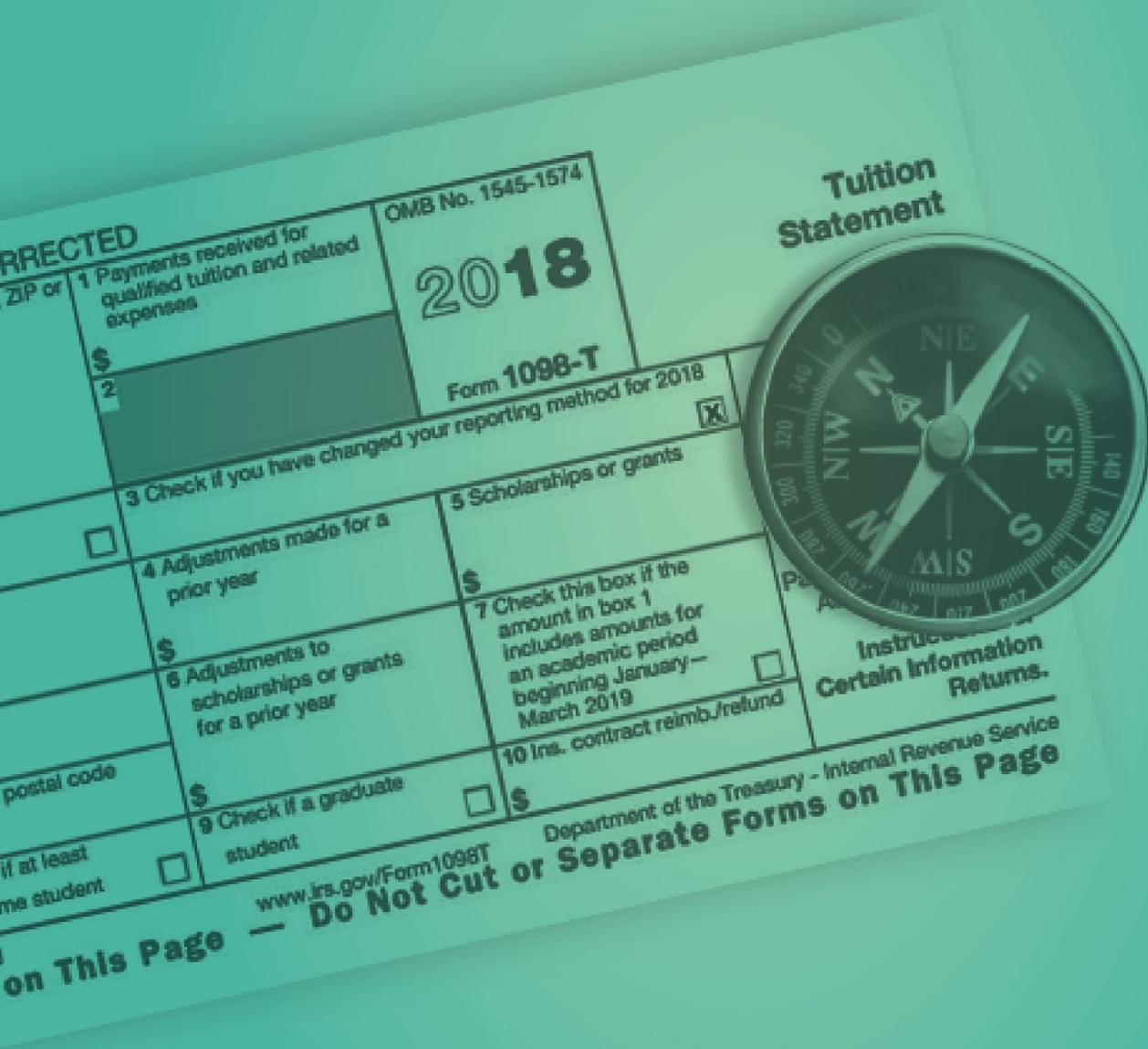


Advisory 18-06



Guide to Form 1098-T Information Reporting

December 2018

Table Of Contents

Section I. Introduction

What Is Information Reporting, and Why Is It Important?	3
Background	3
How the IRS Uses Information Reporting	4
The Role of the University in Tax Compliance: A Tax Form for Every Situation	4
Penalties for Noncompliance	4
Section 6721	4

Section II. Recommendations for Completing Form 1098-T

For Whom Must Institutions File Forms 1098-T?	5
Box 1: What Is Qualified Tuition and Related Expenses?	6
Box 5: What Should Be Included as Scholarships or Grants?	7
IRS Definitions, Regulations and Instructions	8
IRS Regulations	9
IRS Notice 2006-72	10
IRS Instructions for Form 1098-T	10

Section III. Collecting Taxpayer Identification Numbers

Best Practices	11
Safeguarding Private Information	14
TIN Certification Checkbox	14
Relevant IRS Regulations	15
Sample Substitute Forms W-9S	16

Section IV. Responding to Penalty Notices for Missing or Incorrect Taxpayer Identification Numbers

Introduction	21
What to Do After Receiving Notice 972CG	22
Requesting an Extension	22
Waiver Procedure	22
Reasonable Cause: What It Is, How to Establish It and How to Document It	22
Other Arguments to Consider in a Penalty Waiver Request	23
Demonstrating Future Compliance	24
Correction of Prior Filings	24
Whom to Contact for Help	24

Appendices

Appendix A: The American Opportunity Tax Credit and Lifetime Learning Credit	25
Appendix B: Sample Request for Waiver/Reasonable Cause Letter	26
Appendix C: Sample Request for Extension	30
Appendix D: Sample Notice 972CG	31

Section I. Introduction

In 2002, the Internal Revenue Service (IRS) finalized the regulations in the Internal Revenue Code at §1.6050S-1 governing the reporting requirements imposed on institutions of higher education in connection with the introduction of the Hope and Lifetime Learning tax credits authorized by the Taxpayer Relief Act of 1997. Since that time, the IRS has provided little additional formal guidance to colleges and universities. Greater conformity was needed across campuses to make it easier for students and families to understand and use the information schools provide on the 1098-T to help them claim the American Opportunity (which has replaced the Hope credit) and Lifetime Learning tax credits. An explanation of these tax credits can be found in Appendix A.

This guidance addresses three key areas:

1. How to complete IRS Form 1098-T
2. Collecting Social Security numbers (SSNs) and taxpayer identification numbers (TINs)
3. How to respond to penalty notices for missing or incorrect TINs

In addition to this guidance, NACUBO has collected numerous 1098-T resources—including an extensive Q&A document—on its website. Those resources can be found at www.nacubo.org/Topics/Tax/IRS-1098-T.

NACUBO is grateful for the dedicated work and expertise of a subcommittee of members from its Student Financial Services Council and Tax Council, as well as the input from many other members who helped shape this guidance. [Mary Bachinger](#), director of tax policy, and [Bryan Dickson](#), assistant director, advocacy and student financial services, serve as staff liaisons to the subcommittee.

Finally, this guidance is not intended to provide tax advice. Each institution will need to determine how to proceed.

What Is Information Reporting, and Why Is It Important?

Background

As part of the Taxpayer Relief Act of 1997, Congress enacted the Hope Tax Credit (later modified and renamed the American Opportunity Tax Credit (AOTC)) and the Lifetime Learning Tax Credit. The education tax credits are available for qualified tuition and related expenses (QTRE) paid by a taxpayer during the taxable year for education furnished to an eligible student, with certain limitations. In order to implement the education tax credits, Congress imposed an information reporting requirement on postsecondary educational institutions, requiring them to report, with some exceptions, on each student for whom a tuition transaction was made during the year.

To meet this information reporting requirement, educational institutions file Form 1098-T with the IRS and each student on whom reporting is required. Form 1098-T requires the educational institution to provide the student's name, TIN, and address; the amount of payments made by or on behalf of the student for qualified tuition and related expenses; and the amount of any grant aid or scholarships.

In 2009, the Treasury Inspector General for Tax Administration (TIGTA) issued a report based on its review of the 2006 and 2007 tax years, which found that taxpayers had erroneously claimed over \$500 million in educational tax credits. The report further noted that the IRS did not use the 1098-T forms in its compliance program. TIGTA recommended legislation requiring institutions to report amounts paid rather than amounts billed to more closely align the information on the form with the information taxpayers use in claiming educational credits, or otherwise to relieve institutions of the burden of producing the form. TIGTA continues to report incorrect AOTC claims. In a March 2018 [report](#), it estimated that the IRS had erroneously paid \$2.8 billion in AOTCs in tax year 2016.

Prior to 2018, colleges and universities were allowed to report either amounts paid for QTRE in Box 1 or amounts billed in Box 2. **Beginning in 2018, institutions are required to report amounts paid for QTRE in Box 1** (PL 114-113). [Proposed regulations](#) implementing this change were published by the IRS in August 2016. Working with members of the Student Financial Services Council and the Tax Council, NACUBO submitted [comprehensive comments](#) to the IRS on the proposed rules in October 2016. Final rules have yet to be published by the IRS, and it is unknown when the agency will do so. Until then, institutions will have to operate under the existing regulations.

