line (35 characters maximum).
- City, state (25 characters maximum), one blank character, and ZIP code.

5.2.4 Conventional Name and Address Data

When there is no in-care-of name line, the name and address will consist of only three lines (single filer) or four lines (joint filer). Name and address (joint filer) with no in-care-of name line:

JOHN Z. JONES
MARY I. JONES
1234 ANYWHERE ST., APT. 111
ANYTOWN, STATE 12321

5.2.5 Example of In-Care-Of Name Line

Name and address (single filer) with in-care-of name line:

JOHN Z. JONES
C/O THOMAS A. JONES
4311 SOMEWHERE AVE.
SAMETOWN, STATE 54345

5.2.6 SSN and Employer Identification Number (EIN) Area

The broken vertical lines separating the format arrangement of the SSN/EIN may be removed. When the vertical lines are removed, the SSN and EIN formats must be 000-00-0000 or 00-0000000, respectively.

5.2.7 Cents Column

- You may remove the vertical rule that separates the dollars from the cents.
- All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present.
- You may omit printing the cents, but all amounts entered on the form must follow a consistent format. You are strongly urged to round off the figures to whole dollar amounts, following the official form instructions.
- When several amounts are summed together, the total should be rounded off after addition (that is, individual amounts should not be rounded off for computation purposes).
- When printing money amounts, you must use one of the following formats: (a) 0,000,000.; (b) 0,000,000.00.
- When there is no entry for a line, leave the line blank.

5.2.8
"Paid Preparer's Use Only" Area

On all forms, the paid preparer's information area may not be rearranged or relocated. You may add three lines and remove the horizontal rules in the preparer's address area.

Section 5.3 – Changes Permitted to Form 1040A Graphics

5.3.1
General

No prior approval is needed for the following changes (for use with computer-prepared forms only).

5.3.2
Line 4 of Form 1040A

This line may be compressed horizontally (to allow for same line entry for the name of the qualifying child) by using the following caption: "Head of household; child's name" (name field).

5.3.3
Other Lines

Any line with text that takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

5.3.4
Page 2 of Form 1040A

All lines must be present and numbered in the order shown on the official form. These lines may also be compressed.

5.3.5
Color Screening

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040A may be printed in black and white only with no color screening.

5.3.6
Other Changes Prohibited

No other changes to the Form 1040A graphics are allowed without prior approval except for the removal of instructions and references to instructions.

Section 5.4 – Changes Permitted to Form 1040 Graphics

5.4.1
General

No prior approval is needed for the following changes (for use with computer-prepared forms only). Specific line numbers in the following headings may have changed due to tax law changes.

5.4.2
Line 4 of Form 1040

This line may be compressed horizontally (to allow for a larger entry area for the name of the qualifying child) by using the following caption: "Head of household; child's name" (name field).

5.4.3
Line 6c of Form 1040

The vertical lines separating columns (1) through (4) may be removed. The captions may be shortened to allow a one-line caption for each column.

5.4.4
Other Lines

Any other line with text that takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

5.4.5
Line 21 – Other Income

The fill-in portion of this line may be expanded vertically to three lines. The amount entry box must remain a single entry.

5.4.6
Line 44 of Form 1040 – Tax

You may change the line caption to read "Tax" and computer print the words "Total includes tax from" and either "Form(s) 8814" or "Form 4972" or "962 election." If both forms are used, print both form numbers. This specific line number may have changed.

5.4.7
Line 54 of Form 1040 – Other Credits

You may change the caption to read: "Other credits from Form" and computer print only the form(s) that apply.

5.4.8
Color Screening

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040 may be printed in black and white only with no color screening.

5.4.9
Other Changes Prohibited

No other changes to the Form 1040 graphics are permitted without prior approval except for the removal of instructions and references to instructions.

Part 6
Format and Content of Substitute Returns

Section 6.1 – Acceptable Formats for Substitute Forms and Schedules

6.1.1
Exhibits and Use of Acceptable Formats

Exhibits of acceptable formats for Schedule A, usually attached to the Form 1040, and Form 2106–EZ are shown in the exhibits section of this revenue procedure.

- If your computer-generated forms appear exactly like the exhibits, no prior authorization is needed.
- You may computer-generate forms not shown here, but you must design them by following the manner and style of those in the exhibits section.
- Take care to observe other requirements and conditions in this revenue procedure. The IRS encourages the submission of all proposed forms covered by this revenue procedure.

6.1.2
Instructions

The format of each substitute form or schedule must follow the format of the official form or schedule as to item captions, line references, line numbers, sequence, form arrangement and format, etc. Basically, try to make the form look like the official one, with readability and consistency being primary factors. You may use periods and/or other similar special characters to separate the various parts and sections of the form. Do not use alpha or numeric characters for these purposes. All line numbers and items must be printed even though an amount is not entered on the line.

6.1.3
Line Numbers

When a line on an official form is designated by a number or a letter, that designation (reference code) must be used on a substitute form. The reference code must be printed to the left of the text of each line and immediately preceding the data entry field, even if no reference code precedes the data entry field on the official form. If an entry field contains multiple lines and shows the line references once on the left and right side of the form, use the same number of line references on the substitute form.

In addition, the reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There also must be at least two blank spaces between the period or the right parenthesis and the first digit of the data field. (See *Section 6.1.4*.)

6.1.4
Decimal Points

A decimal point (that is, a period) should be used for each money amount regardless of whether the amount is reported in dollars and cents or in whole dollars, or whether or not the vertical line that separates the dollars from the cents is present. The decimal points must be vertically aligned when possible.

Example:

5	STATE & LOCAL INC. TAXES.....	5.	495.00
6	REAL ESTATE TAXES.....	6.	
7	PERSONAL PROPERTY TAXES.....	7.	198.00
	or		
5	STATE & LOCAL INC. TAXES.....	(5)	495.00
6	REAL ESTATE TAXES.....	(6)	
7	PERSONAL PROPERTY TAXES.....	(7)	198.00

6.1.5
Multi-Page Forms

When submitting a multi-page form, send all its pages in the same package.

Exception. If you will not be producing certain pages, please note that in your cover letter.

Section 6.2 – Additional Instructions for All Forms

6.2.1
Use of Your Own Internal Control Numbers and Identifying Symbols

You may show the computer-prepared internal control numbers and identifying symbols on the substitute if using such numbers or symbols is acceptable to the taxpayer and the taxpayer's representative. Such information must not be printed in the top ½ inch clear area of any form or schedule requiring a signature. Except for the actual tax return form (Forms 1040, 11ID Number on 20, 940, 941, etc.), you may print in the left vertical and bottom left margins. The bottom left margin you may use extends 3½ inches from the left edge of the form.

6.2.2
Required Software ID Number (Source Code) on Computer- Prepared Substitutes

In the February 2009 Government Accountability Office (GAO) report, "Many Taxpayers Rely on Tax Software and IRS Needs to Assess Associated Risks" (GAO-09-297), GAO recommended that IRS require a software identification number on all individual returns to specifically identify the software package used to prepare each tax return. IRS already has this capability for all e-filed returns. In addition, many tax preparation software firms already print an IRS-issued 3-letter Source Code on paper returns that are generated by their individual tax software. This Source Code was assigned when the firms were seeking substitute forms approval under this current Publication.

