

Filing Information Returns Electronically



for Business

1- Ordinary dividends	\$	31a	Unrecap. sec. 1250 gain	\$
2a Total capital gain, net	\$	31b	Unrecap. sec. 1250 gain	\$
2b 20% rate gain	\$	32	Foreign tax distributions	\$
3a Qualified 5-year gain	\$	33	Foreign tax paid	\$
3b Section 1202 gain	\$	34	Foreign tax paid	\$
4 Federal income tax withheld	\$	35	Foreign tax paid	\$
5 Investment expenses	\$	36	Foreign tax paid	\$
6 Foreign tax paid	\$	37	Foreign tax paid	\$
7 Foreign country or U.S. possession	\$	38	Foreign tax paid	\$
8 Court liquidation debt	\$	39	Foreign tax paid	\$
9 Noncourt liquidation debt	\$	40	Foreign tax paid	\$

Dividends and Distributions

Copy A
For Internal Revenue Service Center
File with Form 1099-DIV
For Priority Audit and Hospital and Reduction Act
Notice, Rev. Proc. 2002-40
2002 General Instructions for Forms 1099-D, 1099-5400, and 1099-990



IRS

Department of the Treasury
Internal Revenue Service

www.irs.gov

Publication 3609 (Rev. 1-2002)
Catalog Number 29789A

OVERVIEW

An Information Return is a tax document used to report certain types of payments made by financial institutions and others who make payments as part of their trade or business as required by Internal Revenue Code Regulations. Information Returns are filed electronically using a modem and asynchronous communications. Typically, modems for desktop computers of all types are capable of asynchronous communications. Certain information returns can be filed electronically using the FIRE (Filing Information Returns Electronically) system. FIRE is dedicated exclusively to the filing of Forms 1042-S, 1098, 1099, 5498, 8027, W-2G, and QWF (Questionable Forms W-4).

Note: Forms W-2 are filed with the Social Security Administration.

BENEFITS OF FILING ELECTRONICALLY

- Paperless, no Form 4804 requirements;
- Online notification of acceptability within 1 - 2 work days (excludes 1042-S, 8027 and QWF);
- Later due dates for electronically filed Forms 1098, 1099 and W-2G;
- Additional 60 days for testing;
- Very economical;
- Better customer service due to on-line availability of transmitter files;
- Compression of large files can reduce transmission time by 95%;
- System is operational 24 hours a day, 7 days a week; and
- Quick processing turnaround, allows more attempts to correct bad files.

WHO CAN PARTICIPATE:

Any filer of information returns may file their returns electronically. Any corporation, partnership, employer, estate and/or trust, who files 250 or more Forms 1042-S, 1098, 1099, 5498, 8027, W-2G and QWF for any calendar year must file their Information Returns electronically or magnetically.

HOW TO PARTICIPATE:

Participants are required to submit Form 4419, Application for Filing Information Returns Magnetically/Electronically, to request authorization to file Information Returns with IRS/MCC. Once approved, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned. If you already have a TCC for magnetic media filing, you need not reapply. Form 4419 should be submitted to IRS/MCC at least 30 days before the due date of the returns for current year processing. Send your completed Form 4419 to:

Internal Revenue Service
Martinsburg Computing Center
Information Reporting Program
230 Murall Drive
Kearneysville, WV 25430

PREPARATION

TRANSMISSION TIME

The time required to transmit information returns electronically will vary depending on the modem speed and the type of data compression used, if any. Filers may electronically submit as many records as they choose; however, if filers are submitting large files (greater than 500,000 records), it may be advantageous to them to break down the files. Please call IRS/MCC for specifics.

Transmission Speed In bps	1000 Records	10,000 Records	100,000 Records
19.2K	34 sec.	6 min.	60 min.
56 K	20 sec.	3 min.	33 min.
128 K (ISDN)	8 sec.	1 min.	10 min.

The following are actual transmission rates achieved in test uploads at MCC using **compressed files**.

SOFTWARE DATA COMPRESSION

The IRS accepts and encourages the use of software data compression for files submitted via the FIRE System. PKZIP and WINZIP are acceptable compression packages. UNIX COMPRESS may be acceptable, however, a test file is recommended to verify compatibility. The time to transmit your file can be reduced as much as 95% by using software data compression.

