Instructions for Form 1099-CAP

(Rev. April 2025)

Changes in Corporate Control and Capital Structure

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

Future Developments

For the latest information about developments related to Form 1099-CAP and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form1099CAP*.

You can get the General Instructions for Certain Information Returns at *IRS.gov/1099GeneralInstructions*.

Reminder

In addition to these specific instructions, you should also use the current General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

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

Continuous use revision. Use these instructions for tax year 2025 and subsequent years until a superseding revision is issued.

E-filing Form 1099-CAP. The Taxpayer First Act of 2019 authorized the Department of the Treasury and the IRS to issue regulations that reduce the 205-return e-file threshold. T.D. 9972, published February 23, 2023, lowered the e-file threshold to 10 (calculated by aggregating all information returns), effective for information returns required to be filed on or after January 1, 2024. Go to *IRS.gov/IRIS* for e-file information.

Online fillable form. Due to the very low volume of paper Forms 1099-CAP received and processed by the IRS each year, this form has been converted to an online fillable format. You may fill out the form, found online at *IRS.gov/Form1099CAP*, and send Copy B to the recipient. For filing with the IRS, follow your usual procedures for filing electronically if you are filing 10 or more forms. If you are filing this form on paper due to a low volume of recipients, **for this form only**, you may send in the black-and-white Copy A with a Form 1096 that you print from the IRS website.

Specific Instructions

File Form 1099-CAP, Changes in Corporate Control and Capital Structure, for shareholders of a corporation if control of the corporation was acquired or it underwent a substantial change in capital structure. Form 1099-CAP is furnished to shareholders who receive cash, stock, or other property from an acquisition of control or a substantial change in capital structure.

Who Must File

TIP *Any broker who holds shares on behalf of a customer in a corporation that the broker knows or has reason to know based on readily available information has engaged in a transaction of acquisition of control or substantial change in capital structure must file Form 1099-B unless the customer is an exempt recipient. Readily available information includes information from a clearing organization, such as the Depository Trust Company (DTC). Information is also published on the IRS website. Go to* IRS.gov *and enter keyword "Form 8806" in the upper right corner.*

A domestic corporation that is required to file Form 8806, Information Return for Acquisition of Control or Substantial Change in Capital Structure, must file Form 1099-CAP with the IRS and furnish a copy to each shareholder who receives cash, stock, or other property as a result of the acquisition of control or substantial change in capital structure and who is not an exempt recipient. However, if the corporation can reasonably determine that the receipt of such stock would not cause the shareholder to recognize gain, then the corporation is not required to report the fair market value (FMV) of any stock provided to a shareholder. Corporations do not file Form 1099-CAP under one of the following conditions.

- The transaction involves the acquisition of control within an affiliated group or involves stock valued at less than $100 million.
- The corporation makes the consent election on Form 8806. Under the election, the corporation is not required to file Form 1099-CAP with respect to shares held by a clearing organization because it allows the IRS to publish information necessary for brokers to meet their reporting obligations.
- The corporation properly reports the transaction under section 6043(a) on Form 966, Corporate Dissolution or Liquidation.
- Information returns are filed under section 6042 (Form 1099-DIV) or section 6045 (Form 1099-B), unless the corporation knows or has reason to know that such returns were not filed.

Exempt Recipients

The corporation is not required to file Form 1099-CAP for the following shareholders including brokers who are also exempt.

- Any shareholder who receives stock in an exchange that isn't subject to gain recognition under section 367(a) and the regulations.
- Any shareholder whose amount of cash plus the FMV of any stock and other property does not exceed $1,000.
- Any shareholder from whom the corporation has received a properly completed exemption certificate.
- Any one of the following indicators:

1. A corporation, except a subchapter S corporation.
2. A tax-exempt organization.
3. An individual retirement account (IRA).
4. The U.S. Government or a state.
5. A foreign government, an international organization, or a foreign central bank of issue.
6. A real estate investment trust (REIT).
7. A regulated investment company (RIC).
8. A securities or commodities dealer.
9. An entity registered under the Investment Company Act of 1940.
10. A common trust fund.
11. A financial institution such as a bank, savings and loan, credit union, or similar organization.

- Any foreign person the corporation associates with a valid Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals), or other documentation upon which the corporation relies in order to treat the shareholder as a foreign beneficial owner or foreign payee. See Regulations section 1.6049-5(c) for more information.



Corporations are not relieved of their withholding obligations on nonresident aliens under section 1441.

Acquisition of Control

An acquisition of control of a corporation (first corporation) occurs if, in a transaction or series of related transactions, before an acquisition of stock of the first corporation (directly or indirectly) by a second corporation, the second corporation does not have control of the first corporation; after the acquisition, the second corporation has control of the first corporation; the FMV of the stock acquired in the transaction and in any related transactions as of the date or dates on which the stock was acquired is $100 million or more; the shareholders of the first corporation receive stock or other property pursuant to the acquisition; and the first corporation or any of its shareholders is required to recognize gain under section 367(a) as a result of the transaction.