How the IRS Uses Information Reporting

The IRS generally requires information reporting for wage and nonwage payments made in the course of a trade or business and uses this reporting regime as the primary cross-checking measure to verify the accuracy of individual tax returns. Information returns are often furnished to both the IRS and the taxpayer and are used by the taxpayer in preparing his or her tax return. The information reporting regime allows the IRS to verify the information contained in a tax return with a corresponding information return provided by a party with no incentive to falsify the information and face penalties for doing so. For example, an employer reports to the IRS all of the wages paid to an employee on Form W-2, allowing the IRS to verify the wages reported on that taxpayer's tax return.

Accurate reporting by educational institutions on Form 1098-T enables the IRS to identify returns that improperly claim education tax credits by allowing the IRS to match the SSN or TIN provided on Form 1098-T with the SSN or TIN provided on the tax return of the taxpayer claiming the credit. This is true even if the credit is claimed by a taxpayer on behalf of a dependent, as taxpayers are required to list the SSN of each dependent claimed.

The Role of the University in Tax Compliance: A Tax Form for Every Situation

Universities are required to participate in the information reporting regime for many of the transactions in which they regularly engage. Information returns commonly submitted by a university to the IRS include Form 1098-T tuition statement, Form W-2 to report wages and earnings of employees, and the Form 1099 series to report income other than wages, salaries or tips received by an employee, depending on the nature of the income transaction.

Penalties for Noncompliance

Section 6721

Section 6721 of the Internal Revenue Code (the Code) provides for a penalty when an information return is not correctly filed by the due date of the return, including failing to provide all of the information required to be reported and providing incorrect information. Each such return is generally subject to a \$260 penalty, with the total amount levied on an entity during any calendar year not to exceed \$1.5 million. The penalty may be abated by correction within a short time period or waived by a showing that the failure was due to reasonable cause and not to willful neglect.

Section II. Recommendations for Completing Form 1098-T

In 2013, a joint subcommittee of NACUBO's Student Financial Services Council and Tax Council took on the difficult task of building a framework for greater conformity in 1098-T reporting. The group considered the myriad fees commonly charged by colleges and universities, distilled the list into a manageable number of categories, and determined whether they should be reported in Box 1 of Form 1098-T as qualified tuition and related expenses (QTRE). The subcommittee also tackled the reporting of scholarships and grants in Box 5 of the 1098-T, developing recommendations for the types of payments that should be included.

We hope this section will prompt institutions to look carefully at how student payments are categorized for 1098-T reporting purposes. For each category (QTRE and scholarships), a concise summary of the criteria used to decide which items should be reported is followed by a table summarizing NACUBO's recommendations. Relevant IRS guidance is also provided, including excerpts from the regulations, other guidance, and the instructions to Form 1098-T. The volume and variety of terminology and practices among institutions are too great to compile a master list of all possible payments or sources of aid to students. These recommendations represent our best effort at identifying the components that factor into reporting decisions and illustrating the resulting determinations for common circumstances. Each institution should review these recommendations in light of its own unique practices, terminology, systems, and experience.

For Whom Must Institutions File Forms 1098-T?

In general, colleges and universities must file Form 1098-T for any individual enrolled for any academic period and for whom the institution receives payment of qualified tuition and related expenses during the calendar year. Institutions also must file Forms 1098-T for students who are not currently enrolled but for whom there was a prior-year adjustment made in the current year.

However, Form 1098-T does *not* need to be filed for:

- Students whose entire qualified tuition and related expenses were waived or paid for with a scholarship
- Students whose entire qualified tuition and related expenses were paid under a "formal billing arrangement" where the institution:
 - bills only an employer or governmental entity, and
 - does not maintain a separate financial account for the student
- Nonresident aliens, except upon request
- The noncredit courses in which a student is enrolled, even if the student also is enrolled in credit courses

While a change in law (PL 114-113) says that a 1098-T is required to claim educational tax credits, there are exceptions. For example, an employee receives tuition remission. If the institution is netting the tuition remission against QTRE, there would not be any reportable transactions in Box 1 or Box 5. However, the student may be eligible to use the AOTC for books and supplies. While institutions are not required to generate 1098-Ts for noncredit students, a noncredit student (who is otherwise eligible) may still claim a Lifetime Learning Credit if he or she can substantiate qualified expenses.

Institutions must report amounts paid for QTRE (Box 1) on Form 1098-T. Grant aid or scholarships received by a student for payment of costs of attendance, and processed and administered by the institution, must be reported in Box 5. The following information must also appear on the form:

- The name, address, and TIN of the institution or the service provider who filed the form, along with contact information and telephone number.
- The name, address, and TIN of the student. The address must be the long-term or permanent address. The institution may use a short-term address if no permanent one is provided by the student.

Box 1: What Is Qualified Tuition and Related Expenses?

Qualified tuition and related expenses (QTRE) that should be reported by the institution include:

1. Tuition and fees required for enrollment
2. Books and supplies charges, if required to be paid to the institution

BUT NOT

- a. Personal expenses (room, board, insurance, medical, travel, etc.)
- b. Expenses for courses involving sports, games, or hobbies (unless part of a degree program)

Note: Since the IRS published Notice 2006-72, a change in statute prohibits institutions from reporting amounts billed in Box 2 (PL 114-113).

Qualified Tuition and Related Expenses for Box 1 on Form 1098-T

✓ Report	✗ Do Not Report
Payments for tuition and fees required for enrollment, payments to the institution for books and supplies	The following payments are generally not mandatory for enrollment and/or cover personal expenses.
Tuition	Tuition or other payments for courses related to sports, games, or hobbies (unless they count toward a degree)
Books, equipment, supplies (if required to be purchased from institution)*	Dining/meal plan payments
Course or program fees (e.g., lab, art, music)	Health or disability insurance fees (even if required; excluded by statute)
Distance learning fees	Housing payments
Enrollment confirmation fees	Late payment fees
Exam fees (for placement, testing out of credit courses, or if required for degree program)	Library fines
Information & technology fees	Loan processing fees
Malpractice insurance (if required for clinical courses)	Orientation fees (portion that covers expenses for overnight stays)
Records fees	Parking permits
Student athletics fees (if required, no personal benefit provided)	Parking fines
Student life/activity/association fees	Student health fees
Other mandatory fees (no personal benefit provided)	Transportation fees (if providing individual benefit)
*Comprehensive fees (covering tuition, fees, room, board) must be allocated between QTRE/non-QTRE	

Box 5: What Should Be Included as Scholarships or Grants?

1. Is it gift aid, i.e., a scholarship or grant tied to enrollment that does not need to be repaid?
2. Is it intended to cover the student’s “cost of attendance” (COA)?
3. Is it “administered and processed” by the institution? While this term is not defined by the IRS, the following factors should be considered. Does the institution:
 - a. Determine the student’s eligibility for the award?
 - b. Certify enrollment/attendance to the sponsor or granting organization?
 - c. Calculate the amount awarded?
 - d. Allocate funds across terms?
 - e. Return overpayments to the source?
 - f. Count the payment as aid when packaging financial aid (to avoid overawards under Title IV financial aid rules)?

Scholarships and Grants for Box 5 on Form 1098-T

✓ Report	✗ Do Not Report
Payments from the following sources are generally gift aid intended to cover COA and are administered and processed by the institution.	Payments from the following sources do not meet all of the necessary criteria (gift aid, COA, administered and processed).
Corporation or employer under a third-party billing arrangement, including institutional §127 plans	AmeriCorps Education Award—earned income, not gift aid, AmeriCorps reports to student on 1099-MISC
DoD Tuition Assistance and other support for servicemembers and dependents	Corporation or employer with no third-party billing arrangement (including corporate §127 plans)—not administered and processed by institution
Federal Pell, SEOG, or other grant	Other college or university, with agreement to exchange students/tuition—student pays home university; exchange payment between universities
Institutional scholarship/grant	Private nonprofit organization, not processed as a scholarship/grant—not administered and processed by institution
Private nonprofit or other organization, if processed as scholarship/grant	Private or family trust—not gift aid, not administered and processed by institution
Scholarship restricted to room and board	State §529 savings or prepaid plan distribution reported on Form 1099-Q
State grant, including vocation-rehabilitation	State or local school system payment for K-12 dual enrollment, if no student account—1098-T not required
State or local school system payment for K-12 dual enrollment, if student account is maintained	Travel grant/prize/award not related to educational pursuit resulting in college credit—not for COA; may be reportable on Form 1099-MISC
Travel grant/prize/award related to educational pursuit for credit—covers COA	Tuition waived by institution (under IRC §117(d))—should be subtracted from amount paid/billed per IRS Notice 2006-72; Q&A-8
Veterans’ benefits (Chapter 31, Chapter 33 (Post-9/11 GI Bill), and Yellow Ribbon)—VA makes payment to institution	Veterans’ benefits—Chapter 30 (Montgomery GI Bill)—VA makes payment to student

IRS Definitions, Regulations, and Instructions

26 CFR §1.25A-2 Definitions

(d) Qualified tuition and related expenses—

(1) In general. Qualified tuition and related expenses means tuition and fees required for the enrollment or attendance of a student for courses of instruction at an eligible educational institution.