Note: Do not compress multiple files into one compressed file.

FILE PREPARATION

Your electronically transmitted file must follow the same record format that is required for magnetic media files (tape cartridge and diskette). For complete filing instructions, see Publication 1220, Specifications for Filing Forms 1098, 1099, 5498 and W-2G Magnetically or Electronically. All files must be in standard ASCII code.

FILE NAMING

Files submitted to the FIRE System will be assigned a unique filename (the user may name the file anything they choose from their end). The IRS assigned filename will consist of the submission type [TEST, ORIG (original), CORR (correction) or REPL (replacement)], the filer's TCC and a four-digit sequence number. The sequence number will be incremented for every file sent.

For example, if this is the first original file for the calendar year and the TCC is 44444, the IRS assigned filename would be ORIG.44444.0001. You should record the filename because this information will be needed by IRS/MCC in order to identify the file if assistance is required.

TESTING

There is no requirement to submit test files; however, IRS highly recommends it for first time electronic filers. Electronic test files can be transmitted from November 1st through February 15th.

Note: Participants of the Combined Federal/State Filing Program are required to submit a test file the first year. See Publication 1220 for further details.

FILING ELECTRONICALLY.....

The FIRE System provides two interfaces to electronically file your information returns. One is a web-like interface (not the Internet but point-to-point) using your dial-up network/web browser software and the other is a text interface using communications software like Hyperterminal, Procomm, PCAnywhere, etc.

Web-like Interface

UPLOADING FILES WITH DIAL-UP NETWORKING/WEB BROWSER IN WINDOWS 95,98,NT,2000, ME (The following procedures may vary slightly depending on which version is used.)

Tips

- (1) This is a point-to-point connection – not the Internet.
- (2) Your browser must be capable of file uploads, i.e., Internet Explorer 4.0 or Netscape Navigator 2.0 or higher.

- (3) If you currently access the Internet via a LAN or a PROXY server, you will need to disable those options in your browser and enable 'Connect to the Internet using a modem'.

Select *Programs*
Accessories
Communications (Windows 98,NT,2000)
Dial-Up Networking

First time connecting with Dial-Up Network

(If you have logged on previously, skip to Subsequent Dial-up Network Connections.)

The first time you dial-in, you will need to configure your Dial-Up Networking.

Select '*Make new connection*'.

Type a descriptive name for the system you are calling.

Select your modem.

Click '*Next*'.

Enter area code **304** and telephone number **262-2400**.

Click '*Next*'.

When you receive a message that you have successfully created a new Dial-Up Networking connection, click '*Finish*'.

Click '*Connect*' to dial. If you are prompted for a user name and password, complete according to local procedures; otherwise, click '*OK*'.

When you receive the message that you have connected to our system, Click on your Web Browser (*remember, you are not connecting via the Internet - this is a point-to-point connection*).

In the URL Address enter

http://10.225.224.2 and press *ENTER*.

Subsequent Dial-Up Network connections

Click '*Connect*'.

If prompted for user name and password, complete according to local procedures; otherwise, click 'OK'.

When you receive 'Connection Complete', click 'OK'.

Click on your Web Browser (*remember, you are not connecting via the Internet*).

In the URL Address enter

http://10.225.224.2 and press *ENTER*.

First time connection to The FIRE System

If you have logged on previously, skip to Subsequent Connections to the FIRE System.)

Click '*Create New Account*'.

Fill out the registration form and click '*Submit*'.

Enter your *logon name* (most users logon with their first and last name).

Enter your *password* (the password is user assigned and must be 8 alpha/numerics, containing at least 1 uppercase, 1 lowercase and 1 numeric). FIRE will force you to change the password once a year.

Complete the online survey by choosing one of the options.

Click '*Create*'.

If you receive the message 'account created', click 'OK'.

Enter your 10 digit self-assigned PIN (Personal Identification Number) and verify.

Click '*Submit*'.

If you receive the message 'Your PIN has been successfully created!', click 'OK'.

Read the bulletin(s) and/or click '*Start the FIRE application*'.

Subsequent connections to The FIRE System

Click '*Log On*'.

Enter your *logon name* (most users logon with their first and last name).

