

2011

Instructions for Form 1099-Q



Department of the Treasury
Internal Revenue Service

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

What's New

Pilot program for truncating an individual's identifying number on paper payee statements has ended. Filers of Form 1099-Q must show the recipient's complete identifying number on all copies of the form.

Reminder

In addition to these specific instructions, you should also use the 2011 General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G). Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- Who must file (nominee/middleman).
- When and where to file.
- Taxpayer identification numbers.
- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions at IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions

File Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 and 530), if you (a) are an officer or an employee, or the designee of an officer or employee, having control of a program established by a state or eligible educational institution; and (b) made a distribution from a qualified tuition program (QTP). A trustee of a Coverdell education savings account (ESA) must file Form 1099-Q to report distributions made from Coverdell ESAs.

Do not file Form 1099-Q for a change in the name of the designated beneficiary on a QTP account if the new beneficiary is a member of the former beneficiary's family. For a Coverdell ESA, the new beneficiary must be a member of the designated beneficiary's family and be under age 30 (except beneficiaries with special needs).

Family members of the designated beneficiary include the beneficiary's spouse. Also included are the beneficiary's children, stepchildren, foster children, and their descendants; siblings and their children; parents, their siblings, and ancestors; stepparents; in-laws; the spouse of any of the foregoing; and any first cousin of the designated beneficiary.

Statements to Recipients

If you are required to file Form 1099-Q, you also must provide a statement to the recipient. Furnish a copy of Form 1099-Q or an acceptable substitute statement to each recipient. See part M in the 2011 General Instructions for Certain Information Returns.

Payer's Name and Federal Identification Number

QTP. For the payer's/trustee's name and federal identification number, enter the name and employer identification number (EIN) of the QTP. For a program established and maintained by a state that uses the EIN of the state, enter the name of the state on the first name line and the name of the program on the second name line.

Coverdell ESA. Enter the name and EIN of the trustee.

Recipient's Name and Social Security Number (SSN)

QTP. List the designated beneficiary as the recipient only if the distribution is made (a) directly to the designated beneficiary, or (b) to an eligible educational institution for the benefit of the designated beneficiary. Otherwise, list the account owner as the recipient of the distribution. Enter the SSN for the applicable recipient.

Coverdell ESA. Enter the name and SSN of the designated beneficiary as the recipient.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-Q. Additionally, the IRS encourages you to designate an account number for all Forms 1099-Q that you file. See part L in the 2011 General Instructions for Certain Information Returns.

Box 1. Gross Distribution

Gross distributions from a QTP, whether in cash or in kind, include amounts for tuition credits or certificates, payment vouchers, tuition waivers, or other similar items. Gross distributions also include a refund to the account owner or the designated beneficiary, or to the beneficiary upon death or disability. For more information on reporting distributions, see Proposed Regulations section 1.529-4.

Gross distributions from a Coverdell ESA include amounts for a refund, a payment upon death or disability, or a withdrawal of excess contributions plus earnings.



If earnings and basis are not reported for Coverdell ESA distributions, leave boxes 2 and 3 blank. Do not enter zero. Instead, you must report the fair market value (FMV) as of the end of the year in the blank box below boxes 5 and 6. Label the amount "FMV." See Notice 2003-53, 2003-33 I.R.B. 362, available at www.irs.gov/irb/2003-33_IRB/ar15.html, for more reporting requirements.

Box 2. Earnings

To determine the earnings or (loss) on the gross distribution reported in box 1, use the earnings ratio described in Proposed Regulations section 1.529-3 and Notice 2001-81. You can find Notice 2001-81 on page 617 of Internal Revenue Bulletin 2001-52 at www.irs.gov/pub/irs-irbs/irb01-52.pdf.

Enter the earnings in box 2. If there is a loss and this is not the final year for distributions from the account or there

are no earnings, enter zero in box 2. Enter a loss in box 2 only if this is the final year for distributions from the account. Earnings are not subject to backup withholding.

If you are reporting a distribution from a Coverdell ESA that includes a returned contribution plus earnings, you should file two Forms 1099-Q—one to report the returned contribution plus earnings, the other to report the distribution of the other part of the account.

You should file a separate Form 1099-Q for any trustee-to-trustee transfer.

For Coverdell ESAs, if you are not reporting earnings, see the *Caution* on page 1.

TIP For Coverdell ESAs, if you are reporting earnings on a distribution of excess contributions, use the method under Regulations section 1.408-11 for calculating the net income attributable to IRA contributions that are distributed as a returned contribution.

If the amount in box 2 includes earnings on excess contributions, enter distribution code 2 or 3 (as applicable) in the blank box below boxes 5 and 6. See Notice 2003-53 for more information.

Box 3. Basis

For QTPs and Coverdell ESAs, if you can determine basis, enter in box 3 the basis included in the gross distribution reported in box 1. The amount in box 3 must equal box 1 minus box 2.

TIP For determining basis of a Coverdell ESA, you may rely on Notice 2001-81.

Box 4. Trustee-to-Trustee Transfer Checkbox

Check this box if the distribution was made directly (trustee-to-trustee transfer) from one QTP to another. For a Coverdell ESA, check this box if the distribution was made directly to another Coverdell ESA or to a QTP.

In a trustee-to-trustee transfer between qualified education programs, the distributing program must provide you with a statement reporting the earnings portion of the distribution within 30 days of the distribution or by January 10th, whichever is earlier. You must properly account for this in computing the earnings or (loss) reported in box 2 and the basis reported in box 3.

TIP If you do not have records showing that a gross distribution from a Coverdell ESA made in 2011 was a trustee-to-trustee transfer, leave box 4 blank.

Box 5. Checkbox

Check the “Private” box if the distribution is from a QTP established by one or more private eligible educational

institutions or check the “State” box if the distribution is from a QTP established by a state. Otherwise, check the “Coverdell ESA” box.

Box 6. Designated Beneficiary Checkbox

Check the box if the recipient is not the designated beneficiary under a qualified tuition program or a Coverdell ESA (see section 529(e)(1)).

Distribution Codes

For 2011, you may, but are not required to, include one of the following distribution codes in the blank box below boxes 5 and 6. You may abbreviate as needed. For example, for distribution code 1, you may enter “distr. code 1.”

Distribution Code	Use this code for...
1—Distributions	Distributions (including transfers) to the recipient and any direct payments to a qualified educational facility. However, use code 2 or 3 for withdrawals of excess contributions.
2—Excess contributions plus earnings taxable in 2011	Withdrawals of excess Coverdell ESA contributions and earnings unless code 3 applies.
3—Excess contributions plus earnings taxable in 2010	Withdrawals of excess contributions from a Coverdell ESA. Advise payees, at the time the distribution is made, that the earnings are taxable in the year in which the excess contributions were made.
4—Disability	Distributions you made after the recipient was disabled (see section 72(m)(7)).
5—Death	Payments to a decedent’s beneficiary, including an estate.
6—Prohibited transaction	Prohibited transactions. See sections 408(e)(2) and 408(e)(4) for similar rules that apply to a Coverdell ESA.