

## Summary of 2018 Forms Changes

---

For 2018, a number of forms have undergone changes. These include: 1099-DIV, 1099-T, 1099-R, 5498, W-2, 1042-s, and W-2G. See below for more details.

Other changes include increased IRS penalties for W-2 late or missed filings. Please refer to the section below on W-2 changes for more information.

Also, extensions for 1099-MISC with NEC (data in box 7) are no longer automatic. Form 1099-MISC reporting NEC in Box 7 can only request a non-automatic extension of time and must be filed on paper Form 8809. An automatic 30-day extension is not available. Treasury Decision (TD) 9838.

The state of Vermont is no longer participating in the Combined Federal / State Filing program (CF/SF).

### **1099-DIV Dividends and Distributions**

New box 5 section 199A dividends: Box 5, section 199A dividends, must be completed to report section 199A dividends paid to the recipient. The amount paid should also be included in box 1a.

All other boxes from Box 6 – 15 have been incremented by 1. (e.g. Box 6 is now Box 7).

### **1098-T Tuition Reimbursement**

It is now required the all education institutes now issue a 1098-T. Education institutes were supposed to issue these in the past but now it is mandatory.

Box 2 has been removed. In 2017, the IRS gave “limited penalty relief” to those who continued to use Box 2 but this box has now been removed. The IRS is no longer interested in the amount billed. Only the amounts received for qualified tuition and related expenses from all sources during the calendar year less any reimbursements or refunds made during the calendar year. Do not reduce this amount scholarships or grants reported in box 5. Past due qualified tuition or related expenses received in the calendar year should be included in box 2.

# CHANGE ALERT by COMPLYRIGHT™

## **1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, etc.**

A new box, "Reportable policy sale box" has been added to show the date of a payment of reportable death benefits and instructions have been added to the recipient copy.

Two new distribution codes, C and M, have been added for box 7. Filers should use Distribution Code 2 on Form 1099-R to report retirement plan (including IRAs) participant distributions made in 2017 due to Hurricanes Harvey, Irma, or Maria.

A conversion of a traditional IRA to a Roth IRA, and a rollover from any other eligible retirement plan to a Roth IRA, made after December 31, 2017, cannot be recharacterized as having been made to a traditional IRA.

Special rules apply to retirement plan distributions made to employees affected by certain natural disasters that occurred in 2016 and 2017. See Pub. 976, Disaster Relief, for more information.

## **Form 5498 IRA Contribution Information**

A new rollover code "PO" has been added for reporting qualified plan load offset roll overs.

## **Form W-2 Wage and Tax Statement**

Moving expense reimbursement exclusions for qualified moving expense reimbursements has been suspended. The Tax Cuts and Jobs Act (Public Law 115-97) temporarily suspends the exclusion for qualified moving expense reimbursements under section 132(a)(6) and (g) except for qualified member of the Armed Forces. See P.L. 115-97, section 11048.

The Tax Cuts and Jobs Act also temporarily makes the Sinai Peninsula of Egypt a qualified hazardous duty area. Treat this hazardous duty area as a combat zone for the exclusion from income of certain combat pay under section 112 and exclusion from wages under section 3401(a)(1)

The Tax Cuts and Jobs Act added section 83(i) for "qualified equity grants." The law also added new Form W-2 reporting requirements for these grants. Employers with employees who have qualified equity grants must report the amount includible in gross income under section 83(i) for an event which occurs in the calendar year in box 12 using code GG.

Also, employers must report the aggregate amount of income which employees elect to defer under section 83(i) as of the close of the calendar year in box 12, using code HH. See P.L. 115-97, section 13603 for more information.

# CHANGE ALERT by COMPLYRIGHT™

## Penalties for W-2

Failure to file and failure to furnish penalties and penalties for intentional disregard of filing and payee statement requirements have increased due to adjustments for inflation.

The penalty is: \$50 per Form W-2 if you correctly file within 30 days of the due date; the maximum penalty is \$545,500 per year (\$191,000 for small businesses, defined in Small businesses). \$100 per Form W-2 if you correctly file more than 30 days after the due date but by August 1; the maximum penalty is \$1,637,500 per year (\$545,500 for small businesses). \$270 per Form W-2 if you file after August 1, do not file corrections, or do not file required Forms W-2; the maximum penalty is \$3,275,500 per year (\$1,091,500 for small businesses).

