

2000



Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-B

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

What's New for 2000?

To help make it easier for you to get only the information you need to complete the Forms 1099, 1098, 5498, and W-2G you file, we are now providing general and specific form instructions as separate products. The new products you should use for 2000 are the **General Instructions for Forms 1099, 1098, 5498, and W-2G**, which contains general information concerning Form 1099-B and other forms in the 1099 series, and the separate specific instructions for each information return you file. If you prefer to have all the specific and general instructions in one booklet, the **2000 Instructions for Forms 1099, 1098, 5498, and W-2G** is also available.

Specific Instructions for Form 1099-B

Any person, including a governmental unit and any subsidiary agency, doing business as a broker or barter exchange must file **Form 1099-B, Proceeds From Broker and Barter Exchange Transactions**, for each person:

- For whom the broker has sold (including short sales) stocks, bonds, commodities, regulated futures contracts, foreign currency contracts, forward contracts, debt instruments, etc., or
- Who exchanged property or services through the barter exchange.

Brokers

The term **broker** means a person who, in the ordinary course of a trade or business, stands ready to effect sales to be made by others. A corporation is a broker if it regularly stands ready to redeem its stock or retire its debt. However, if there are no facts that indicate otherwise, a corporation that purchases odd-lot shares from its stockholders on an irregular basis is not a broker. Also, if you manage a farm for someone else, you are not considered a broker.

Cash on delivery account. For a sale of securities through a "cash on delivery" or similar account, only the broker that receives the gross proceeds from the sale against delivery of the securities sold is required to report the sale. However, if such broker's customer is a "second-party broker" that is an exempt recipient, only the second-party broker is required to report the sale.

Convertible foreign currency. If the proceeds of a sale are paid in convertible foreign currency, the amount to be reported must be converted into U.S. dollars. You may use the exchange rate on the sales date or the exchange rate on the last business day of the reporting period in which the sale occurs.

Transactional reporting. Brokers must report each transaction (other than regulated futures or foreign currency contracts) on a separate Form 1099-B. Transactions involving regulated futures or foreign currency contracts must be reported on an aggregate basis.

Substitute payments. To report substitute payments in lieu of dividends and tax-exempt interest, as required by section 6045(d), do not use Form 1099-B. See **Box 8** in the **Instructions for Form 1099-MISC**.

Form 8308. **Form 8308**, Report of a Sale or Exchange of Certain Partnership Interests, does not have to be filed if Form 1099-B is required for the transfer of the partnership interest.

Exceptions. Brokers are not required to file, but may file, Form 1099-B for:

1. Sales for exempt recipients, including corporations, charitable organizations, IRAs, the United States, a state, or political subdivisions.
2. Sales initiated by dealers in securities and financial institutions.
3. Sales by custodians and trustees, provided the sale is reported on a properly filed **Form 1041**, U.S. Income Tax Return for Estates and Trusts.
4. Sales at issue price of interests in certain regulated investment companies.
5. Obligor payments on:
 - a. Nontransferable obligations, such as savings bonds or CDs.
 - b. Obligations for which gross proceeds are reported on other Forms 1099, such as stripped coupons issued before July 1, 1982.
 - c. Retirement of short-term obligations with original issue discount (reported on Form 1099-INT). However, Form 1099-B is required for the retirement of short-term state obligations having no original issue discount.
 - d. Callable demand obligations that have no premium or discount.
6. Sales of foreign currency unless under a forward or regulated futures contract that requires delivery of foreign currency.
7. Sales of fractional shares of stock if gross proceeds are less than \$20.
8. Retirements of book-entry or registered form obligations if no interim transfers have occurred.
9. Exempt foreign persons.
10. Sales of Commodity Credit Corporation certificates.
11. Spot or forward sales of **agricultural commodities**. Agricultural commodities include grain, feed, livestock, meat, oil seed, timber, or fiber. A spot sale is a sale that results in almost immediate delivery of a commodity. A forward sale is a sale under a forward contract.