(2) Required fees—

(i) In general. Except as provided in paragraph (d)(3) of this section, the test for determining whether any fee is a qualified tuition and related expense is whether the fee is required to be paid to the eligible educational institution as a condition of the student's enrollment or attendance at the institution.

(ii) Books, supplies, and equipment. Qualified tuition and related expenses include fees for books, supplies, and equipment used in a course of study only if the fees must be paid to the eligible educational institution for the enrollment or attendance of the student at the institution.

[Note: These regulations predate the expansion of the American Opportunity Tax Credit, which enables students to include expenses for required books and materials in QTRE regardless of where purchased.]

(iii) Nonacademic fees. Except as provided in paragraph (d)(3) of this section, qualified tuition and related expenses include fees charged by an eligible educational institution that are not used directly for, or allocated to, an academic course of instruction only if the fee must be paid to the eligible educational institution for the enrollment or attendance of the student at the institution.

(3) Personal expenses. Qualified tuition and related expenses do not include the costs of room and board, insurance, medical expenses (including student health fees), transportation, and similar personal, living, or family expenses, regardless of whether the fee must be paid to the eligible educational institution for the enrollment or attendance of the student at the institution.

(4) Treatment of a comprehensive or bundled fee. If a student is required to pay a fee (such as a comprehensive fee or a bundled fee) to an eligible educational institution that combines charges for qualified tuition and related expenses with charges for personal expenses described in paragraph (d)(3)

of this section, the portion of the fee that is allocable to personal expenses is not included in qualified tuition and related expenses. The determination of what portion of the fee relates to qualified tuition and related expenses and what portion relates to personal expenses must be made by the institution using a reasonable method of allocation.

(5) Hobby courses. Qualified tuition and related expenses do not include expenses that relate to any course of instruction or other education that involves sports, games, or hobbies, or any noncredit course, unless the course or other education is part of the student's degree program, or in the case of the Lifetime Learning Credit, the student takes the course to acquire or improve job skills.

(6) Examples. The following examples illustrate the rules of this paragraph (d). In each example, assume that the institution is an eligible educational institution and that all other relevant requirements to claim an education tax credit are met. The examples are as follows:

Example 1.

University V offers a degree program in dentistry. In addition to tuition, all students enrolled in the program are required to pay a fee to University V for the rental of dental equipment. Because the equipment rental fee must be paid to University V for enrollment and attendance, the tuition and the equipment rental fee are qualified tuition and related expenses.

Example 2.

First-year students at College W are required to obtain books and other reading materials used in its mandatory first-year curriculum. The books and other reading materials are not required to be purchased from College W and may be borrowed from other students or purchased from off-campus bookstores, as well as from College W's bookstore. College W bills students for any books and materials purchased from College W's bookstore. The fee that College W charges for the first-year books and materials purchased at its bookstore is not a qualified tuition and related expense because the books and materials are not required to be purchased from College W for enrollment or attendance at the institution.

[Note: These regulations predate the expansion of the American Opportunity Tax Credit, which enables students to include expenses for required books and materials in QTRE regardless of where purchased.]

Example 3.

All students who attend College X are required to pay a separate student activity fee in addition to their tuition. The student activity fee is used solely to fund on-campus organizations and activities run by students, such as the student newspaper and the student government (no portion of the fee covers personal expenses). Although labeled as a student activity fee, the fee is required for enrollment or attendance at College X. Therefore, the fee is a qualified tuition and related expense.

Example 4.

The facts are the same as in Example 3, except that College X offers an optional athletic fee that students may pay to receive discounted tickets to sports events. The athletic fee is not required for enrollment or attendance at College X. Therefore, the fee is not a qualified tuition and related expense.

Example 5.

College Y requires all students to live on campus. It charges a single comprehensive fee to cover tuition, required fees, and room and board. Based on College Y's reasonable allocation, sixty percent of the comprehensive fee is allocable to tuition and other required fees not allocable to personal expenses, and the remaining forty percent of the comprehensive fee is allocable to charges for room and board and other personal expenses. Therefore, only sixty percent of College Y's comprehensive fee is a qualified tuition and related expense.

Example 6.

As a degree student at College Z, Student A is required to take a certain number of courses outside of her chosen major in Economics. To fulfill this requirement, Student A enrolls in a square-dancing class offered by the Physical Education Department. Because Student A receives credit toward her degree program for the square-dancing class, the tuition for the square dancing class is included in qualified tuition and related expenses.

IRS Regulations (26 CFR §1.6050S-1)

§1.6050S-1(b)(2) Information reporting requirements for institutions that elect to report payments received for qualified tuition and related expenses ...

(ii) Information included on return. An institution reporting payments received for qualified tuition and related expenses must include on Form 1098-T —

(E) The amount of any scholarships or grants for the payment of the individual's costs of attendance that the institution administered and processed during the calendar year;

~~§1.6050S-1(b)(3) Information reporting requirements for institutions that elect to report amounts billed for qualified tuition and related expenses ...~~

~~(ii) Information included on return. An institution reporting amounts billed for qualified tuition and related expenses must include on Form 1098-T —~~

~~(E) The amount of any scholarships or grants for the payment of the individual's costs of attendance that the institution administered and processed during the calendar year; ¹~~

¹ A change in statute prohibits institutions from reporting amounts billed in Box 2 (PL 114-113).

IRS Notice 2006-72 ²

Q-8. What amounts must an institution report in Box 5 as scholarships or grants?

A-8. Section 6050S(b)(2)(B)(ii) of the Code provides that an institution must report the amount of any grants that the institution administered and processed during the calendar year for the payment of the student's costs of attendance. A student's costs of attendance may include both qualified expenses (such as tuition and required fees) and non-qualified expenses (such as room and board). The institution should report these amounts in Box 5. A qualified tuition reduction described in section 117(d) of the Code is not a scholarship or grant and, accordingly, should not be reported in Box 5; but such a reduction is relevant in determining the net amount reported in Box 2 if the institution elects to report amounts billed.

Whether an institution reported scholarship or grant amounts in Box 5 is not considered in determining amounts to be reported as payments received (Box 1) or as amounts billed (Box 2) for qualified expenses. An institution that elects to report payments received for qualified expenses generally must include the amount of scholarships and grants in Box 1, except any scholarship or grant that by its terms must be applied to expenses other than qualified expenses, such as room and board (see section 1.6050S-1(b)(2)(v) of the regulations). An institution that elects to report amounts billed for qualified expenses may not reduce the amount reported in Box 2 by scholarships or grants.

IRS Instructions for Form 1098-T

The most current version of the instructions for completing Form 1098-T can be found on the IRS's website at <https://www.irs.gov/pub/irs-pdf/i1098et.pdf>. For tax years after 2015, the IRS has included a checkbox that allows colleges and universities to certify, under penalty of perjury, that they have met the regulatory requirements for soliciting student TINs at least once during the year (see section on TIN checkbox, page 14).

² Note that this notice was published before Box 2 reporting was eliminated in PL 114-13 for Tax Year 2018. Institutions should ignore references to Box 2 in this section.

Section III. Collecting Taxpayer Identification Numbers

This section is intended to help colleges and universities think through the steps they should take to collect student taxpayer identification numbers (TINs) in order to meet their reporting obligations and avoid potential fines. It is not intended to provide tax advice. Each institution will need to determine how to proceed.

To comply with Internal Revenue Service (IRS) requirements to report tuition payments and other information on Form 1098-T, higher education institutions need to collect students' TIN. For most students, their TIN is their Social Security number (SSN). Students who are not eligible for an SSN may have an individual taxpayer identification number, known as an ITIN.

To avoid being subject to fines for failure to report correct TINs on Form 1098-T, institutions must solicit any missing TINs:

- at least once a year
- in writing
- with a clear notice that the individual is required by law to provide the TIN so that it may be included on an information return

Many colleges and universities ask potential students to provide their TIN at the time of application. Some explain that it is being collected due to IRS regulations for the purpose of filing an information return. Reporting the TIN is usually optional. Once a student enrolls, the institution needs to take steps to obtain a valid TIN for each student as part of its enrollment/registration processes and, if unsuccessful, solicit one at least annually in order to avoid fines.

The following recommendations for institutions to consider were compiled by a joint subcommittee of NACUBO's Student Financial Services and Tax Councils, with assistance from representatives of the American Association of Collegiate Registrars and Admissions Officers (AACRAO). For reference, the IRS regulations that spell out institutional responsibilities for collecting student TINs are included in this section. Additionally, two sample substitute Forms W-9S that colleges and universities may customize to suit their needs are included in this section.