In order to respond properly to this GAO recommendation, the IRS will require all tax preparation software firms to include the 3-letter Source Code on all paper tax returns created by their individual tax preparation software. The many firms that currently have and display their Source Code on paper returns generated from their software should continue to do so, and no change is necessary.

We have reviewed all software companies that passed PATS testing last filing season and have determined that some firms do not currently have a Source Code. To save you the burden of contacting us and for your convenience, we have assigned Source Codes to those firms.

You should program your Source Code to be placed in the bottom left-hand corner of page one of each paper form that will be generated by your individual tax return package. You do not need to apply for a new Source Code annually.

If you already use a 3-letter Source Code and we have issued you one in error, you are unsure if you were ever issued one, or have other questions or concerns, you may contact Tax Forms and Publications Special Services Section at *substituteforms@irs.gov*.

6.2.3
Descriptions for Captions, Lines, etc.

Descriptions for captions, lines, etc., appearing on the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient key words must be retained to permit ready identification of the caption, line, or item.

6.2.4
Determining Final Totals

Explanatory detail and/or intermediate calculations for determining final line totals may be included on the substitute. We prefer that such calculations be submitted in the form of a supporting statement. If intermediate calculations are included on the substitute, the line on which they appear may not be numbered or lettered. Intermediate calculations may not be printed in the right column. This column is reserved only for official numbered and lettered lines that correspond to the ones on the official form. Generally, you may choose the format for intermediate calculations or subtotals on supporting statements to be submitted.

6.2.5
Instructional Text on the Official Form

Text on the official form, which is solely instructional (for example, "See instructions." etc.), may generally be omitted from the substitute form.

6.2.6
Mixing Forms on the Same Page Prohibited

You may not show more than one form or schedule on the same printout page. Both sides of the paper may be printed for multi-page official forms, but it is unacceptable to intermix single page schedules of forms.

For instance, Schedule E can be printed on both sides of the paper because the official form is multi-page, with page 2 continued on the back. However, do not print Schedule E on the front page and Schedule SE on the back, or Schedule A on the front and Form 8615 on the back, etc. Both pages of a substitute form must match the official form. The back page may be left blank if the back page of the official form contains only the instructions.

6.2.7
Identifying Substitutes

Identify all computer-prepared substitutes clearly. Print the form designation ½ inch from the top margin and 1½ inches from the left margin. Print the title centered on the first line of print. Print the taxable year and, where applicable, the sequence number on the same line ½ inch to 1 inch from the right margin. Include the taxpayer's name and SSN on all forms and attachments. Also, print the OMB number as reflected on the official form.

6.2.8
NegativeAmounts

Negative (or loss) amount entries should be enclosed in brackets or parentheses or include a minus sign. This assists in accurate computation and input of form data. The IRS pre-prints parentheses in negative data fields on many official forms. These parentheses should be retained or inserted on printouts of affected substitute forms.

Part 7
Miscellaneous Forms and Programs

Section 7.1 – Specifications for Substitute Schedules K–1

7.1.1
Requirements for Schedules K–1 That Accompany Forms 1041, 1065, 1065–B, and 1120S

Because of significant changes to improve processing, prior approval is now required for substitute Schedules K–1 that accompany Form 1041 (for estates and trusts), Form 1065 (for partnerships), Form 1065–B (for electing large partnerships), or Form 1120S (for S corporations). Substitute Schedules K–1 should be as close as possible to exact replicas of copies of the official IRS schedules and follow the same process for submitting other substitute forms and schedules. Before releasing their substitute forms, software vendors are responsible for making any subsequent changes that have been made to the final official IRS forms after the draft forms have been posted.

You must include all information on the form. Submit Schedules K–1 to the IRS at *substituteforms@irs.gov* with "Attn: PDF Submissions" on the subject line or at:

Internal Revenue Service
Attn: Substitute Forms Program
5000 Ellin Road, C6–440
Lanham, MD 20706

Include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120S. Please allow white space around the 6-digit code.

- 661114 for Form 1041,
- 651114 for Form 1065, and
- 671114 for Form 1120S.

Schedules K–1 that accompany Forms 1041, 1065, 1065–B, or 1120S must meet all specifications. The specifications include, but are not limited to, the following requirements.

- You will no longer be able to produce Schedules K–1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- The words "*See attached statement for additional information." must be preprinted in the lower right–hand side on Schedules K–1 of Forms 1041, 1065, and 1120S.
- All K–1s that are filed with the IRS should be printed on standard 8.5″ × 11″ paper (the international standard (A4) of 8.27″ × 11.69″ may be substituted).
- Each recipient's information must be on a separate sheet of paper. Therefore, you must separate all continuously printed substitutes, by recipient, before filing with the IRS.
- No carbon copies or pressure-sensitive copies will be accepted.
- The Schedule K–1 must contain the name, address, and SSN or EIN of both the entity (estate, trust, partnership, or S corporation) and the recipient (beneficiary, partner, or shareholder).
- The Schedule K–1 must contain the tax year, the OMB number, the schedule number (K–1), the related form number (1041, 1065, 1065–B, or 1120S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- The Schedule K–1 must contain all the line items as shown on the official form, except for the instructions, if any are printed on the back of the official Schedule K–1.
- The line items or boxes must be in the same order and arrangement as those on the official form.
- The amount of each recipient's share of each item must be shown. A partial percent should be reflected as a decimal (example: 50 ½% should be 50.5%). Furnishing a total amount of each item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- State or local tax-related information may not be included on the Schedules K–1 filed with the IRS.
- The entity may have to pay a penalty if substitute Schedules K–1 are filed that do not conform to specifications.
- Additionally, the IRS may consider the Schedules K–1 that do not conform to specifications as not being able to be processed and may return Forms 1041, 1065, 1065–B, or 1120S to the filer to be filed correctly.

Schedules K–1 that are 2-D bar-coded will continue to require prior approval from the IRS (see *Sections 7.1.3 through 7.1.5*).

7.1.2
Special Requirements for Recipient Copies of Schedules K–1

Standardization for reporting information is required for recipient copies of substitute Schedules K–1 of Forms 1041, 1065, 1065–B, and 1120S. Uniform visual standards are provided to increase compliance by allowing recipients and practitioners to more easily recognize a substitute Schedule K–1. The entity must furnish to each recipient a copy of Schedule K–1 that meets the following requirements.