However, sales of agricultural commodities under a regulated futures contract, sales of derivative interests in agricultural commodities, and sales of receipts for agricultural commodities issued by a designated warehouse are reportable. A designated warehouse is a warehouse, depository, or other similar entity designated by a commodity exchange in which or out of which a particular type of agricultural commodity is deliverable to satisfy a regulated futures contract. Sales of warehouse receipts issued by any other warehouse are not reportable.
12. A sale of a **precious metal** (gold, silver, platinum, or palladium) in any form that may be used to satisfy a Commodity Futures Trading Commission (CFTC)-approved regulated futures contract (RFC) if the quantity, by weight or by number of items, is less than the minimum required to satisfy a CFTC-approved RFC. A sale of a precious metal in any form that cannot be used to satisfy a CFTC-approved RFC is not reportable.

For example, Form 1099-B is not required to be filed for the sale of a single gold coin in the form and quality deliverable in satisfaction of a CFTC-approved contract because all CFTC

contracts for gold coins currently call for delivery of at least 25 coins.

Sales of precious metals for a single customer during a 24-hour period must be aggregated and treated as a single sale to determine if this exception applies. This exception does not apply if the broker knows or has reason to know that a customer, either alone or with a related person, is engaging in sales to avoid information reporting.

13. Grants or purchases of options, exercises of call options, or entering into contracts that require delivery of personal property or an interest therein.

Barter Exchanges

A **barter exchange** is a transaction in which any organization of members or clients providing property or services jointly contract to trade or barter such property or services. The term does not include arrangements that provide solely for the informal exchange of similar services on a noncommercial basis. Persons who do not contract a barter exchange but who trade services do not file Form 1099-B. However, they may be required to file Form 1099-MISC.

Transactional aggregate reporting. Barter exchanges involving noncorporate members or clients must report each transaction on a separate Form 1099-B. Transactions involving corporate members or clients of a barter exchange may be reported on an aggregate basis.

Member information. In the recipient area of the forms, enter information about the member or client that provided the property or services in the exchange.

Exceptions. There is no return required by barter exchanges for:

1. Exchanges through a barter exchange having fewer than 100 transactions during the year.
2. Exempt foreign persons.

Brokers and Barter Exchanges

Statements to recipients. If you are required to file Form 1099-B, you must provide a statement to the recipient. For more information about the requirement to furnish a statement to the recipient, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

2nd TIN Not. You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number (TIN). If you mark this box, the IRS will not send you any further notices about this account.

Box 1a. For broker transactions, enter the trade date of the sale or exchange. For barter exchanges, enter the date that cash, property, a credit, or scrip is actually or constructively received.

Box 1b. For transactional reporting by brokers, enter the CUSIP (Committee on Uniform Security Identification Procedures) number of the obligation.

Box 2. Enter the gross proceeds from any disposition of securities (including short sales), commodities, or forward contracts. To determine gross proceeds, you may take into account commissions and option premiums if this treatment is consistent with your books. You may not take into account state and local transfer taxes. Check the applicable box to indicate which amount has been reported to the IRS. Do not include amounts shown in boxes 6 through 9. Show a loss from a closing transaction on a forward contract as a negative amount by enclosing it in parentheses.

Do not include any accrued interest on bonds sold between payment dates (or on a payment date) in this box. Instead, report this accrued interest on Form 1099-INT.

Box 3. Enter the gross amounts received by a member or client of a barter exchange for goods or services. This includes cash received, property or services received, a credit on your books, or scrip issued. **Do not report negative amounts.**

Box 4. Enter backup withholding. For example, persons who have not furnished their TIN to you in the manner required are subject to withholding at a 31% rate on certain amounts required to be reported on this form.

Box 5. For broker transactions, enter a brief description of the disposition item (e.g., 100 shares of XYZ Corp. stock). If necessary, abbreviate the description so that it fits within box 5. For regulated futures contracts and forward contracts, enter "RFC" or other appropriate description.

For bartering transactions, show the services or property provided.

Brokers only:

Box 6. Enter the profit or (loss) realized by the customer on closed regulated futures or foreign currency contracts in 2000.

Box 7. Enter the unrealized profit or (loss) on open regulated futures or foreign currency contracts at the end of 1999.

Box 8. Enter the unrealized profit or (loss) on open regulated futures or foreign currency contracts at the end of 2000.

Box 9. Enter the aggregate profit or (loss) for the year from regulated futures or foreign currency contracts. Use boxes 6, 7, and 8 to figure the aggregate profit or (loss).