Best Practices

Check for Valid TINs. Consider running a query to find erroneous TINs in the student information system. If a TIN is missing or does not meet the following criteria, it should be considered invalid and the student should be asked to correct or provide their TIN.

- Numeric with nine digits
- Cannot start with 000, 666
- Position 4-5 cannot be 00
- Last four digits cannot be 0000
- Cannot have nine digits the same, i.e., 222-22-2222
- Cannot be 123-45-6789
- Social Security numbers do not start with 9, but ITINs always start with a 9. Valid ITINs will have a group number (digits 4 and 5) between 70 and 99, except for 89 and 93.

Under current law, the IRS TIN matching service is not available for checking the validity of TINs used for 1098-T reporting. The matching service may be used when filing Forms W-2 and 1099.

Solicit Twice a Year. NACUBO recommends requesting a TIN in writing at least twice annually when one is missing or invalid. A good rule of thumb is to do this in early October and then again in early November, with a deadline in December. To ensure that all students who are enrolled in at least one unit during the calendar year are included in the TIN collection process, schools that have sessions starting in December may need to push the timeline later, at least for some students. The final request should be sent after the last opportunity for students to enroll in a term/session that begins prior to December 31. Alternatively, depending on your student body, you might decide to solicit TINs once in the spring and once in the fall. Note that under federal rules, electronic communication is considered “written.”

Because multiple areas of the campus need to be involved, it is important that all who share in this process participate in the planning and execution, and that communication among all departments and divisions be thorough and effective.

Plan and Coordinate Across Offices. Good communication among various functions is essential to successful compliance efforts. At most campuses, the bursar or student financial services office is responsible for 1098-T filings. At others, this responsibility rests with a tax compliance office. The registrar’s office is responsible for student records.

The office of the registrar generally has very specific processes regarding changing critical student bio-demographic information. It is important to engage the registrar or other appropriate officials in the request for TINs so that the process is in line with institutional policies and procedures. When setting deadlines, keep in mind that the staff in the registrar’s office will also need time to process TIN changes/additions.

Build on Existing Processes to Collect Accurate Records. Consider adding name verification to an existing address update process. This may be undertaken annually or during the registration process for each term. Work with your registrar to determine the best way to augment the address solicitation process to include a question asking students whether their legal name has changed.

Use Form W-9S or a Substitute. Using the official IRS Form W-9S, “Request for Student’s or Borrower’s Taxpayer Identification Number and Certification,” ensures that IRS requirements for properly soliciting TINs are met. You may also devise your own substitute form. NACUBO developed customizable substitute Forms W-9S (included with this document) that remove references to borrowers, simplify the instructions, and add a signature line to provide a clear record for TIN changes. Attach the form to an email message, post it on the web, or make paper copies available to assist in collecting student TINs.

Warn Against Emailing TINs. Instruct students to mail or return the Form W-9S in person to the registrar’s office and caution them against emailing due to security concerns. Uploading through a secure student portal will also work, if allowed on your campus. This warning should help to allay fears that your request is illegitimate or a “phishing” attempt.

Include Required Notifications. In order to meet regulatory requirements for fine waivers, clearly notify the student that the IRS requires the student to furnish a TIN (cite section 6109 of the Internal Revenue Code) and that failure to do so may result in an IRS penalty.

Use a Secure Student Portal. If you have the technological support, an efficient way to collect the TIN is through a secure student portal. If you utilize this process, provide an option for the student to refuse to provide a TIN (with a warning of the possible IRS penalty). Retain a record of the electronic refusal.

Target Your Messages. It may be helpful, and create less student confusion, if you target the TIN solicitation to specific student groups. This may require working with other offices that deal directly with special populations, such as international education, registrar, or and financial aid. Your ability to target messages will depend on whether these specific groups are identifiable in your student information system. Some groups that might benefit from targeted messaging include: foreign students, high school students in dual enrollment programs, and undocumented or “Dream Act” students.

- **Foreign students**—Your registrar or foreign student administrators may be able to help you identify these students, their visa type, and their status. Messages to these students should acknowledge that they are not U.S. residents and that they may or may not have a TIN. While institutions are not required to file 1098-Ts for nonresident aliens, many institutions do not maintain sufficient information in their student system to determine which international students are resident or nonresident aliens. You may want to allow these students to respond by indicating that they do not have a TIN and will not file a U.S. tax return.
- **High school students**—With the popularity of dual enrollment programs increasing, particularly at community colleges, high school students may comprise a significant population of those with missing TINs. First consider whether you need to file 1098-Ts for these students. If you do, ensure that enrollment/registration processes ask for the student’s TIN.
- **Undocumented students**—These students may be difficult to identify except in states that offer them assistance. Those with Deferred Action for Childhood Arrivals (DACA) are eligible for SSNs. Other undocumented students may obtain TINs but may not have done so. These students may require a “softer” message and might also benefit from information about their eligibility for the education tax credits.

Keep Records. Be sure to retain the list of students contacted each year and the message(s) sent. Additionally, you should retain a list of students who refuse (verbally or in writing) to provide their TIN.

Exercise Caution in Placing Holds for Noncompliance. NACUBO does not recommend that colleges and universities refuse services to students who fail to provide a TIN. Doing so would likely impact foreign students, undocumented resident aliens, and those few students who refuse to divulge their TIN for idiosyncratic reasons.

The Federal Privacy Act of 1974 (5 USC §552a) states that an individual cannot be denied a government benefit or service for refusing to disclose his or her SSN unless the disclosure is required by federal law, or the disclosure is to an agency that had been using SSNs before January 1975, when the Privacy Act went into effect. In general, disclosure is required by law to allow colleges and universities to comply with IRS reporting requirements. But institutions are not required to file 1098-Ts for all students, such as nonresident aliens, so it is not clear that the institution may compel disclosure. The student is potentially subject to federal fines for failure to provide a TIN, but the institution may avoid fines by showing that it has met the annual solicitation requirement.

Institutions may request SSNs/TINs from students as long as they inform the student whether that disclosure is mandatory or voluntary. If the request is mandatory, schools must inform the student of the specific statutory or other authority under which the number is solicited and what uses will be made of it. Institutions may require SSNs for the purposes of processing student aid, employment, and to meet other specific legal obligations including reporting tuition payments on Form 1098-T.

Safeguarding Private Information

As part of complying with the Form 1098-T reporting requirements, an institution will necessarily obtain personal information from its students. It is important to take steps to protect this information once obtained.

Best Practices

To safeguard students' personal information, institutions should refer to the following best practices:

- Data encryption, so that only authorized users may access it.
- Employee disclosure statements signed by employees that acknowledge that the employees may be subject to disciplinary action by the employer, civil penalties or criminal prosecution for improperly disclosing such information.
- Staff training on properly handling personal information, including the importance of password protection on computers and locks on cabinets where such information is stored.

Practices to Avoid

In handling TINs and other personal information, institutions should avoid the following practices:

- Posting personal information on a public website.
- Sending TINs via electronic format.
- Including TINs on postcards.
- Storing TINs on unprotected computer systems.

Taken from the Legal Information Institute at Cornell University Law School, found at <http://www.law.cornell.edu/cfr/text/26/1.6050S-1>.

TIN Certification Checkbox

For tax years after 2015, the IRS has included a checkbox that allows colleges and universities to certify, under penalty of perjury, that they have met the regulatory requirements for soliciting student TINs at least once during the year. The checkbox, which appears only on the copy of the form that is submitted to the IRS, is placed within the box for the student's TIN.

Should Our Institution Exclude Students Who Do Not Provide Their SSN or TIN?

Schools are required to file 1098-Ts for any students for whom they have reportable transactions during the year, even if the student has not provided a TIN. Leave the TIN field blank and make sure you have complied with the solicitation rules in relation to that student, so you can check the box to certify compliance and avoid a fine.

The instruction for the form states:

“Student’s TIN and checkbox. Enter the student’s TIN, as provided to you on Form W-9S, Request for Student’s or Borrower’s Taxpayer Identification Number and Certification, or other form. If you solicited the student’s TIN in writing (Form W-9S or other form) for the current year, check the box. Also check the box if you obtained the student’s TIN in a prior year by making a solicitation in writing (Form W-9S or other form) or you obtained the student’s TIN in a prior year from his or her financial aid application or other form and in either case have no reason to believe the TIN previously obtained is incorrect. Check the box if the institution is filing the Form 1098-T with nothing in the field for the student’s TIN because the institution has no record of a TIN, but only if you made a written solicitation for the TIN on or before December 31 of the year for which you are filing the Form 1098-T. By checking the box and filing Form 1098-T with the IRS (for electronic filers), you certify under penalties of perjury that you have in good faith complied with the standards in Treasury Regulations section 1.6050S-1 governing the time and manner of soliciting the TIN of the student. Filers who transmit paper forms to the IRS will make such certification by signing Form 1096 in conjunction with filing the returns with the boxes checked in the fields designated for the student’s identification number.”