- Include the 6-digit form ID code in the upper right of Schedules K–1 of Forms 1041, 1065, and 1120S. Please allow white space around the 6-digit code.
  - 661114 for Form 1041,
  - 651114 for Form 1065, and
  - 671114 for Form 1120S.
- You will no longer be able to produce Schedules K–1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- The words "*See attached statement for additional information." must be preprinted in the lower right-hand side on Schedules K–1 of Forms 1041, 1065, and 1120S.
- The Schedule K–1 must contain the name, address, and SSN or EIN of both the entity and recipient.
- The Schedule K–1 must contain the tax year, the OMB number, the schedule number (K–1), the related form number (1041, 1065, 1065–B, or 1120S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- All applicable amounts and information required to be reported must be titled and numbered in the same manner as shown on the official IRS schedule. The line items or boxes must be in the same order and arrangement and must be numbered like those on the official IRS schedule.
- The Schedule K–1 must contain all items required for use by the recipient. The instructions to the schedule must identify the line or box number and code, if any, for each item as shown in the official IRS schedule.
- The amount of each recipient's share of each item must be shown. A partial percent should be reflected as a decimal (example 50 ½% should be 50.5%). Furnishing a total amount of each line item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- Instructions to the recipient that are substantially similar to those on or accompanying the official IRS schedule must be provided to aid in the proper reporting of the items on the recipient's income tax return. Where items are not reported to a recipient because they do not apply, the related instructions may be omitted.
- The quality of the ink or other material used to generate recipients' schedules must produce clearly legible documents. In general, black chemical transfer inks are preferred.
- In order to assure uniformity of substitute Schedules K–1, the paper size should be standard 8.5″ × 11″ (the international standard (A4) of 8.27″ × 11.69″ may be substituted.)
- The paper weight, paper color, font type, font size, font color, and page layout must be such that the average recipient can easily decipher the information on each page. The preferred font is "Helvetica" and a minimal of 10pt. font.
- State or local tax-related information may be included on recipient copies of substitute Schedules K–1. All non-tax-related information should be separated from the tax information on the substitute schedule to avoid confusion for the recipient.
- The legend "Important Tax Return Document Enclosed" must appear in a bold and conspicuous manner on the outside of the envelope that contains the substitute recipient copy of Schedule K–1.
- The entity may have to pay a penalty if a substitute Schedule K–1 furnished to any recipient does not conform to the specifications of this revenue procedure and results in impeding processing.

7.1.3 Requirements for Schedules K–1 with Two-Dimensional (2-D) Bar Codes

Electronic filing is now and will continue to be the preferred method of filing; however, 2-D bar code is the best alternative method for paper processing.

In an effort to improve efficiency and at the same time increase data accuracy, the IRS partnered with the tax software development community on a two-dimensional bar code project in 2003. Certain tax software packages have been modified to generate 2-D bar codes on Schedules K–1. As a result, when K–1s are printed using these programs, a bar code will print on the page.

Rather than manually transcribe information from the Schedule K–1, the IRS will scan the bar code and electronically upload the information from the K–1. The results will be more efficient operation within the IRS and fewer transcription errors for your clients.

Note. If software vendors do not want to produce bar-coded Schedules K–1, they may produce the official IRS Schedules K–1 but cannot use the expedited process for approving bar-coded K–1s and their parent returns as outlined in *Section 7.1.6*.

In addition to the requirements in *Sections 7.1.1 and 7.1.2*, the bar-coded Schedules K–1 must meet the following specifications.

- The bar code should print in the space labeled "For IRS Use Only" on each Schedule K–1. The entire bar code must print within the "For IRS Use Only" box surrounded by a white space of at least ¼ inch.
- Bar codes must print in PDF 417 format.
- The bar codes must always be in the specified format with every field represented by at least a field delimiter (carriage return). Leaving out a field in a bar code will cause every subsequent field to be misread.
- Be sure to include the 6-digit form ID code in the upper right of Schedules K–1 of Forms 1041, 1065, and 1120S. Please allow white space around the 6-digit code.
  - 661114 for Form 1041,
  - 651114 for Form 1065, and
  - 671114 for Form 1120S.

7.1.4 2-D Bar Code Specifications for Schedules K–1

Follow these general specifications for preparing all 2-D bar-coded Schedules K–1:

- Numeric fields –
  - Do not include leading zeros (except Taxpayer Identification Numbers, Zip Codes, and percentages).
  - If negative value, the minus sign "–" must be present immediately to the left of the number and part of the 12 position field.
  - Do not use non-numeric characters except that the literal "STMT" can be put in money fields.
  - All money fields should be rounded to the nearest whole dollar amount – if a money amount ends in 00 to 49 cents, drop the cents; if it ends in 50 to 99 cents, truncate the cents and increment the dollar amount by one. Use the same rounding technique for the bar-coded and the printed K–1s.
  - All numeric-only fields are right justified (except Taxpayer Identification Numbers and Zip Codes).
- All field lengths are expressed as maximum lengths. If the value in the field has fewer positions or the software program does not support that many positions, put in the bar code only those positions actually used.
- Alpha fields –
  - Do not include leading blanks (left justified).
  - Do not include trailing blanks.
  - Use uppercase alpha characters only.
- Variable fields –
  - Do not include leading blanks (left justified).
  - Do not include trailing blanks.
  - Use uppercase alpha characters, numerics, and special characters as defined in each field.
- Delimit each field with a carriage return.
- Express percentages as 6-digit numbers without the percent sign. Left justify with leading zero(s) (for percentages less than 100%) and no decimal point (decimal point is assumed between 3rd and 4th positions).
- Examples: 25.32% expressed as "025320"; 105% expressed as "105000"; 8.275% expressed as "008275"; 10.24674% expressed as "010247".
- It is vital that the print routine reinitialize the bar code prior to printing each succeeding K–1. Failure to do this will result in each K–1 for a parent return having the same bar code as the document before it.

7.1.5 Approval Process for Bar-Coded Schedules K–1

Prior to releasing commercially available tax software that creates bar-coded Schedules K–1, the printed schedule and the bar code must both be tested. If your company is creating bar-coded Schedules K–1, you must receive certification for both the printed K–1, as well as the bar code before offering your product for sale. Bar-code testing must be done using the final official IRS Schedule K–1. Bar-code approval requests must be resubmitted for any subsequent changes to the official IRS form that would affect the bar code. Below are instructions and a sequence of events that will comprise the testing process.

- The IRS has released the final Schedule K–1 bar-code specifications by publishing them on the IRS.gov website (see *www.irs.gov/uac/Schedule- K-1,-Two-Dimensional-Bar-Code-Specifications-and-Certification- Process*).
- The IRS will publish a set of test documents that will be used to test the ability of tax preparation software to create bar codes in the correct format.
- Software developers will submit two identical copies of the test documents – one to the IRS and one to a contracted testing vendor.
- The IRS will use one set to ensure the printed schedules comply with standard substitute forms specifications.
- If the printed forms fail to meet the substitute form criteria, the IRS will inform the software developer of the reason for noncompliance.
- The software developer must resubmit the Schedule(s) K–1 until they pass the substitute forms criteria.
- The testing vendor will review the bar codes to ensure they meet the published bar-code specifications.
- If the bar code(s) does not meet published specifications, the testing vendor will contact the software developer directly informing them of the reason for noncompliance.
- Software developers must submit new bar-coded schedules until they pass the bar-code test.
- When the bar code passes, the testing vendor will inform the IRS that the developer has passed the bar-code test and the IRS will issue an overall approval for both the substitute form and the bar code.
- After receiving this consolidated response, the software vendor is free to release software for tax preparation as long as any subsequent revisions to the schedules do not change the fields.
- Find the mailing address for the testing vendor below. Separate and simultaneous mailings to the IRS and the vendor will reduce testing time.