## Form 1042-S Foreign Person's U.S. Source Income Subject to Withholding

Boxes 9 and 11 of Form 1042-S have been switched and clarifying language has been added to those boxes on the form.

The withholding rates have been updated. For tax years beginning after December 31, 2017, the rate of withholding under section 1446 by a publicly traded partnership on a distribution of income effectively connected to a U.S. trade or business has changed to 21% for corporate partners and 37% for all other partners.

For tax years beginning after December 31, 2017, the rate of withholding by a Qualified Investment Entity on a distribution to a nonresident alien or foreign corporation that is treated as gain from the sale or exchange of a U.S. real property interest by the shareholder has changed to 21%.

Under Regulations section 1.1471-4, chapter 4 status codes have been added for U.S. branches treated as U.S. persons and U.S. branches not treated as U.S. persons that are reporting. These new status codes reflect changes made to the chapter 4 regulations regarding U.S. branches of foreign entities that act as intermediaries.

The LOB Treaty Category code for individuals (code 01) has been removed. Withholding agents making payments to an individual who is claiming treaty benefits should leave Box 13j blank.

The instructions reflect updated requirements for 2018 for when a financial institution must report an account holder's FTIN. These instructions also now provide guidance on how to report payments on Form 1042-S that are made to and by QDDs.

New sections "Requirement To Withhold" and "Before Completing Form 1042-S" have been added to the instructions to help to clarify a withholding agent's obligations under chapters 3 and 4 and provide general steps that should be considered when completing Form 1042-S.

# CHANGE ALERT by COMPLYRIGHT™

## Form W-2G Certain Gambling Winnings

Effective for taxable years beginning after December 31, 2017, the withholding rate under Section 3402(g) applicable to winnings of \$5,000 or more from sweepstakes, wagering pools, certain pari-mutuel pools, jai alai, and lotteries (formerly 25%) is now 24%. For more information, see P.L. 115-97, Title I, Subtitle A, Part I, sec. 11001(a).

Also effective for taxable years beginning after December 31, 2017, the backup withholding rate under Section 3406 applicable to certain winnings where the winner doesn't furnish a correct taxpayer identification number (TIN) (formerly 28%) is now 24%. For more information, see P.L. 115-97, Title I, Subtitle A, Part I, sec. 11001(a).

Except for a payee of winnings of a state-conducted lottery, a payee of gambling winnings meeting the withholding thresholds from horse racing, dog racing, jai alai, sweepstakes, wagering pools, lotteries, and certain other wagering transactions must now present two forms of identification, one of which must include the payee's photo. A completed and signed Form W-9 is acceptable as the other form of identification. Gaming establishments owned or licensed by a tribal government of a federally-recognized Indian tribe may waive the photo ID requirement for payees who are members of that tribe and present a tribal member identification card issued by the same tribe. These new rules affect boxes 11 and 12. For more information, see Regulations section 31.3402(q)-1(e)(1)(v), (2)(ii), and (3).

There are new rules for determining the amount of the wager for certain gambling winnings. All wagers placed in a single pari-mutuel pool and represented on a single ticket are aggregated and treated as a single wager for purposes of determining the amount of the wager with respect to winnings from pari-mutuel betting on horse racing, dog racing, or jai alai. These new rules affect boxes 1 and 4 under the instructions for Horse Racing, Dog Racing, Jai Alai, and Other Wagering Transactions Not Discussed Later. See Regulations section 31.3402(q)-1(c)(1)(ii). Amounts paid with respect to identical wagers are treated as paid with respect to a single wager for purposes of calculating the amount of proceeds from a wager. Two or more wagers are identical wagers if winning depends on the occurrence (or non-occurrence) of the same event or events; the wagers are placed with the same payer; and, in the case of horse races, dog races, or jai alai, the wagers are placed in the same pari-mutuel pool. These new rules affect boxes 1, 4, and 7 under the instructions for Horse Racing, Dog Racing, Jai Alai, and Other Wagering Transactions Not Discussed Later and for Sweepstakes, Wagering Pools, and Lotteries. For more information, see Regulations section 31.3402(q)-1(c)(1)(iii)(A).