Relevant IRS Regulations

26 CFR 1.6050S-1(e)

(e) Penalty provisions—

(1) Failure to file correct returns. The section 6721 penalty may apply to an institution or insurer that fails to file information returns required by section 6050S and this section on or before the required filing date; that fails to include all of the required information on the return; or that includes incorrect information on the return. See *section 6721*, and the regulations thereunder, for rules relating to penalties for failure to file correct returns. See *section 6724*, and the regulations thereunder, for rules relating to waivers of penalties for certain failures due to reasonable cause.

(2) Failure to furnish correct information statements.

The section 6722 penalty may apply to an institution or insurer that fails to furnish statements required by section 6050S and this section on or before the prescribed date; that fails to include all the required information on the statement; or that includes incorrect information on the statement. See *section 6722*, and the regulations thereunder, for rules relating to penalties for failure to furnish correct statements. See *section 6724*, and the regulations thereunder, for rules relating to waivers of penalties for certain failures due to reasonable cause.

(3) Waiver of penalties for failures to include a correct TIN—

(i) In general. In the case of a failure to include a correct TIN on Form 1098-T or a related information statement, penalties may be waived if the failure is due to reasonable cause. Reasonable cause may be established if the failure arose from events beyond the institution's or insurer's control, such as a failure of the individual to furnish a correct TIN. However, the institution or insurer must establish that it acted in a responsible manner both before and after the failure.

(ii) Acting in a responsible manner. An institution or insurer must request the TIN of each individual for whom it is required to file a return if it does not already have a record of the individual's correct TIN. If the institution or insurer does not have a record of the individual's correct TIN, then it must solicit the TIN in the manner described in paragraph (e)(3)(iii) of

this section on or before December 31 of each year during which it receives payments, or bills amounts, for qualified tuition and related expenses or makes reimbursements, refunds, or reductions of such amounts with respect to the individual. If an individual refuses to provide his or her TIN upon request, the institution or insurer must file the return and furnish the statement required by this section without the individual's TIN, but with all other required information. The specific solicitation requirements of paragraph (e)(3)(iii) of this section apply in lieu of the solicitation requirements of § [301.6724-1\(e\) and \(f\)](#) of this chapter for the purpose of determining whether an institution or insurer acted in a responsible manner in attempting to obtain a correct TIN. An institution or insurer that complies with the requirements of this paragraph (e)(3) will be considered to have acted in a responsible manner within the meaning of § [301.6724-1\(d\)](#) of this chapter with respect to any failure to include the correct TIN of an individual on a return or statement required by section 6050S and this section.

(iii) Manner of soliciting TIN. An institution or insurer must request the individual's TIN in writing and must clearly notify the individual that the law requires the individual to furnish a TIN so that it may be included on an information return filed by the institution or insurer. A request for a TIN made on Form W-9S, "Request for Student's or Borrower's Taxpayer Identification Number and Certification," satisfies the requirements of this paragraph (e)(3)(iii). An institution or insurer may establish a system for individuals to submit Forms W-9S electronically as described in applicable forms and instructions. An institution or insurer may also develop a separate form to request the individual's TIN or incorporate the request into other forms customarily used by the institution or insurer, such as admission or enrollment forms or financial aid applications.

(4) Failure to furnish TIN. The section 6723 penalty may apply to any individual who is required (but fails) to furnish his or her TIN to an institution or insurer. See *section 6723*, and the regulations thereunder, for rules relating to the penalty for failure to furnish a TIN.

Sample Substitute Forms W-9S

The IRS has provided Form W-9S to be used by higher education institutions, lenders, and tuition insurance providers required to file Forms 1098-E and 1098-T to collect TINs from students and borrowers of student loans. Many institutions use the IRS form. Colleges and universities are allowed to design substitute forms to serve the same purposes, as long as the required information to taxpayers is included.

With the assistance of Student Financial Services Council and Tax Council members, NACUBO has designed two sample substitutes for Form W-9S. The first keeps the look and feel of a traditional IRS form; the second offers a more open approach. Features of the substitute Forms W-9S include:

- The substitute forms provide a signature block for students to certify that they are providing their correct TIN. (The IRS form offers a signature block only for borrowers.) Institutional policies usually call for a signature or means of authentication before changing key identifiers in student records.
- The instructions are more succinct and less formal. A warning not to email the form has been added.
- Both forms allow the institution's name to be inserted in a number of areas (highlighted in yellow). The second form also provides room for an institutional logo.
- The second form includes two options for students who do not provide a TIN.
- NACUBO members are welcome to use either of these sample forms, or to revise them further to meet their individual needs. Copies of the forms follow, but to customize them for use, access the Word documents on the NACUBO website.

If We Use a Substitute Form W-9S to Update a Student's TIN, How Long Do We Have to Keep the Form on File?

The IRS does not have specific retention requirements for W-9S. Generally, one is required to keep tax records for as long as the relevant returns could be amended or audited. Some schools keep them as part of the student's permanent record, others a much shorter time. Many schools collect students' TINs without using a W-9S at all. It is up to your institution to decide its own policy on this matter.

Substitute Form W-9S [Version 1](#)

Substitute Form W-9S [Version 2](#)

The official version of Form W-9S is available on the IRS website at <http://www.irs.gov/pub/irs-pdf/fw9s.pdf>.

Form **W-9S**
(Substitute Dec 2017)**Request for Student's or Borrower's Taxpayer Identification Number and Certification**Go to www.irs.gov/FormW9S for the latest informationGive form to **<inst name>**. Do NOT send to the IRS.**Part I Student or Borrower Identification (All must complete.)**

Please print or type	Name of student or borrower (see instructions)	Taxpayer identification number
	Address (number, street, and apt. or suite no.)	
	City, state, and ZIP code	

Part II Student Loan Certification (Complete for student loans only.)

I certify that all of the loan proceeds are solely to pay for qualified higher education expenses.

Sign Here

Signature of borrower ▶

Date ▶

Part III Requester Information (Optional)

Requester's name and address <Office, Inst Name, address, contact info>	Tuition account number
	Loan account number

General Instructions

Future developments. For the latest information about developments related to Form W-9S and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9S.

Purpose of form. An eligible educational institution, such as **<Inst name>**, or a lender of a student loan must get your correct identifying number to file certain information returns with the IRS and to furnish a statement to you. For students, this will be your Social Security number (SSN) or, if you are not eligible to obtain an SSN, your individual taxpayer identification number (ITIN). The returns they must file contain information about qualified tuition and related expenses (Form 1098-T, Tuition Statement) and student loan interest (Form 1098-E, Student Loan Interest Statement). The information about your tuition will help to determine whether you, or the person who can claim you as a dependent, may take either the tuition and fees deduction or claim an education credit to reduce federal income tax. The information about your student loan interest will help to determine your deduction for such interest. For more information, see Pub. 970, Tax Benefits for Education.

Use Form W-9S to give your correct SSN or ITIN to **<Inst name>** and, if applicable, to certify that the proceeds of a loan are being used, or will be used, solely to pay for qualified higher education expenses (defined on page 2). You are required to provide the requested information.

Note: **<Inst name>** or the lender may request your SSN or ITIN and certification on paper or electronically.

Specific Instructions**Part I. Student Identification**

You must complete this part.

Name and address. Enter the name and mailing address of the student if the request for the student's SSN or ITIN is being made because of tuition payments. Enter the name and mailing address of the borrower if the request for the borrower's SSN or ITIN is being made because of a student loan.

Note: If you pay tuition to and have a student loan from **<Inst name>** and the student is not the loan borrower (for example, the borrower is the student's parent), complete two Forms W-9S, one for the student and one for the loan borrower.

Taxpayer's identifying number. Enter your SSN or ITIN. If you do not have an SSN or ITIN and you have applied for one or you intend to apply for one soon, write "Applied For" in the space provided. If the IRS has deactivated your ITIN, you may still use it on Form W-9S. However, you will have to apply to renew your deactivated ITIN when you need to file a tax return. For more information, see the Instructions for Form W-7.

How to get an SSN or ITIN. To apply for an SSN, use Form SS-5, Application for a Social Security Card, that you can get from your local Social Security Administration office or get this form online at www.SSA.gov/forms. You may also get this form by calling 1-800-772-1213.

To apply for an ITIN because you are not eligible to get an SSN, use Form W-7, Application for IRS Individual Taxpayer Identification Number. Go to www.irs.gov/Forms to view, download, or print Form W-7. Or you can go to www.irs.gov/OrderForms to place an order and have Form W-7 mailed to you within 10 business days.

Part II. Student Loan Certification

If your loan is a student loan incurred solely to pay for qualified higher education expenses, sign the certification in Part II. If you do not sign the certification, the lender may not issue or file Form 1098-E for student loan interest on your behalf. Do not sign the certification for a mixed-use loan, because such a loan is not used solely for qualified higher education expenses. However, you may sign the certification for a revolving line of credit or similar loan if you use the line of credit solely to pay for qualified higher education expenses.