7.1.6
Procedures for Reducing Testing Time

In order to help provide incentives to the software development community to participate in the Schedule K–1 2-D project, the IRS has committed to expediting the testing of bar-coded Schedules K–1 and their associated parent returns. To receive this expedited service, follow the instructions below.

- Mail the parent returns (Forms 1065, 1120S, 1041) and associated bar-coded Schedule(s) K–1 to the appropriate address below in a separate package from all other approval requests.

  Internal Revenue Service
  Attn: Bar-Coded K–1
  SE:W:CAR:MP:T:M:S, IR 6526
  1111 Constitution Avenue, NW
  Washington, DC 20224

- Mail one copy of the parent form(s) and Schedule(s) K–1 to the IRS and another copy to the testing vendor at the address below.

  Northrop Grumman Information Systems
  Attn: Cecilia Siamundo/Elizabeth Ragonese
  7555 Colshire Drive
  McLean, VA 22102
  Phone: 703-556-3619

- Include multiple email and phone contact points in the packages.
- While the IRS can expedite bar-coded Schedules K–1 and their associated parent returns, it cannot expedite the approval of non-associated tax returns.
- Vendors should comply with all NACTP guidelines especially in regards to mil size and error-correction level.
- Submissions should include vendor ID code printed and in the bar code. If a change is made to the bar code after approval, be sure to increment the version number.

Section 7.2 – Guidelines for Substitute Forms 8655

7.2.1
Increased Standardization for Forms 8655

Increased standardization for reporting information on substitute Forms 8655 is now required to aid in processing and for compliance purposes. Please follow the guidelines in *Section 7.2.2*.

7.2.2
Requirements for Substitute Forms 8655

Please follow these specific requirements when producing substitute Forms 8655.

- The first line of the title must be "Reporting Agent Authorization."
- If you want to include a reference to "State Limited Power of Attorney," it can be in parentheses under the title. "State" must be the first word within the parentheses.
- You must include "Form 8655" on the form.
- While the line numbers do not have to match the official form, the sequence of the information must be in the same order.
- The size of any variable data must be printed in a font no smaller than 10-point.
- For adequate disclosure checks, the following must be included for each taxpayer:
  - Name,
  - EIN, and
  - Address.
- At this time, Form 944 will not be required if Form 941 is checked. Only those forms that the reporting agent company supports need to be listed.
- The jurat (perjury statement) must be identical with the exception of references to line numbers.
- A contact name and number for the reporting agent is not required.
- You must include line 17, or the equivalent line, and it must include two checkboxes.
- Any state information included should be contained in a separate section of the substitute form. Preferably this information will be in the same area as line 19 of the official form.
- All substitute Forms 8655 must be approved by the Substitute Forms Unit as outlined in the Form 8655 specifications in this current Publication.
- If you have not already been assigned a 3-letter Source Code, you will be given one when your substitute form is submitted for approval. This Source Code should be included in the lower left corner of the form.
- The 20-day assumed approval policy does not apply to Form 8655 approvals.

Part 8
Additional Information

Section 8.1 – Forms for Electronically Filed Returns

8.1.1
Electronic Filing Program

Electronic filing is a method by which authorized providers transmit tax return information to an IRS Service Center in the format of the official IRS forms. The IRS accepts both refund and balance due forms that are filed electronically.

8.1.2
Applying to Participate in IRS e-file

Anyone wishing to participate in IRS *e-file* of tax returns must submit an *e-file* application. The application can be completed and submitted electronically on the IRS website at IRS.gov after first registering for e-services on the website.

8.1.3
Obtaining the Taxpayer Signature/ Submission of Required Paper Documents

Taxpayers choosing to electronically prepare and file their return will be required to use the Self-Select PIN method as their signature.

Electronic Return Originators (EROs) can e-file individual income tax returns only if the returns are signed electronically using either the Self-Select or Practitioner PIN method.

Taxpayers must use Form 8453, U.S. Individual Income Tax Transmittal for an IRS *e-file* Return, to send supporting documents that are required to be submitted to the IRS.

For specific information about electronic filing, refer to Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns.

8.1.4
Guidelines for Preparing Substitute Forms in the Electronic Filing Program

A participant in the electronic filing program who wants to develop a substitute form should follow the guidelines throughout this publication and send a sample form for approval to the Substitute Forms Unit at the address in *Part 1*. If you do not prepare Substitute Form 8453 using a font in which all IRS wording fits on a single page, the form will not be accepted.

Note. Use of unapproved forms could result in suspension of the participant from the electronic filing program.

Section 8.2 – Effect on Other Documents

8.2.1
Effect on Other Documents

This revenue procedure supersedes Revenue Procedure 2013–17, 2013–11, I.R.B. 612.

Schedule A (Preferred Format)

Exhibit A-1 (Preferred Format)

SCHEDULE A (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

◆ Information about Schedule A and its separate instructions is at *www.irs.gov/schedulea.*
◆ Attach to Form 1040.

OMB No. 1545-0074

2014

Attachment Sequence No. **07**

Name(s) shown on Form 1040 | **Your social security number**

Medical and Dental Expenses		**Caution.** Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses (see instructions)	1		
	2	Enter amount from Form 1040, line 38	2		
	3	Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead	3		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4
Taxes You Paid	5	State and local **(check only one box):** a ☐ Income taxes, **or** b ☐ General sales taxes	5		
	6	Real estate taxes (see instructions)	6		
	7	Personal property taxes	7		
	8	Other taxes. List type and amount ◆	8		
	9	Add lines 5 through 8			9
Interest You Paid	10	Home mortgage interest and points reported to you on Form 1098	10		
Note. Your mortgage interest deduction may be limited (see instructions).	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ◆	11		
	12	Points not reported to you on Form 1098. See instructions for special rules	12		
	13	Mortgage insurance premiums (see instructions)	13		
	14	Investment interest. Attach Form 4952 if required. (See instructions.)	14		
	15	Add lines 10 through 14			15
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	16	Gifts by cash or check. If you made any gift of $250 or more, see instructions	16		
	17	Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500	17		
	18	Carryover from prior year	18		
	19	Add lines 16 through 18			19
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)			20
Job Expenses and Certain Miscellaneous Deductions	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ◆	21		
	22	Tax preparation fees	22		
	23	Other expenses—investment, safe deposit box, etc. List type and amount ◆	23		
	24	Add lines 21 through 23	24		
	25	Enter amount from Form 1040, line 38	25		
	26	Multiply line 25 by 2% (.02)	26		
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-			27
Other Miscellaneous Deductions	28	Other—from list in instructions. List type and amount ◆			28
Total Itemized Deductions	29	Is Form 1040, line 38, over $152,525? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. ☐ **Yes.** Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.			29
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here ◆ ☐			

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 17145C **Schedule A (Form 1040) 2014**

Schedule A (Acceptable Format)

Exhibit A-2 (Acceptable Format)

SCHEDULE A (Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

• Information about Schedule A and its separate instructions is at *www.irs.gov/schedulea.*
• Attach to Form 1040.

