

## Lesson 5: Form 1099-DIV Walkthrough

Hello, and welcome to our lesson on Form 1099-DIV, which is the Form 1099 that payors use to report dividend income to U.S. persons. You will notice many similarities to the Forms 1099-MISC and INT that we discussed in our last two lessons, so we will do our best not to repeat too much information in this lesson. Let's begin!

First, we have a familiar section. It is the top right portion of the form. Here you will notice that we see the year 2020 and Form 1099-DIV. This indicates that the form must be used to report 2020 dividend income only. So, it is important here to note that the year of the form must correspond to the calendar year in which the payor made that type of income payment. The IRS is in the process of converting some Forms 1099 to continuous use forms, but here for this form, payors must be sure to use the correct year and form for reporting.

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| <p>OMB No. 1545-0110</p> <p><b>2020</b></p> <p>Form <b>1099-DIV</b></p> | <p><b>Dividends and Distributions</b></p> |
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Now, take a look at the left side of the form. The entire set of boxes should look identical to what we saw in our last lessons on Forms 1099-MISC and INT. First, we have a large open text box for the payor to enter its name, street address, city or town, state or province, country, zip code or non-U.S. postal code, and telephone number. Next, we see two TIN boxes. One for the payor's TIN and one for the recipient's TIN. As a quick reminder, payors must make every effort to be sure that they are reporting the correct type of number and correct format on this form. This is because the IRS uses the TINs to connect the income payment from the payor and to the recipient. The IRS will then trace the payment using the recipient TIN back to that person's U.S. income tax return. This cross referencing helps the IRS know whether the recipient reported all

of the income it received on its tax return for the year. If a Form 1099 is filed by a payor and the income is not found on the individual recipient's income tax return, the IRS may issue an automated notice to the individual asking why the income was not reported!

After the name, address, and TIN boxes, we have an address box for the recipient. The slight difference here is that the information is parsed onto separate lines instead of one large open text box. This is for purposes of collecting and exchanging information. Having parsed data fields makes it easier to search for specific payee information. The parsed information required here is for the name, street address, city or town, state or province, country, and zip code or non-U.S. postal code of the recipient.

Just below that box, we have another recipient related box called Account Number. I know this is all sounding familiar to you and hope this is serving as a good review! The Account Number box is a chapter 4 filing requirement. Payors must include the account number if it has multiple accounts for a payee or recipient and the payor is filing more than one Form 1099-INT for that payee or recipient. Although this is a chapter 4 requirement, the IRS does encourage all payors and filers to designate account numbers for all Forms 1099-INT that they file. Account numbers also help payors identify accounts when recipients call with questions or when B Notices are received for Forms 1099 filed with a name and TIN mismatch.

Separately, and related to our next box on this form, this account number would be required if the payor checks the FATCA filing requirement box. In our last lesson, we learned that the FATCA Filing Requirement Box is a check box that relates to chapter 4 or the Foreign Account Tax Compliance Act. It is where U.S. and non-U.S. payors that are non-U.S. financial institutions indicate that they are reporting payments to a U.S. account according to an election they made under chapter 4. It is also a checkbox for non-U.S. financial institutions that make the same election and are reporting a U.S. account for chapter 4 purposes, but if no payments are made during the year that should be reported on Form 1099 or that it made a reportable payment to a U.S. account, but that payment did not reach the threshold for reporting. In short, these financial institutions or FIs, are really reporting the U.S. account holder to the IRS on a Form

1099 instead of using the chapter 4 Form 8966 or other IGA reporting equivalent. The FI would simply enter 0 dollars in box 3, for other income, to alert the IRS of this type of filing.

Under the FATCA filing requirement box, we have the second TIN notification box. Payors will enter an X in this box if the IRS notified them two times within three calendar years that the payee provided an incorrect TIN. You will learn more about the two in three year rule in the deep dive course on backup withholding and section 3406. Payors that mark this box will alert the IRS not to send any further notices about this particular payee and account. If the payor received both IRS notices in the same year or received them in different years, but they both relate to information returns filed for the same year then the payor would not check this box. This means that during a three year period, let's say years 2018, 2019, and 2020, a payor received an IRS notice about a payee's incorrect TIN for information returns filed for calendar year 2018 and then again for information returns filed for calendar year 2019. It also means that the payor that may have been notified in June and November of 2018 for information returns filed for calendar year 2017. In this case, the payor would not check the second TIN notification box, unless it receives another notice within the three-year period. For purposes of this two-notices in three-years rule, the payor will be considered to have received one notice if they were both received in the same year – as in our June and November 2018 example.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

PAYER'S TIN

RECIPIENT'S TIN

RECIPIENT'S name

Street address (including apt. no.)

City or town, state or province, country, and ZIP or foreign postal code

FATCA filing  
requirement

Account number (see instructions)

2nd TIN not.