Qualified higher education expenses. These expenses are the costs of attending <Inst name>, including graduate school, on at least a half-time basis. Generally, these costs include tuition and certain related expenses. See Pub. 970 for more information.

Part III. Requester Information

This part is not required to be completed. It is provided for the convenience of <Inst name> to help identify the account to which this Form W-9S relates. <Inst name> may enter its name and address and a tuition or loan account number.

Note: For information about electronic submission of Forms W-9S, see the Instructions for Forms 1098-E and 1098-T.

Penalties

Failure to furnish correct SSN or ITIN. If you fail to furnish your correct SSN or ITIN to <Inst name>, you are subject to a penalty of \$50 unless your failure is due to reasonable cause and not to willful neglect.

Misuse of SSN or ITIN. If the requester discloses or uses your SSN or ITIN in violation of federal law, the requester may be subject to civil and criminal penalties.

Secure Your Tax Records From Identity Theft

Identity theft occurs when someone uses your personal information, such as your name, taxpayer identification number (TIN) or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your TIN to receive a refund.

To reduce your risk:

- Protect your TIN,
- Ensure the requester is protecting your TIN, and
- Be careful when choosing a tax preparer.

If your SSN has been lost or stolen or you suspect you are a victim of tax-related identity theft, visit www.irs.gov/IdentityTheft to learn what steps you should take.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes.

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established, legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

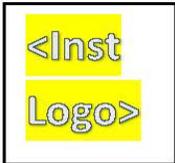
The IRS does not initiate contacts with taxpayers via email. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to phishing@irs.gov. You may also report misuse of the IRS name, logo, or other IRS personal property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit www.irs.gov/IdentityTheft to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to give your correct SSN or ITIN to persons who must file information returns with the IRS to report certain information. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, or to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.



Request for Student's or Borrower's Taxpayer Identification Number and Certification

(Substitute Form W-9S)

Return completed signed form, in person or by mail, to:

<Office of the Registrar>

<Inst Name>

<Address>

Do not submit this form to the IRS.

OPTIONAL:

Tuition account number:

Loan account number:

PART I	Name of Student or borrower (all must complete)	
	Address	
	Taxpayer Identification Number (SSN or ITIN) _ _ _ - _ _ - _ _ _	<Inst Name> Identification Number
	<input type="checkbox"/> I certify that the number shown on this form is my correct taxpayer identification number. <p style="text-align: center;"><i>OR</i></p> <input type="checkbox"/> I am a foreign national/nonresident alien and do not have a Social Security number or individual taxpayer identification number. I do not plan to file an income tax return in the U.S. (leave SSN/ITIN box in Part I blank) <p style="text-align: center;"><i>OR</i></p> <input type="checkbox"/> I do not wish to provide my taxpayer identification number to <inst name> at this time. I understand that I may be subject to an IRS fine of \$50 for failure to do so. I further understand that the IRS will not be able to use the Form 1098-T filed by <inst name> to confirm my eligibility for certain education tax benefits without my taxpayer identification number. (leave SSN/ITIN box in Part I blank) <p style="text-align: center;">AND</p>	
<hr/> <div style="display: flex; justify-content: space-between;"> Signature Date </div>		
PART II	<p><i>FOR STUDENT LOAN BORROWERS ONLY:</i></p> <p>I certify that all of the loan proceeds are solely to pay for qualified higher education expenses.</p>	
	<hr/> <div style="display: flex; justify-content: space-between;"> Signature Date </div>	

Instructions

Purpose. <inst name> must get your correct identifying number to file Form 1098-T, Tuition Statement, with the IRS and to furnish a statement to you. This will be your Social Security number (SSN) or, if you are not eligible to obtain an SSN, your individual taxpayer identification number (ITIN). Form 1098-T contains information about qualified tuition and related expenses to help determine whether you, or the person who can claim you as a dependent, may take either the tuition and fees deduction or claim an education credit to reduce federal income tax. For more information, see *IRS Pub. 970, Tax Benefits for Higher Education*.

Under federal law, you are required to provide the requested information.

Part I.

Enter your name and mailing address. The name should match that used by the Social Security Administration or Internal Revenue Service.

Taxpayer identification number. Enter your SSN or ITIN. If you do not have an SSN or ITIN, apply for one and fill out and return this form when you receive it.

Check one of the three boxes and sign your name in the space provided. The <registrar> cannot change your records without your signature. By law, <inst name> must ask you at least once a year for your taxpayer identification number in order to meet its obligation to file Form 1098-T.

Part II (for student loan borrowers only).

If your student loan is incurred solely to pay for qualified higher education expenses, sign Part II. If you fail to, the lender may not issue or file Form 1098-E for student loan interest. Do not sign Part II if your loan is for both qualified and non-qualified higher education expenses. You may sign Part II for a revolving line of credit or similar loan if you use the line of credit solely to pay for qualified higher education expenses.

Deliver or mail the completed form to the address provided. Do not email the form. Email is not a secure way to transmit personal information.

Penalties

Failure to furnish correct SSN. If you fail to furnish your correct SSN or ITIN to <inst name>, the IRS may impose a penalty of \$50 unless your failure is due to reasonable cause and not to willful neglect.

Misuse of SSNs. If <inst name> discloses or uses your SSN in violation of federal law, <inst name> may be subject to civil and criminal penalties.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to give your correct SSN or ITIN to persons who must file information returns with the IRS to report certain information. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation and to cities and states to carry out their tax laws.

Section IV. Responding to Penalty Notices for Missing or Incorrect Taxpayer Identification Numbers

Introduction

Internal Revenue Service (IRS) Notice 972CG imposes penalties for missing or incorrect taxpayer identification numbers (TINs) on Form 1098-T, the information return relating to higher education tuition and related expenses.

Notice 972CG proposes penalties of \$260 for each information return document sent with a missing or incorrect TIN, up to a maximum penalty of \$1,500,000 per year (\$500,000 for organizations with average annual gross receipts of \$5 million or less).

The recipient has 45 days to respond to Notice 972CG, either by agreeing to pay the full amount of the proposed penalty or by disagreeing with the proposed penalty, in whole or in part, and providing a signed statement explaining the basis for the disagreement, including any supporting documentation. Colleges and universities may request additional time to prepare their responses. Any request for extension must be received by the IRS Submission Processing Center in Philadelphia within 45 days. The IRS will not provide notification that an extension has been granted but will automatically add 30 days to the deadline for response.

Although colleges and universities have been required to file Form 1098-T for more than a decade, the IRS began penalizing institutions for missing or incorrect TINs in 2011. Accurate TIN reporting can be a challenge due to several reasons:

- *No TIN Matching.* Unlike other information return filers, such as banks and employers that may use an IRS-approved TIN matching service to verify the TINs reported on information returns, colleges and universities are not permitted to use TIN matching services for filing Form 1098-T. Yet the IRS does have its own internal TIN matching for purposes of verifying Form 1098-T. As a result of this asymmetry of information, colleges and universities are unfairly punished for filing Form 1098-T with missing or incorrect TINs.
- *No Leverage.* Colleges and universities cannot compel students to provide accurate TINs, because students lack an economic incentive to provide such information. Few schools would find it appropriate to refuse to provide educational services simply because a student did not have or chose not to provide a TIN.

Institutions that receive a Notice 972CG must respond to the Notice, either by delivering a written request for an extension to the IRS Philadelphia Service Center before the end of the 45-day period or by filing a reasonable cause letter asking for a waiver of the proposed fine, as discussed below. In addition, institutions should engage in a follow-up effort to obtain the TINs from the students identified on the Notice 972CG, and document such efforts for purposes of completing the reasonable cause letter. For example, institutions should issue Forms W-9S to the students identified in Notice 972CG and be sure to date the Forms W-9S after the date of the Notice.

If you received a penalty notice and your institution checked the box certifying that your institution properly solicited a TIN, be sure to include that information in your response to the IRS (see section on TIN Certification Checkbox, page 14).

This section was prepared to assist college and university officials in understanding what to do if their institution receives Notice 972CG. In addition, template and sample documents for use in responding to Notice 972CG are attached at the end of this document.

Attorneys from Morgan, Lewis & Bockius LLP (Celia Roady and Alexander Reid) assisted in preparing this section of NACUBO's 1098-T guidance. It is not intended to substitute for advice from legal counsel.

What to Do After Receiving Notice 972CG

Requesting an Extension

The Notice must be answered within 45 days *from the date listed on the Notice*. If an institution requires more time to respond to the Notice, it must deliver a written request to the Philadelphia Campus Site address listed on the Notice before the end of the 45-day period. The request for an extension must be *received* by the Philadelphia office by the end of the 45-day period. Institutions are strongly advised to keep a date-stamped copy of the letter and to use a delivery method that includes delivery confirmation of its correspondence. The institution will not receive a response but will be granted an additional 30 days to respond.

Waiver Procedure

The penalty may be waived by showing that the failures were due to reasonable cause and not to willful neglect.