OMB No. 1545-0074
2014
Attachment Sequence No. **07**

Name(s) shown on Form 1040 | **Your social security number**

Medical and Dental Expenses		**Caution.** Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see instructions)	1	
	2	Enter amount from Form 1040, line 38	2	
	3	Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid	5	State and local **(check only one box):** a ☐ Income taxes, **or** b ☐ General sales taxes	5	
	6	Real estate taxes (see instructions)	6	
	7	Personal property taxes	7	
	8	Other taxes. List type and amount •	8	
	9	Add lines 5 through 8		9
Interest You Paid	10	Home mortgage interest and points reported to you on Form 1098	10	
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address •	11	
Note. Your mortgage interest deduction may be limited (see instructions).	12	Points not reported to you on Form 1098. See instructions for special rules	12	
	13	Mortgage insurance premiums (see instructions)	13	
	14	Investment interest. Attach Form 4952 if required. (See instructions.)	14	
	15	Add lines 10 through 14		15
Gifts to Charity	16	Gifts by cash or check. If you made any gift of $250 or more, see instructions	16	
If you made a gift and got a beneft for it, see instructions.	17	Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500	17	
	18	Carryover from prior year	18	
	19	Add lines 16 through 18		19
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)		20
Job Expenses and Certain Miscellaneous Deductions	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) •	21	
	22	Tax preparation fees	22	
	23	Other expenses—investment, safe deposit box, etc. List type and amount •	23	
	24	Add lines 21 through 23	24	
	25	Enter amount from Form 1040, line 38	25	
	26	Multiply line 25 by 2% (.02)	26	
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27
Other Miscellaneous Deductions	28	Other—from list in instructions. List type and amount •		28
Total Itemized Deductions	29	Is Form 1040, line 38, over $152,525? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. ☐ **Yes.** Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to fgure the amount to enter.		29
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here • ☐		

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 17145C **Schedule A (Form 1040) 2014**

Form 2106–EZ (Preferred Format)

Exhibit B-1 (Preferred Format)

Form **2106-EZ**

Department of the Treasury
Internal Revenue Service (99)

Unreimbursed Employee Business Expenses

• Information about Form 2106 and its separate instructions is available at *www.irs.gov/form2106.*

• Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

2014

Attachment Sequence No. **129A**

Your name	Occupation in which you incurred expenses	**Social security number**

You Can Use This Form Only if All of the Following Apply.

• You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your feld of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

• You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).

• If you are claiming vehicle expense, you are using the standard mileage rate for 2014.

Caution: *You can use the standard mileage rate for 2014* ***only if: (a)*** *you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service,* ***or (b)*** *you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.*

Part I Figure Your Expenses

1	Complete Part II. Multiply line 8a by 56¢ (.56). Enter the result here	**1**	
2	Parking fees, tolls, and transportation, including train, bus, etc., that **did not** involve overnight travel or commuting to and from work	**2**	
3	Travel expense while away from home overnight, including lodging, airplane, car rental, etc. **Do not** include meals and entertainment	**3**	
4	Business expenses not included on lines 1 through 3. **Do not** include meals and entertainment	**4**	
5	Meals and entertainment expenses: $ _____ × 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	**5**	
6	**Total expenses.** Add lines 1 through 5. Enter here and on **Schedule A (Form 1040), line 21** (or on **Schedule A (Form 1040NR), line 7**). (Armed Forces reservists, fee-basis state or local government offcials, qualifed performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.)	**6**	

Part II Information on Your Vehicle. Complete this part **only** if you are claiming vehicle expense on line 1.

7 When did you place your vehicle in service for business use? (month, day, year) • ____/____/____

8 Of the total number of miles you drove your vehicle during 2014, enter the number of miles you used your vehicle for:

a Business _____ **b** Commuting (see instructions) _____ **c** Other _____

9 Was your vehicle available for personal use during off-duty hours? ☐ **Yes** ☐ **No**

10 Do you (or your spouse) have another vehicle available for personal use? ☐ **Yes** ☐ **No**

11a Do you have evidence to support your deduction? ☐ **Yes** ☐ **No**

b If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 20604Q Form **2106-EZ** (2014)

Form 2106–EZ (Acceptable Format)
Exhibit B-2 (Acceptable Format)

Form **2106-EZ**
Department of the Treasury
Internal Revenue Service (99)

Unreimbursed Employee Business Expenses

• **Attach to Form 1040 or Form 1040NR.**
• **Information about Form 2106 and its separate instructions is available at *www.irs.gov/form2106.***

OMB No. 1545-0074
2014
Attachment Sequence No. **129A**

Your name	Occupation in which you incurred expenses	**Social security number**

You Can Use This Form Only if All of the Following Apply.

• You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your feld of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

• You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).

• If you are claiming vehicle expense, you are using the standard mileage rate for 2014.

Caution: *You can use the standard mileage rate for 2014* ***only if: (a)*** *you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service,* ***or (b)*** *you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.*

Part I Figure Your Expenses

1	Complete Part II. Multiply line 8a by 56¢ (.56). Enter the result here	1	
2	Parking fees, tolls, and transportation, including train, bus, etc., that **did not** involve overnight travel or commuting to and from work	2	
3	Travel expense while away from home overnight, including lodging, airplane, car rental, etc. **Do not** include meals and entertainment	3	
4	Business expenses not included on lines 1 through 3. **Do not** include meals and entertainment	4	
5	Meals and entertainment expenses: $ _____ × 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	5	
6	**Total expenses.** Add lines 1 through 5. Enter here and on **Schedule A (Form 1040), line 21** (or on **Schedule A (Form 1040NR), line 7**). (Armed Forces reservists, fee-basis state or local government offcials, qualifed performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.)	6	

Part II Information on Your Vehicle. Complete this part **only** if you are claiming vehicle expense on line 1.

7 When did you place your vehicle in service for business use? (month, day, year) • ____/____/____

8 Of the total number of miles you drove your vehicle during 2014, enter the number of miles you used your vehicle for:

a Business _____ **b** Commuting (see instructions) _____ **c** Other _____

9 Was your vehicle available for personal use during off-duty hours? ☐ **Yes** ☐ **No**

10 Do you (or your spouse) have another vehicle available for personal use? ☐ **Yes** ☐ **No**

11a Do you have evidence to support your deduction? ☐ **Yes** ☐ **No**

b If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 20604Q Form **2106-EZ** (2014)

Exhibit C
Software Developers Voucher

Form **1040-ES**
Department of the Treasury
Internal Revenue Service

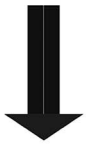
2012 Estimated Tax

Payment Voucher 1

OMB No. 1545-0074

Detach Coupon Below

Before Mailing



Tear off here

Form **1040-ES**
Department of the Treasury
Internal Revenue Service

2012 Estimated Tax

Payment Voucher 1

OMB No. 1545-0074

File only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to **"United States Treasury."** Write your social security number and "2012 Form 1040-ES" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.

