

# 2010

# Instructions for Form 1097-BTC



Department of the Treasury  
Internal Revenue Service

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

## What's New

Issuers of certain tax credit bonds use Form 1097-BTC to report tax credits to the bond holders and the IRS. Bond holders who receive a Form 1097-BTC also use Form 1097-BTC to report tax credits passed to another person. Because Form 1097-BTC is new, reporting is voluntary for 2010. Reporting will be mandatory for 2011. The 2011 Form 1097-BTC will likely allow for the reporting of credits in aggregate rather than bond-by-bond as is the case for 2010.

## Reminder

In addition to these specific instructions, you should also use the 2010 General Instructions for Certain Information Returns (Forms 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](http://IRS.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

## Specific Instructions

Issuers of certain tax credit bonds (or their agents) and nominees/intermediaries (such as a broker, a partnership, a trust, an estate, a regulated investment company, or a real estate investment trust) must file a separate Form 1097-BTC for each tax credit distributed from the following tax credit bonds issued after January 1, 2010.

- Qualified forestry conservation bonds.
- New clean renewable energy bonds.
- Qualified energy conservation bonds.
- Qualified zone academy bonds.
- Qualified school construction bonds.
- Clean renewable energy bonds.
- Midwestern tax credit bonds.
- Build America bonds (tax credit).

For tax credit bonds issued as serial bonds, each bond must be reported on a separate Form 1097-BTC.

**Note.** Issuers that have elected to issue specified tax credit bonds under section 6431(f) to receive a refundable credit under section 6431(a) in lieu of tax credits under section 54A should not file Form 1097-BTC.

## Definitions

**Tax credit bond.** Generally a tax credit bond is an obligation issued under section 54, 54A, 54AA, or 1400N(l) that entitles the taxpayer holding such bond on one or more credit allowance dates occurring during any tax year to a credit against the federal income tax imposed for that tax year.

**Qualified tax credit bond.** Qualified tax credit bonds under section 54A are qualified forestry conservation bonds under section 54B, new clean renewable energy bonds under section 54C, qualified energy conservation bonds under section 54D, qualified zone academy bonds under section 54E, and qualified school construction bonds under section 54F.

**Qualified forestry conservation bond.** An obligation that is part of an issue 100 percent of the available project proceeds of which are used to finance one or more qualified forestry conservation purposes, as defined in section 54B.

**New clean renewable energy bond.** An obligation that is part of an issue 100 percent of the available project proceeds of which are to be used for capital expenditures incurred by governmental bodies, public power providers, or cooperative electric companies for one or more qualified renewable energy facilities, as defined in section 54C.

**Qualified energy conservation bond.** An obligation that is part of an issue 100 percent of the available project proceeds of which are to be used for one or more qualified energy conservation purposes, as defined in section 54D.

**Qualified zone academy bond.** An obligation that is part of an issue 100 percent of the available project proceeds of which are to be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency, as provided in section 54E.

**Qualified school construction bond.** An obligation that is part of an issue 100 percent of the available project proceeds of which are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with the proceeds, as provided in section 54F.

**Clean renewable energy bond.** An obligation that is part of an issue 95 percent of the proceeds of which are used for capital expenditures incurred by qualified borrowers for one or more qualified projects as defined in section 54.

**Midwestern tax credit bond.** An obligation that is part of an issue of bonds issued in connection with Midwestern disaster areas in any state in which a Midwestern disaster area is located. See section 1400N(l) for more information about these requirements.

**Build America bond (tax credit).** An obligation issued by a state or local government (excluding private activity bonds under section 141) as defined in section 54AA(d).

## Who Must File

File Form 1097-BTC, Bond Tax Credit, for each person who is allowed a tax credit as a holder, directly or indirectly, of a tax credit bond or a stripped credit coupon on one or more credit allowance dates during the tax year in an amount of at least \$10.

The tax credit from tax credit bonds or stripped credit coupons is allowed on each credit allowance date for which the bond was outstanding or to which the stripped credit coupon corresponds. The credit allowance dates are March 15, June 15, September 15, December 15, and the last day on which the bond is outstanding. For bonds issued during the 3-month period ending on a credit allowance date, the amount of the credit is determined ratably based on the portion of the 3-month period during which the bond is outstanding. The same ratable determination of credit applies when a bond is redeemed or matures.

The tax credit allowed to holders of any tax credit bonds or stripped credit coupons is treated as interest which is included in gross income and must be reported as interest income on a Form 1099-INT or Form 1099-OID, as applicable. For more information on reporting the tax credit treated as interest income as paid from tax credit bonds, see the Instructions for Forms 1099-INT and 1099-OID.

**Exceptions to reporting.** No Form 1097-BTC is required to be filed for distribution of tax credits from tax credit bonds to exempt recipients or for interest excluded from reporting.

**Exempt recipients.** You are not required to file Form 1097-BTC for tax credits distributed to certain payees, including but not limited to tax-exempt organizations, any IRA, Archer MSA, or health savings account (HSA), a U.S. agency, a state, the District of Columbia, or a U.S. possession. A complete list of exempt recipients can be found in section 6049(b)(4) and Regulations section 1.6049-4(c) with the exception that you are required to file Form 1097-BTC for tax credits distributed to the following holders of tax credit bonds or stripped credit coupons:

- A corporation,
- A dealer in securities or commodities required to register as such under the laws of the United States, a state, the District of Columbia, or a possession of the United States,
- A real estate investment trust as defined in section 856,
- An entity registered at all times during the tax year under the Investment Company Act of 1940,
- A common trust fund as defined in section 584(a), or
- Any trust which is exempt from tax under section 664(c).