Enter your *password* (the password is user assigned and is case sensitive).

At Menu Options:

Click *'Information Returns'*

Enter your *TCC*:

Enter your *EIN*:

Click *'Submit'*.

The system will then display the company name, address, city, state, ZIP code and phone number. This information will be used to contact or send any correspondence regarding this transmission. Update as appropriate and/or Click *'Accept'*.

Click one of the following:

Original File

Correction File

Test File

Replacement File (if you select this option, select one of the following):

FIRE Replacement (file was originally transmitted on this system)

Click on file to be replaced

Magnetic Media Replacement File

Enter the alpha character from Form 9267, Media Tracking Slip, that was returned with your correspondence requesting a replacement file.

Click *'Submit'*.

Enter your 10 digit PIN.

Click *'Submit'*.

Enter the *drive/path/filename* of the file you want to upload or click *'Browse'* to locate the file.

Click *'Upload'*.

When the upload is complete, the screen will display the total bytes received and tell you the name of the file you just uploaded.

If you have more files to upload for that TCC:

Click *'File Another?'*; otherwise,

Click *'Main Menu'*.

It is your responsibility to check the acceptability of your file; therefore, be sure to dial back into the system in 1-2 business days.

At the Main Menu:

Click *'File Stats'*.

Enter your *TCC*:

Enter your *EIN*:

Click *'Search'*.

If *'Results'* indicate:

'File Good' and you agree with the *'Count of Payees'*, you are finished with this file. The file will automatically be released in 10 calendar days unless you contact us within this timeframe.

'File Bad' - Correct the errors and timely resubmit the file as a *'replacement'*.

'Not Yet Processed' - File has been received, but we do not have results available yet. Please check back in a few days.

Click on the desired file for a detailed report of your transmission.

When you are finished, click on *Main Menu*.

Click *'Logoff'*.

Close your Web Browser.

IMPORTANT

Go back into your Dial-Up Network and click *'hang-up'*; otherwise, you may stay connected and incur unnecessary phone charges.

Text Interface

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Uploading Files Using Hyperterminal in Windows 95, 98, NT, 2000, ME

(Procomm, PCAnywhere and other VT100 emulation packages are also acceptable.)

TIPS

Communications software settings must be set to:

- No Parity
- Eight Data Bits
- One Stop Bit

Terminal emulation must be VT100

Select *Programs*

Accessories

Communications (Windows 98,
NT, 2000)

Hyperterminal

The first time you log on, select

Hyperterminal, *Hyperterm* or
Hyperterm.exe, whichever is available on
your system. Thereafter, you can just
select the icon that you have saved.

A box will appear titled '*Connection
Description*'.

Enter a name and choose an icon for the
connection:

Country Code: United States of America

Area Code: **304**

Phone Number: **262-2400**

Connect Using: (default)

(If you need to modify the phone number, select File,
then Properties to enter defaults for the area code, phone
numbers and/or special access codes.)

Click on '*Dial*'.

A 'Connect' box will appear to show the
status.

Once you have connected to The FIRE
System, if you do not get a menu
within a few seconds, press the *ENTER*
key one time.

Press '**1**' to connect to the system.

Read the Information notice and/or press
ENTER to continue.

First Time Logon

When you have connected to the system, enter '*new*' to create your logon name and password.

Complete the registration information and enter '*y*' to create account.

Logon Name and Password

Logon Name: Enter a logon name. Most users enter their first and last name as the logon name.

Password: Enter a password (the password is user assigned and must be 8 alpha/numerics, containing at least 1 uppercase, 1 lowercase and 1 numeric). FIRE will force you to change the password once a year.

After entering the password and completing the survey, press *ENTER*.

Enter your 10 digit self-assigned PIN (Personal Identification Number) and verify. Enter '*y*' to create the PIN. If successful, you will receive a message that the PIN creation has been completed. Press *ENTER*.

Read the information notice and/or press *ENTER*.

Transferring Your Electronic File

From the Main Menu,
Enter '*A*' for Electronic Filing.
Enter '*A*' for Forms 1098, 1099, 5498, W-2G, 1042-S, 8027 and Questionable Forms W-4.

Press the Tab key to advance to TCC box; otherwise, enter '*E*' to exit.