Calendar year—Due April 17, 2012

Amount of estimated tax you are paying by check or money order.

Dollars	Cents
1,425	

XXXX

William T THOMAS
511 JONATHAN CAROL BLVD
JEWELL, OH 43530

PO BOX 970006
ST. LOUIS, MO 63197-0006

400011018 HT THOM 30 0 201012 430

Exhibit D

Check Sheet of IRS Substitute Forms 20 :
Submitted on
Company: . . . . . .
Contact: . . . . . .
Phone: . . . . . .
Fax: . . . . . .
Source Code: . . . . . .

Form Number	Approved	Approved With Corrections	Comments

Authorized Name: _____
Title: _____
Reviewer's Name: _____
Telephone: _____
Date: _____

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.
(Also: Part I, §§ 280F; 1.280F–7.)

Rev. Proc. 2015–19

SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2015, including separate tables of limitations on depreciation deductions for trucks and vans; (2) amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2015, including a separate table of inclusion amounts for lessees of trucks and vans; and (3) revised tables of depreciation limitations and lessee inclusion amounts for passenger automobiles that were first placed in service or first leased by the taxpayer, respectively, during 2014 and to which the 50 percent additional first year depreciation deduction under § 168(k)(1)(A) of the Internal Revenue Code applies as extended by § 125(a) of the Tax Increase Prevention Act of 2014, Pub. L. No. 113–295, ___ Stat. ___ (December 19, 2014) (the "Act"). The tables detailing these depreciation limitations and lessee inclusion amounts reflect the automobile price inflation adjustments required by § 280F(d)(7).

SECTION 2. BACKGROUND

.01 For owners of passenger automobiles, § 280F(a) imposes dollar limitations on the depreciation deduction for the year the taxpayer places the passenger automobile in service and for each succeeding year. For passenger automobiles placed in service after 1988, § 280F(d)(7) requires the Internal Revenue Service to increase the amounts allowable as depreciation deductions by a price inflation adjustment amount. The method of calculating this price inflation amount for trucks and vans placed in service in or after calendar year 2003 uses a different CPI "automobile component" (the "new trucks" component) than that used in the price inflation amount calculation for other passenger automobiles (the "new cars" component), resulting in somewhat higher depreciation deductions for trucks and vans. This change reflects the higher rate of price inflation for trucks and vans since 1988.

.02 Section 125(a) of the Act extended the 50 percent additional first year depreciation deduction under § 168(k) to qualified property (as defined in § 168(k)(2)) acquired by the taxpayer after December 31, 2007, and before January 1, 2015, if no written binding contract for the acquisition of the property existed before January 1, 2008, and if the taxpayer places the property in service generally before January 1, 2015. Section 168(k)(2)(F)(i) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by $8,000 for passenger automobiles to which the additional first year depreciation deduction under § 168(k) (hereinafter, referred to as "§ 168(k) additional first year depreciation deduction") applies. Accordingly, this revenue procedure updates Rev. Proc. 2014–21, 2014–11 I.R.B. 641, to provide tables for passenger automobiles placed in service during calendar year 2014 for which the § 168(k) additional first year depreciation deduction applies.

.03 Section 280F(c) requires a reduction in the deduction allowed to the lessee of a leased passenger automobile. The reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of passenger automobiles. Under § 1.280F–7(a) of the Income Tax Regulations, this reduction requires a lessee to include in gross income an amount determined by applying a formula to the amount obtained from a table. One table applies to lessees of trucks and vans and another table applies to all other passenger automobiles. Each table shows inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased.

SECTION 3. SCOPE

.01 The limitations on depreciation deductions in section 4.01(2) of this revenue procedure apply to passenger automobiles (other than leased passenger automobiles) that are placed in service by the taxpayer in calendar year 2015, and continue to apply for each taxable year that the passenger automobile remains in service.

.02 The tables in section 4.02 of this revenue procedure apply to leased passenger automobiles for which the lease term begins during calendar year 2015. Lessees of these passenger automobiles must use these tables to determine the inclusion amount for each taxable year during which the passenger automobile is leased. See Rev. Proc. 2010–18, 2010–09 I.R.B. 427, as amplified and modified by section 4.03 of Rev. Proc. 2011–21, 2011–12 I.R.B. 560, for passenger automobiles first leased during calendar year 2010; Rev. Proc. 2011–21, for passenger automobiles first leased during calendar year 2011; Rev. Proc. 2012–23, 2012–14 I.R.B. 712, for passenger automobiles first leased during calendar year 2012; Rev. Proc. 2013–21, 2013–12 I.R.B. 660, for passenger automobiles first leased during calendar year 2013; and Rev. Proc. 2014–21, 2014–11 I.R.B. 641, as amplified and modified by section 4.03 of this revenue procedure, for passenger automobiles first leased during calendar year 2014.

SECTION 4. APPLICATION

.01 *Limitations on Depreciation Deductions for Certain Automobiles*.

(1) *Amount of the inflation adjustment*.

(a) *Passenger automobiles (other than trucks or vans)*. Under § 280F(d)(7)(B)(i), the automobile price inflation adjustment for any calendar year is the percentage (if any) by which the CPI automobile component for October of the preceding calendar year exceeds the CPI automobile component for October 1987. Section 280F(d)(7)(B)(ii) defines the term "CPI automobile component" as the automobile component of the Consumer Price Index for all Urban Consumers published by the Department of Labor. The new car component of the CPI was 115.2 for October 1987 and 144.131 for October 2014. The October 2014 index exceeded the October 1987 index by 28.931. Therefore, the automobile price inflation adjustment for 2015 for passenger automobiles (other than trucks and vans) is 25.1 percent ($28.931/115.2 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.251, and the resulting increases, after rounding to the nearest $100, are added to the 1988 limitations to give the depreciation limitations applicable to passenger automobiles (other than trucks and vans) for calendar year 2015. This adjustment applies to all passenger automobiles (other than trucks and vans) that are first placed in service in calendar year 2015.

(b) *Trucks and vans*. To determine the dollar limitations for trucks and vans first placed in service during calendar year 2015, the Service uses the new truck component of the CPI instead of the new car component. The new truck component of the CPI was 112.4 for October 1987 and 153.902 for October 2014. The October 2014 index exceeded the October 1987 index by 41.502. Therefore, the automobile price inflation adjustment for 2015 for trucks and vans is 36.9 percent (41.502/112.4 x 100%). The dollar limitations in § 280F(a) are multiplied by a factor of 0.369, and the resulting increases, after rounding to the nearest $100, are added to the 1988 limitations to give the depreciation limitations for trucks and vans. This adjustment applies to all trucks and vans that are first placed in service in calendar year 2015.

(2) *Amount of the limitation*. Tables 1 and 2 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service in calendar year 2015. Use Table 1 for a passenger automobile (other than a truck or van), and Table 2 for a truck or van, placed in service in calendar year 2015.