For more information, see sections 6049(d)(8) and 6049(d)(9).

## When to File

File Form 1097-BTC with the IRS by February 28, 2011 (March 31, 2011, if filed electronically). See *Statement to Recipient*, below, for furnishing statements to recipients.

## Penalties for Failure To File

There are penalties for failure to file correct information returns by the due date and for failure to furnish correct payee statements. See part O in the 2010 General Instructions for Certain Information Returns for details. The failure to file Forms 1097-BTC also includes the requirement to file electronically. For more information on penalties for failure to file electronically, see part F in the 2010 General Instructions for Certain Information Returns.



*Filing Form 1097-BTC is voluntary for 2010. Penalties are not applicable for failure to file correct information returns by the due date and for failure to furnish correct payee statements.*

## Statement to Recipient

If required to file Form 1097-BTC you must provide a statement to the recipient quarterly and separately for each credit amount indicated and for each bond type, on or before the 15th day of the 2nd calendar month after the close of the calendar quarter in which the credit was issued. For more information about the requirement to furnish a statement to the recipient, see part M in the 2010 General Instructions for Certain Information Returns.

## Form 1097-BTC Issuer's Name, Address, and Telephone Number

Enter the name, street address, city, state and ZIP code, and telephone number of the entity issuing the Form 1097-BTC.

Enter the entity's true name (as set forth in the legal documents creating it). Enter the address of the entity's principal office or place of business. Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the entity has a P.O. box, show the box number instead.

**Note.** Do not use the address of the registered agent for the state in which the entity is incorporated. For example, if a business is incorporated in Delaware or Nevada and the corporation's principal office is located in Little Rock, AR, the corporation should enter the Little Rock address.

If the entity receives its mail in care of a third party (such as an accountant or an attorney), enter for the street address "C/O" followed by the third party's name and street address or P.O. box.

## Form 1097-BTC Issuer's Federal Identification Number

Enter the Form 1097-BTC Issuer's federal identification number, such as an employer identification number (EIN). An issuer that does not have an EIN should apply for one. See Form SS-4, Application for Employer Identification Number.

## Recipient's Federal Identification Number

Enter the federal identification number, such as an EIN or social security number, of the recipient of the distributed (or stripped) credit from the tax credit bond.

## Recipient's Name

Enter the name of the recipient of the distributed (or stripped) credit from the tax credit bond. If not an individual, enter the entity's true name (as set forth in the legal documents creating it).

**Recipient's Street Address (Including Apt. No.)**

Enter the street address, city, state and ZIP code of the recipient's principal office or place of business. Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the entity has a P.O. box, show the box number instead.

**Note.** Do not use the address of the registered agent for the state in which the recipient is incorporated.

If the recipient receives its mail in care of a third party (such as an accountant or an attorney), enter for the street address "C/O" followed by the third party's name and street address or P.O. box.

**Bond Issuer's Name**

Enter the name of the entity issuing the tax credit bond from which the credit is being distributed. The name of the entity issuing the tax credit bond should be identical to the name of the issuer listed on Form 8038-TC, Information Return for Tax Credit Bonds, Part I, line 1.

**Bond Issuer's Employer Identification Number**

Enter the employer identification number (EIN) of the entity issuing the tax credit bond from which the credit is being distributed. The EIN of the entity issuing the tax credit bond should be identical to the EIN listed on Form 8038-TC, Part I, line 2.

**Box 1a. Bond Issue Date**

Enter the issue date of the bond. The issue date should be identical to the issue date listed on Form 8038-TC, Part I, line 7. The issue date generally is the date on which the issuer receives the purchase price in exchange for delivery of the evidence of indebtedness (for example, a bond). In no event is the issue date earlier than the first day on which interest begins to accrue on the bond for federal income tax purposes. See Regulations section 1.150-1(b).

**Box 1b. Maturity Date**

Enter the maturity date of the bond. The final maturity date is the last day the issuer must redeem the entire issue. This date should be identical to the final maturity date entered on Form 8038-TC, Part III, line 3.

**Box 1c. CUSIP No**

Enter the CUSIP (Committee on Uniform Securities Identification Procedures) number of each bond. If the issue does not have a CUSIP number, write, "None." If the issue either has no CUSIP number or is privately placed, attach a schedule with each purchaser's EIN, name, and address. For tax credit bonds issued as bonds with multiple maturities, each bond with a separate maturity must be reported on a separate 1097-BTC.

**Box 2. Code**

Identify the type of tax credit bond issued by entering the corresponding three digit code.

- 101—Qualified forestry conservation bond.
- 102—New clean renewable energy bond.
- 103—Qualified energy conservation bond.
- 104—Qualified zone academy bond.
- 105—Qualified school construction bond.
- 106—Clean renewable energy bond.
- 107—Midwestern tax credit bond.
- 108—Other.
- 109—Build America bond.

**Box 3. Stated Principal**

Enter the outstanding face amount of the bond.

**Box 4a. March 15, 2010 Allowance Date Credit**

Enter the credit amount distributed to the recipient with respect to this allowance date.

**Box 4b. June 15, 2010 Allowance Date Credit**

Enter the credit amount distributed to the recipient with respect to this allowance date.

**Box 4c. September 15, 2010 Allowance Date Credit**

Enter the credit amount distributed to the recipient with respect to this allowance date.

**Box 4d. December 15, 2010 Allowance Date Credit**

Enter the credit amount distributed to the recipient with respect to this allowance date.

**Box 5.**

Check as applicable whether you are the issuer of the bond or its agent filing the initial 2010 Form 1097-BTC for the bond or are an entity that received a 2010 Form 1097-BTC for this bond.