Reasonable Cause: What It Is, How to Establish It, and How to Document It

To show that the failure was due to reasonable cause and not willful neglect, the filing institution must establish that it acted in a responsible manner both before and after the failure occurred and that:

1. There were significant mitigating factors; or
2. The failure was due to events beyond the filer's control.

Mitigating factors include the fact that prior to the failure, the filing institution was never required to file Form 1098-T and the filing institution has an established history of filing information returns with correct TINs. In determining whether the filing institution has such an established history, consideration is given to whether in prior years the filer has incurred any penalty for failure to file correct information returns, failure to furnish correct payee statements, or failure to comply with other information reporting requirements. If the filing institution incurred any such penalty, consideration is given to the extent of the filer's success in lessening its error rate from year to year.

Events beyond the filing institution's control generally include, but are not limited to:

1. The unavailability of the relevant business records—ordinarily for at least a two-week period prior to the due date of the required return. The unavailability must have been caused by a supervening event, including, but not limited to, a fire or other casualty, a statutory or regulatory change that has a direct impact upon data processing such that the filer cannot comply by the due date of the return, or the unavoidable absence (e.g., due to death or serious illness) of the person with the sole responsibility for filing the return.
2. Certain actions of the IRS, which require reasonable reliance on erroneous written information from the IRS. Reliance is reasonable if the filer relied in good faith on the information and the IRS was aware of all the facts when it provided the information to the filer. The filer must provide a copy of the written information provided by the IRS and, if applicable, the filer's written request for the information.
3. Certain actions of an agent. The filer must show that the filer exercised reasonable business judgment in contracting with the agent to file timely, correct returns with respect to which the failure occurred, including contracting and providing the proper information sufficiently in advance of the due date, and that the agent also had reasonable cause for failing to file the correct information returns.
4. Certain actions of the payee or any other person providing necessary information with respect to the return. If the person required to provide information necessary for the filer to comply with the information reporting requirements fails to provide that information or provides incorrect information, which the filer relies on in good faith, the filer must show that. The filer must provide documentary evidence upon request of the IRS showing that the failure was attributable to the payee.

Generally, acting in a responsible manner means that the filer exercised reasonable care and that the filer undertook significant steps to avoid or mitigate the failure, including, where applicable, requesting appropriate extensions of time to file, attempting to prevent an impediment if it was foreseeable, acting to remove an impediment of the cause of the failure once it occurred, and rectifying the failure as promptly as possible once discovered.

There are special rules for showing that the filer acted in a responsible manner with respect to missing and incorrect TINs when the filer is seeking a waiver based on payee's failure to provide the correct TIN. In that case, the filer will be found to have acted in a responsible manner only if the filer makes the initial and annual solicitations required of the filer.

1. **Initial solicitation.** An initial solicitation must be made at the time an account is opened or at some other initial point of contact with the student.
2. **Annual solicitation.** A filer must undertake an annual solicitation if a TIN is not received as a result of an initial solicitation. This first annual solicitation must be made on or before December 31 of the year in which the account is opened, or at some other initial point of contact with the student. If the TIN is not received as a result of the first annual solicitation, the filer must undertake a second annual solicitation.

Solicitations can be made by mail or electronically. The requirements for each type of solicitation are as follows:

- **Mail solicitations.** The mailing should include:
 - A letter stating that the payee must provide an accurate TIN and that failure to do so may result in a penalty per incorrect document.
 - Form W-9 or a significantly similar substitute document.
 - A return envelope that may be (but is not required to be) prepaid.
- **Electronic solicitations.** The electronic system must:
 - Ensure that the information received is the information sent, and document all occasions of user access that result in submission;
 - Make it reasonably certain that the person accessing the system and submitting the form is the person identified on the Form W-9;
 - Provide the same information as the paper Form W-9; and
 - Require as the final entry in the submission an electronic signature by the payee whose name is on the Form W-9 that authenticates and certifies the submission.

Other Arguments to Consider in a Penalty Waiver Request

There are a number of other arguments that the institution may wish to include in a penalty waiver request, based not on the practices of the institution but rather on the information reporting process generally.

Unavailability of TIN Matching

Institutions do not have access to TIN matching, and it is therefore inappropriate to impose penalties for providing an incorrect TIN. Because institutions filing Form 1098-T do not have access to the TIN Matching Program, they have no mechanism to verify TINs provided by students. Unless institutions are given access to TIN matching through legislation, if the IRS expects institutions to include TINs on Form 1098-T, the IRS should stop imposing penalties for filing incorrect TINs or give notice of an incorrect TIN before a penalty can be imposed. It is not sufficient to waive the penalty after the fact, because the institution is still forced to comply with the burdensome waiver process.

Lack of Leverage

Colleges and universities cannot compel students to provide accurate TINs, and there is no economic incentive for students to provide such information. Unlike backup withholding or other information reporting associated with a payment, the entity with the reporting obligation cannot require accurate TIN information as a condition to receiving a payment. It would be inappropriate for the IRS to force colleges and universities to withhold education from individuals who fail to provide accurate TINs by imposing penalties up to \$1.5 million for noncompliance.

This fact, in combination with the absence of TIN matching and the relative unimportance of Form 1098-T to tax administration, makes it inappropriate to assess penalties on colleges and universities for providing inaccurate TINs on Form 1098-T.

Demonstrating Future Compliance

An institution should be able to demonstrate to the IRS that it will act in a responsible manner in regard to collecting and including accurate TINs on future Forms 1098-T. In establishing this, the institution may wish to provide documents detailing its plan for conducting initial and annual solicitations or revamping its current solicitation system to increase compliance, including copies of any letters that will be sent to students or information detailing the electronic system that will be used.

The institution should also demonstrate to the IRS a follow-up effort to obtain the TINs from the students identified in the notice and should include evidence of this effort with the reasonable cause letter. For example, institutions should issue Forms W-9S to the students identified in Notice 972CG and be sure to date the Forms W-9S after the date of the Notice. It would be reasonable to restrict this follow-up activity to currently enrolled students. Institutions that have not routinely followed the annual solicitation requirements should particularly emphasize the follow-up efforts to obtain missing TINs and the other procedures that have been or will be put into place to comply with the annual solicitation requirement in the future.

Correction of Prior Filings

Once a correct TIN is received from the payee, the institution should include the correct TIN on any future information returns. A correction for a return with a missing or incorrect TIN is not required to be filed. A correction may be filed if the institution is still within the period where a correction would lead to an abatement of the penalty, as discussed above.

Whom to Contact for Help

The 972CG Notice lists the phone number for the IRS information reporting help desk: 866.455.7438. This is the best source of information from the IRS.

At NACUBO, questions may be directed to [Bryan Dickson](mailto:bryan.dickson@nacubo.org), assistant director, advocacy and student financial services, at bryan.dickson@nacubo.org or 202.861.2505; or [Mary Bachinger](mailto:mary.bachinger@nacubo.org), director, tax policy, at mary.bachinger@nacubo.org or 202.861.2581.

Appendix A: The American Opportunity Tax Credit and Lifetime Learning Credit

The American Opportunity Tax Credit (AOTC) is a federal tax credit for qualified expenses paid for eligible students for the first four years of higher education. The amount of the credit is 100 percent of the first \$2,000 of qualified education expenses you paid for each eligible student and 25 percent of the next \$2,000 of qualified education expenses you paid for that student. That means the maximum annual credit is \$2,500 per student. The AOTC is refundable, meaning if the credit brings the amount of tax a student owes to zero, the student can have 40 percent of any remaining amount of the credit—up to \$1,000—refunded.

The Lifetime Learning Credit (LLC) is also a credit for qualified tuition and related expenses paid for higher education and is available for not only undergraduate courses, but also graduate and professional degree courses, including those to acquire or improve job skills. There is no limit on the number of years a student can claim the credit, and it is worth up to \$2,000 annually per student. The LLC is not a refundable tax credit.

Appendix B: Sample Request for Waiver/Reasonable Cause Letter

[insert date]

Internal Revenue Service
Submission Processing Center
Philadelphia, PA 19255-0633

[For hand or overnight delivery:
2970 Market Street
MS-4-G 08151
Philadelphia, PA 19104-5016]

RE:	Taxpayer:	[institution name]
	EIN:	xx-xxxxxxx
	Notice Number:	972-CG
	Tax Period:	201112
	Penalty Reference Code:	502
	Amount of penalty being challenged:	[Amount]

To Whom It May Concern:

The purpose of this submission is to set forth the response of [Name of Institution] (the “Institution”) to the IRS’s Notice of Proposed Penalty 972-CG (the “Notice”) dated [Date]. The Notice proposes a penalty of [Amount] with respect to the Institution’s filing of Form 1098-T with missing or incorrect taxpayer identification number (“TIN”) information. As explained more fully below, this failure was due to reasonable cause and not willful neglect by the Institution. The Institution therefore respectfully requests a waiver of the penalty under Section 6724(a) of the Internal Revenue Code (“Code”).