REV. PROC. 2015–19 TABLE 1

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2015

Tax Year	*Amount*
1st Tax Year	$ 3,160
2nd Tax Year	$ 5,100
3rd Tax Year	$ 3,050
Each Succeeding Year	$ 1,875

REV. PROC. 2015–19 TABLE 2

DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2015

Tax Year	*Amount*
1st Tax Year	$ 3,460
2nd Tax Year	$ 5,600
3rd Tax Year	$ 3,350
Each Succeeding Year	$ 1,975

.02 *Inclusions in Income of Lessees of Passenger Automobiles*.

A taxpayer must follow the procedures in § 1.280F–7(a) for determining the inclusion amounts for passenger automobiles first leased in calendar year 2015. In applying these procedures, lessees of passenger automobiles other than trucks and vans should use Table 3 of this revenue procedure, while lessees of trucks and vans should use Table 4 of this revenue procedure.

REV. PROC. 2015–19 TABLE 3

DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2015

Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
$17,500	$18,000	3	6	9	10	11
18,000	18,500	4	7	11	13	15
18,500	19,000	4	9	14	15	18
19,000	19,500	5	11	15	19	21
19,500	20,000	6	12	18	22	24
20,000	20,500	6	14	20	25	27
20,500	21,000	7	15	23	27	31
21,000	21,500	8	17	25	30	34

REV. PROC. 2015–19 TABLE 3

DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2015

Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
21,500	22,000	9	18	28	32	38
22,000	23,000	10	21	31	37	42
23,000	24,000	11	24	36	42	49
24,000	25,000	12	27	41	48	55
25,000	26,000	14	30	45	54	62
26,000	27,000	15	34	49	60	68
27,000	28,000	17	37	54	65	75
28,000	29,000	18	40	59	71	81
29,000	30,000	20	43	64	76	87
30,000	31,000	21	46	69	81	95
31,000	32,000	23	49	73	88	100
32,000	33,000	24	52	78	93	107
33,000	34,000	25	56	82	99	114
34,000	35,000	27	59	87	104	120
35,000	36,000	28	62	92	110	126
36,000	37,000	30	65	96	116	133
37,000	38,000	31	68	102	121	139
38,000	39,000	33	71	106	127	146
39,000	40,000	34	75	110	132	153
40,000	41,000	35	78	115	138	159
41,000	42,000	37	81	120	143	166
42,000	43,000	38	84	125	149	172
43,000	44,000	40	87	129	155	179
44,000	45,000	41	90	134	161	185
45,000	46,000	43	93	139	166	191
46,000	47,000	44	97	143	172	198
47,000	48,000	45	100	148	177	205
48,000	49,000	47	103	153	183	210
49,000	50,000	48	106	158	188	218
50,000	51,000	50	109	162	194	224
51,000	52,000	51	112	167	200	230
52,000	53,000	53	115	172	205	237
53,000	54,000	54	119	176	211	243
54,000	55,000	56	122	180	217	250
55,000	56,000	57	125	186	222	256
56,000	57,000	58	128	191	227	263
57,000	58,000	60	131	195	234	269
58,000	59,000	61	135	199	239	276
59,000	60,000	63	137	205	244	283
60,000	62,000	65	142	212	253	292
62,000	64,000	68	149	220	265	304
64,000	66,000	71	155	230	275	318
66,000	68,000	73	162	239	287	331

REV. PROC. 2015–19 TABLE 3

DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2015

Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
68,000	70,000	76	168	249	298	343
70,000	72,000	79	174	258	309	357
72,000	74,000	82	180	268	320	370
74,000	76,000	85	186	277	332	383
76,000	78,000	88	193	286	343	396
78,000	80,000	91	199	296	354	408
80,000	85,000	96	210	312	374	431
85,000	90,000	103	226	335	402	464
90,000	95,000	110	242	359	430	496
95,000	100,000	117	258	382	458	529
100,000	110,000	128	281	418	500	577
110,000	120,000	142	313	464	556	643
120,000	130,000	157	344	511	613	707
130,000	140,000	171	376	558	668	772
140,000	150,000	185	408	604	725	837
150,000	160,000	200	439	651	781	902
160,000	170,000	214	470	699	837	966
170,000	180,000	228	502	745	894	1,031
180,000	190,000	243	533	792	950	1,096
190,000	200,000	257	565	839	1,006	1,161
200,000	210,000	271	597	886	1,061	1,226
210,000	220,000	286	628	933	1,118	1,290
220,000	230,000	300	660	979	1,174	1,356
230,000	240,000	315	691	1,026	1,231	1,420
240,000	and over	329	723	1,073	1,286	1,485

REV. PROC. 2015–19 TABLE 4

DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2015

Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
$18,500	$19,000	2	4	6	8	9
19,000	19,500	3	6	8	11	12
19,500	20,000	4	7	11	13	16
20,000	20,500	4	9	13	16	19
20,500	21,000	5	11	15	19	22
21,000	21,500	6	12	18	22	25
21,500	22,000	6	14	20	25	28
22,000	23,000	7	16	24	29	33
23,000	24,000	9	19	29	34	40
24,000	25,000	10	23	33	40	46
25,000	26,000	12	25	38	46	53

REV. PROC. 2015–19 TABLE 4
DOLLAR AMOUNTS FOR TRUCKS AND VANS
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2015

Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
26,000	27,000	13	29	42	51	60
27,000	28,000	15	32	47	57	65
28,000	29,000	16	35	52	62	73
29,000	30,000	18	38	56	68	79
30,000	31,000	19	41	61	74	85
31,000	32,000	20	45	66	79	91
32,000	33,000	22	48	70	85	98
33,000	34,000	23	51	75	91	104
34,000	35,000	25	54	80	96	111
35,000	36,000	26	57	85	101	118
36,000	37,000	28	60	89	108	124
37,000	38,000	29	63	94	113	131
38,000	39,000	30	67	98	119	137
39,000	40,000	32	70	103	124	144
40,000	41,000	33	73	108	130	150
41,000	42,000	35	76	113	135	157
42,000	43,000	36	79	118	141	163
43,000	44,000	38	82	122	147	169
44,000	45,000	39	85	127	153	176
45,000	46,000	40	89	131	158	183
46,000	47,000	42	92	136	163	189
47,000	48,000	43	95	141	169	195
48,000	49,000	45	98	145	175	202
49,000	50,000	46	101	151	180	208
50,000	51,000	48	104	155	186	215
51,000	52,000	49	108	159	192	221
52,000	53,000	51	110	165	197	228
53,000	54,000	52	114	169	203	234
54,000	55,000	53	117	174	208	241
55,000	56,000	55	120	178	214	248
56,000	57,000	56	123	183	220	254
57,000	58,000	58	126	188	225	261
58,000	59,000	59	130	192	231	267
59,000	60,000	61	133	197	236	273
60,000	62,000	63	137	204	245	283
62,000	64,000	66	144	213	256	296
64,000	66,000	68	150	223	268	308
66,000	68,000	71	157	232	278	322
68,000	70,000	74	163	241	290	335
70,000	72,000	77	169	251	301	348
72,000	74,000	80	175	261	312	361
74,000	76,000	83	182	269	324	374
76,000	78,000	86	188	279	335	386