Enter your *TCC*:

Enter your *EIN*:

The system will then display the company name, address, city, state, ZIP code and phone number. This information will be used to contact or send correspondence (if necessary) regarding this transmission. If you need to update, enter '*n*' to correct; otherwise, enter '*y*' to accept.

Select one of the following:

'*A*' for an Original file

'*B*' for a Replacement file

'*C*' for a Correction file

'*D*' for a Test file

If you selected '*B*' for a replacement file, select one of the following:

'*A*' Replacement Files For This System

This option is to replace an original/correction file that was submitted electronically on this system but was bad and needs to be replaced. Select the file needing replacement.

'*B*' Magnetic media replacement files

Enter the alpha character from Form 9267, Media Tracking Slip, that was returned with your correspondence requesting a replacement file.

Press *ENTER* to continue or '*E*' to exit.

Enter your 10 digit PIN and press *ENTER*.

Choose one of the following protocols

(Hyperterminal is normally set to Zmodem by default):

X - Xmodem

Y - Ymodem

Z - Zmodem (Zmodem will normally give you the fastest transfer rate.)

At this point, you must start the upload from your PC.

To send a file:

Go to the hyperterminal menu bar.

Click on *Transfer*.

Click on *Send file*.

A box will appear titled 'Send File'.

Enter the drive/path/filename or click on *Browse* to locate your file.

Click on *Send*.

When the upload is complete, the screen will display the total bytes received and the name IRS assigned to your file.

Press *ENTER* to continue.

If you have more files to send for the same TCC/EIN, enter '*y*'; otherwise, enter '*n*'.

It is your responsibility to check the acceptability of your file; therefore, be sure to dial back into the system in 1 - 2 business days.

At the Main Menu:

Enter '*B*' for file status.

Press the Tab key to advance to TCC box; otherwise, enter '*E*' to exit.

Enter your *TCC*:

Enter your *EIN*:

Enter '*B*' for the current year file results.

Tab to the appropriate file and press *ENTER*.

If 'Results' indicate:

'File Good' and you agree with the 'Count of Payees', you are finished with this file. The file will automatically be released in 10 calendar days unless you contact us within this timeframe.

'File Bad' - Correct the errors and timely resubmit the file as a replacement.

'Not Yet Processed' - File has been received, but we do not have results

available yet. Please check back in a few days.

When you are finished, enter 'E' from the Main Menu to logoff.

Enter '2' to hang-up.

TROUBLESHOOTING.....

- (1) Problem: Incorrect file is not replaced timely.
Solution: If your file is bad, correct the file and timely resubmit as a replacement file.
- (2) Problem: Original/Correction files that are bad are not sent back as a replacement file.
Solution: If you send an original or correction file and FILE STATUS indicates that the file is bad, any subsequent files sent to replace that file must be sent as a replacement file.
- (3) Problem: Multiple files are compressed into one file.
Solution: Only compress one file within the compressed file.
- (4) Problem: Transmitter does not dial back to The FIRE System to determine file acceptability.
Solution: The results of your file transfer are posted to The FIRE System within two business days (excludes 1042-S, 8027 and QWF). You can verify file acceptability and, if the file contains errors, you can get an online listing of the errors. Date received and number of payee records are also

displayed. If the file is good, but you do not want the file processed, you must contact IRS/MCC within 10 calendar days from the transmission of your file.

(6) Problem: When using the text interface with communications software, such as Hyperterminal, Procomm, PCAnywhere, etc., the cursor is not in the box.

Solution: Set your terminal emulation to VT100.

(7) Problem: Transmitter sends the original data and The FIRE System considers the file good. When corrections are received by the payer, corrections are made to the original file and the complete file is sent again as a correction file.

Solution: Only send the records that need to be corrected. Do not send the entire file again. See Publication 1220 for details.

Major problems encountered with the file format are contained in Publication 1220.

FOR MORE INFORMATION.....

Filers may contact IRS/MCC toll free at 1-866-455-7438 between the hours of 8:30 a.m. and 4:30 p.m. Eastern Time Zone or email us at mccirp@irs.gov.

INTERNAL REVENUE SERVICE

Kearneysville, WV 25430

OFFICIAL BUSINESS

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