For these purposes, control is defined as the ownership of stock possessing at least 50% of the total combined voting power of all classes of stock entitled to vote, or at least 50% of the total value of shares of all classes of stock.

See Form 8806 and Regulations section 1.6043-4 for details and special rules with respect to constructive ownership of stock. Section 318(a) (relating to constructive ownership of stock) will apply for purposes of determining control.

Section 338 election. An acquisition of stock of a corporation under which a section 338 election is made is treated as an acquisition of stock and not as an acquisition of the assets of the corporation. See the instructions for the Form 8023 for more information.

Substantial Change in Capital Structure

A substantial change in capital structure occurs if a corporation:
- Has a change in capital structure,
- The amount of cash or other property provided to its shareholders is $100 million or more, and
- The corporation or any of its shareholders is required to recognize gain under section 367(a) as a result of the transaction.

A corporation has a change in capital structure if the corporation in a transaction or series of transactions:
- Merges, consolidates, or otherwise combines with another corporation or transfers all or substantially all of its assets to one or more corporations;
- Transfers all or part of its assets to another corporation under bankruptcy proceedings including distributing its stock or securities; or
- Changes its identity, form, or place of organization.

When To File

See part C in the current General Instructions for Certain Information Returns and its *Guide to Information Returns* for filing and furnishing dates. But see the separate guidance for clearing organizations in *Special reporting date–clearing organizations* next.

Special reporting date–clearing organizations. A corporation must file Form 1099-CAP and furnish a copy to each of its shareholders who receives any stock or other consideration in the transaction and who is not an exempt recipient. A clearing organization, such as the DTC, is not an exempt recipient. The corporation is therefore required to file and furnish a copy of Form 1099-CAP to a clearing organization with respect to shares held by the clearing organization unless it makes a consent election, as discussed below. Furnish Form 1099-CAP to the clearing organization by **January 6, 2025**. For subsequent years, furnish Form 1099-CAP to the clearing organization by January 5th of the year following the calendar year in which the transaction took place. See Guide to Information Returns, in the General Instructions for Certain Information returns, available at *IRS.gov/Form1099*, for due dates that fall on a weekend or holiday. If you are furnishing the DTC with Forms 1099-CAP, see also Notice 2004-9, 2004-04 I.R.B. 334, available at *IRS.gov/irb/2004-04_IRB#NOT-2004-9*.

Penalties for Failure To File

The penalties under section 6652(l) for failure to file information returns under section 6043(c) apply. For purposes of the section 6652(l) penalty, Form 8806 and all Forms 1099-CAP required to be filed are treated as one return. Thus, the penalty will not exceed $500 for each day the failure continues, up to a maximum of $100,000, for

any acquisition of control or any substantial change in capital structure. If a corporation (transferor) transfers all or substantially all of its assets to another entity (transferee) and is required to file Form 1099-CAP, the transferor must satisfy the reporting requirements. If the transferor fails to file Form 1099-CAP, then the transferee must meet the filing requirements. If the filing requirements are not met by either the transferor or transferee, then both are jointly and severally liable for the applicable penalties.

Failure to file Forms 1099-CAP also includes the requirement to file electronically. For more information on penalties for failure to file electronically, see part F in the current General Instructions for Certain Information Returns. Criminal penalties under sections 7203, 7206, and 7207 may apply in appropriate cases.

Statement to Shareholder

If required to file Form 1099-CAP, you must furnish a statement to the shareholder. For more information about the requirement to furnish a statement to the shareholder, see part M in the current General Instructions for Certain Information Returns.

Truncating recipient's TIN. Under Regulations section 301.6109-4, corporations required to file Form 1099-CAP may truncate a recipient's TIN (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. A filer's TIN may not be truncated on any form. Truncation is not allowed on any documents the filer files with the IRS. See part J in the current General Instructions for Certain Information Returns.

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-CAP. Additionally, the IRS encourages you to designate an account number for all Forms 1099-CAP that you file. See part L in the current General Instructions for Certain Information Returns.

Corporation's Name, Address, Telephone Number, and Federal Identification Number

Generally, this will be the reporting corporation's information and EIN.

Box 1. Date of Sale or Exchange

Enter the trade date of the sale or exchange, actually or constructively received.

Box 2. Aggregate Amount Received

Enter the aggregate amount of cash and the FMV of any stock and other property received in exchange for the number of shares exchanged in the reporting corporation.

Box 3. No. of Shares Exchanged

Enter the number of shares the shareholder exchanged in the reporting corporation for cash or other property received.

Box 4. Classes of Stock Exchanged

Enter the class or classes of stock (for example, preferred, common, etc.) exchanged in the reporting corporation for cash or other property received. Abbreviate the class to fit the entry. For example, you may enter "C" for common stock, "P" for preferred, or "O" for other. Also, abbreviate any subclasses.