REV. PROC. 2015–19 TABLE 4

DOLLAR AMOUNTS FOR TRUCKS AND VANS
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2015

Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
78,000	80,000	89	194	288	346	400
80,000	85,000	94	205	305	366	422
85,000	90,000	101	221	328	394	455
90,000	95,000	108	237	351	422	488
95,000	100,000	115	253	375	450	519
100,000	110,000	126	276	410	492	569
110,000	120,000	140	308	457	548	633
120,000	130,000	155	339	504	604	698
130,000	140,000	169	371	551	660	763
140,000	150,000	183	403	597	717	827
150,000	160,000	198	434	644	773	893
160,000	170,000	212	466	691	829	957
170,000	180,000	226	497	738	885	1,023
180,000	190,000	241	528	785	942	1,087
190,000	200,000	255	560	832	997	1,152
200,000	210,000	269	592	878	1,054	1,217
210,000	220,000	284	623	925	1,110	1,282
220,000	230,000	298	655	972	1,166	1,346
230,000	240,000	312	687	1,019	1,222	1,411
240,000	and over	327	718	1,066	1,278	1,476

.03 *Revised Amounts for Passenger Automobiles Placed in Service During 2014.*

(1) *Calculation of the Revised Amount*. The revised depreciation limits provided in this section 4.03 were calculated by increasing the existing limitations on the first year allowance in Rev. Proc. 2014–21 by $8,000 as provided in § 168(k)(2)(F)(i).

(2) *Amount of the Revised Limitation*. For passenger automobiles (that are not trucks or vans) placed in service by the taxpayer in calendar year 2014 for which the § 168(k) additional first year depreciation deduction applies, Table 5 of this revenue procedure contains the revised dollar amount of the depreciation limitations for each taxable year. For trucks or vans placed in service by the taxpayer in calendar year 2014 for which the § 168(k) additional first year depreciation deduction applies, Table 6 of this revenue procedure contains the revised dollar amount of the depreciation limitations for each taxable year. If the § 168(k) additional first year depreciation deduction does not apply to a passenger automobile placed in service by the taxpayer in calendar year 2014, the depreciation limitations for each taxable year in Tables 1 and 2 of Rev. Proc. 2014–21 apply.

REV. PROC. 2015–19 TABLE 5

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES
(THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2014 FOR WHICH THE
§ 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	*Amount*
1st Tax Year	$11,160
2nd Tax Year	$ 5,100
3rd Tax Year	$ 3,050
Each Succeeding Year	$ 1,875

REV. PROC. 2015–19 TABLE 6

DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2014 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	*Amount*
1st Tax Year	$11,460
2nd Tax Year	$ 5,500
3rd Tax Year	$ 3,350
Each Succeeding Year	$ 1,975

(3) *Modification to lease inclusion amounts for 2014*. The lease inclusion amounts in Tables 3 and 4 of Rev. Proc. 2014–21 are modified by striking the first line of the inclusion amounts in each table. Consequently, Table 3 of Rev. Proc. 2014–21 applies to passenger automobiles (other than trucks and vans) that are first leased by the taxpayer in calendar year 2014 with a fair market value over $19,000, and Table 4 of Rev. Proc. 2014–21 applies to trucks and vans that are first leased by the taxpayer in calendar year 2014 with a fair market value over $19,500.

SECTION 5. EFFECTIVE DATE

This revenue procedure, with the exception of section 4.03, applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2015. Section 4.03 of this revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2014.

SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2014–21 is amplified and modified.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Harvey at (202) 317-7005 (not a toll-free number).

Part IV. Items of General Interest

Deletions From Cumulative List of Organizations, Contributions to Which are Deductible Under Section 170 of the Code

Announcement 2015–6

The Internal Revenue Service has revoked its determination that the organizations listed below qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986.

Generally, the IRS will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the IRS is not precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on February 23, 2015 and would end on the date the court first determines the organization is not described in section 170(c)(2) as more particularly set for in section 7428(c)(1). For individual contributors, the maximum deduction protected is $1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

NAME OF ORGANIZATION	Effective Date of Revocation	LOCATION
ELC Foundation	January 1, 2008	Honolulu, HI
Organization for Entrepreneurial Development	January 1, 2009	Rockaway, NJ

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with modified, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with amplified and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, modified and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List[1]

Bulletin 2015–1 through 2015–8

Announcements:

Proposed Regulations:

Notices:

Revenue Procedures:

Revenue Rulings:

Treasury Decisions:

[1]A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2014–27 through 2014–52 is in Internal Revenue Bulletin 2014–52, dated December 28, 2014.

Finding List of Current Actions on Previously Published Items[1]

Bulletin 2015–1 through 2015–8

Announcements:

2010-3
Amplified by
Ann. 2015-3, 2015-3 I.R.B. *328*

Revenue Procedures:

2014-01
Superseded by
Rev. Proc. 2015-01, 2015-01 I.R.B. *1*

2014-02
Superseded by
Rev. Proc. 2015-02, 2015-01 I.R.B. *105*

2014-03
Superseded by
Rev. Proc. 2015-03, 2015-01 I.R.B. *129*

2014-04
Superseded by
Rev. Proc. 2015-04, 2015-01 I.R.B. *144*

2014-05
Superseded by
Rev. Proc. 2015-05, 2015-01 I.R.B. *186*

2014-06
Superseded by
Rev. Proc. 2015-06, 2015-01 I.R.B. *194*

2014-07
Superseded by
Rev. Proc. 2015-07, 2015-01 I.R.B. *231*

2014-08
Superseded by
Rev. Proc. 2015-08, 2015-01 I.R.B. *235*

2014-10
Superseded by
Rev. Proc. 2015-10, 2015-2 I.R.B. *261*

2003-63
Superseded by
Rev. Proc. 2015-12, 2015-2 I.R.B. *265*

2011-14
Modified by
Rev. Proc. 2015-12, 2015-2 I.R.B. *265*

2011-14
Modified by
Rev. Proc. 2015-13, 2015-5 I.R.B. *419*

Revenue Procedures—Continued:

2011-14
Amplified by
Rev. Proc. 2015-13, 2015-5 I.R.B. *419*

2011-14
Clarified by
Rev. Proc. 2015-13, 2015-5 I.R.B. *419*

1997-27
Clarified by
Rev. Proc. 2015-13, 2015-5 I.R.B. *419*

1997-27
Modified by
Rev. Proc. 2015-13, 2015-5 I.R.B. *419*

2012-11
Superseded by
Rev. Proc. 2015-17, 2015-7 I.R.B. *599*

2015-9
Modified by
Rev. Proc. 2015-17, 2015-7 I.R.B. *599*

Revenue Rulings:

92-19
Supplemented by
Rev. Rul. 2015-02, 2015-3 I.R.B. *321*

[1]A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2014–27 through 2014–52 is in Internal Revenue Bulletin 2014–52, dated December 28, 2014.

Internal Revenue Service
Washington, DC 20224

Official Business
Penalty for Private Use, $300

INTERNAL REVENUE BULLETIN

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at *www.irs.gov/irb/*.

We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page (*www.irs.gov*) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.