Penalty Relief

Code Section 6724(a) provides that “[n]o penalty shall be imposed under this part with respect to any failure if it is shown that such failure is due to reasonable cause and not to willful neglect.” Section 6724 reasonable cause relief applies to Forms 1098-T relating to payments for qualified tuition and related expenses.

Generally, Treasury Regulation §301.6724-1 states that reasonable cause may be established by:

1. Showing that the filer acted in a responsible manner both before and after the failure occurred; and
2. The filer establishes that the failure arose from events beyond the filer’s control or that there were significant mitigating factors.

The Institution Acted in a Responsible Manner Both Before and After the Failure Occurred

The Institution has acted in a responsible manner by exercising reasonable care in obtaining students’ TINs and identifying incorrect TINs provided by students.

When a student enrolls at the Institution, the Institution requests the student’s TIN as part of the enrollment process, which is when an account is opened for the student. This solicitation is to meet many requirements, including any IRS reporting that may be required, and serves as the initial solicitation required under Treasury Regulations § 301.6724-1.

National Association of College and University Business Officers

If a student has not provided a TIN to the Institution, the Institution issues the student a written solicitation request accompanied by IRS Form W-9S, "Request for Student's or Borrower's Taxpayer Identification Number and Certification" either by mail or email. [The Institution includes a return envelope in the mailing.] The Institution makes the solicitation in November of every year. This second solicitation meets the requirements for the first annual solicitation required by Treasury Regulation § 301.6724-1.

Attached to this letter is a sample notification sent to students for whom the Institution does not have a TIN on file.

If the Institution does not receive the TIN in response to the first annual solicitation, the Institution mails a second annual solicitation to the student.

In addition to the notification sent to students, a hold is placed on the student's account. This hold informs the student that a valid TIN is missing from the Institution's records. The hold message on the student account is reproduced immediately below.

"[Institution name] requires your correct identifying number to file certain information returns with the IRS and to furnish a statement to you. For students, this will be your Social Security number (SSN) or, if you are not eligible to obtain an SSN, your individual taxpayer identification number (ITIN). Please note that if you are a nonresident alien and do not have income that is subject to tax, you are not required to supply this information to us.

To obtain an identifying number, please complete the W-9S found at [link to W-9S available from institution's student accounts web page].

Failure to provide your correct identifying number could result in a penalty from the IRS imposed on each incorrect document.

Please return completed forms, school ID and your copy of the SSN/ITIN card to:

Hand Delivery:
Student Financial Services
[insert delivery address]

Mailing Address:
Student Financial Services
[insert mailing address]

Requested information may also be faxed to Student Account Services at xxx-xxx-xxxx, ATTN: Tax Processor. Please note this information SHOULD NOT be emailed."]

While the Institution follows strict data input and verification procedures, it also expects and has found that students will sometimes provide incorrect information. The Institution also has a system in place to determine when TINs submitted by students are likely to be incorrect. The system notifies the Institution of TINs reported that are likely to be false, including those that contain a series of repeating numbers (555-55-5555), a clear numerical pattern (123-45-6789), two zeros in the middle grouping or last grouping (XX-00-XXXX, or XXX-XX-0000), or numbers with the first three digits of 000, 666 or 900-999, as the Social Security Administration does not issue numbers with these groupings.

The Failure Arose From Events Beyond the Institution's Control

Treasury Regulation § 301.6724-1 states that reasonable cause may be established by showing that the failure to correctly file an information return arose from events beyond the filer's control. The regulations and IRS Publication 1586 state that an example of an event beyond the filer's control is when a payee does not provide necessary information with respect to the return.

As described above, the Institution acted responsibly and with ordinary business care and prudence in its attempts to solicit TIN information from students upon enrollment and then annually for two consecutive years. However, some students still did not provide this information, and the Institution consequently did not have access to the students' TINs to include in Form 1098-T. The students' compliance in reporting this information is necessary for the correct filing of Form 1098-T. The students' failure to comply represents an event outside the Institution's control.

Attached to this letter are examples of an initial solicitation and two annual solicitations the Institution sent to [five] of the students whose Forms 1098-T were filed with missing TINs. The Institution complied with this process for each Form 1098-T submitted with a missing TIN.

Further, despite the Institution's system's operation to catch incorrect TINs, some incorrect TINs that students provided were reported on Form 1098-T. Attached to this letter are [five] Forms W-9S that report an incorrect TIN, which was then repeated on Form 1098-T.

Significant Mitigating Factors Demonstrate the Institution's Past Compliance

The Institution's preceding tax years demonstrate that it has an established history of compliance with information reporting requirements, and that the Institution was not willfully neglectful in its failure to correctly file Form 1098-T.

The Institution places great importance in complying with IRS reporting requirements and regulations. Notice 972-CG was the first instance in which the Institution was made aware of missing or incorrect TINs. The Institution will use this information to continue to review and improve its solicitation and reporting procedures to ensure the correct filing of Form 1098-T in the future. The Institution has also rarely incurred penalties related to information returns other than Forms 1098-T. To the extent that the Institution has incurred any such penalties, those penalties have been steadily reduced over time.

Additional Arguments That a Penalty Is Inappropriate Under These Circumstances

Unavailability of TIN Matching

Unlike other third-party information reporters, colleges and universities do not have access to the TIN Matching Program. It is therefore inappropriate to impose penalties on the Institution for providing incorrect TINs on Form 1098-T. Without access to the TIN Matching Program, colleges and universities have no mechanism to verify TINs provided by students. Unless or until colleges and universities gain access to the TIN Matching Program, which may require federal legislation, it is inappropriate for the IRS to impose penalties for filing incorrect TINs. At a minimum, the IRS should give notice to colleges and universities that have filed Form 1098-T with incorrect TINs before imposing any penalties. Notice 972CG is not an appropriate mechanism for informing colleges and universities of incorrect TINs, because Notice 972CG is a penalty notice. Although the IRS may waive such penalties on a case-by-case basis, such waiver is discretionary. Moreover, it is burdensome for the Institution to show reasonable cause and request such a waiver.

Lack of Leverage

Penalties should be waived, because the Institution cannot compel students to provide accurate TINs, and there is no economic incentive for students to provide such information. Unlike backup withholding or other information reporting associated with a payment, the entity with the reporting obligation cannot require accurate TIN information as a condition to receiving a payment.

This fact, in combination with the absence of TIN matching and the relative unimportance of Form 1098-T to tax administration, makes it inappropriate to assess penalties on colleges and universities for providing inaccurate TINs on Form 1098-T.

The Institution Is Acting Responsibly in Response to this Notice

Upon receipt of Notice 972-CG, the Institution acted responsibly in submitting a written request for extension to file within 45 days of the notice to allow the Institution more time to adequately evaluate the penalty proposal. The Institution is now working to evaluate its procedures and possibly adopt new procedures to ensure its future compliance with information reporting requirements, including [placing a hold on student registrations that have not provided TIN information, developing an electronic system for collecting the relevant information, and enlisting third-party services to more closely monitor the accurate and timely filing of Form 1098-T].

The Institution also plans to inform the students identified in the Notice that the Institution's records do not match the IRS's records for the student's TIN and name combination. This notification to the students will include a copy of IRS Form W-9S.

Conclusion

As established above, there is reasonable cause for the missing or incorrect TINs reported. In summary, the Institution meets the reasonable cause relief standards as follows:

1. The Institution acted in a responsible manner both before and after the failure occurred. The Institution has established procedures that ensure TINs are solicited at the inception of any student relationship and annually if so required.
2. The Institution established that the failure arose from events beyond its control.

The Institution requests TIN information from all students. Occasionally, this TIN information is provided incorrectly at the source, which leads to errors in information reporting. In other situations, this TIN information is not provided at all, despite multiple solicitations. Each of these failures is due to circumstances beyond the Institution's control.

The Institution takes its tax compliance requirements seriously, and in no way was the Institution willfully neglecting or disregarding the tax laws. The Institution respectfully requests relief of the proposed penalties, for the reasons stated above.

Please contact me at [xxx.xxx.xxxx] if additional information is required. Thank you for your assistance with this matter.

I hereby certify, under penalties of perjury, to the best of my knowledge, the information provided in this document is true and correct. Should any information change, I will promptly notify the Internal Revenue Service immediately at the applicable address.

Very truly yours,
[Signature of person responsible for filing Forms 1098-T]

Enclosures

Appendix C: Sample Request for Extension

[insert date]

Internal Revenue Service
Submission Processing Center
Philadelphia, PA 19255-0633

[For hand or overnight delivery:
2970 Market Street
MS-4-G 08151
Philadelphia, PA 19104-5016]

Re:	Taxpayer:	[institution name]
	EIN:	xx-xxxxxxxx
	Notice Number:	972-CG
	Tax Period:	201112
	Penalty Reference Code:	502
	Amount of penalty being challenged:	[Amount]

To Whom It May Concern:

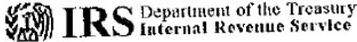
We are writing to request an extension of the current deadline for responding to the above Notice of Proposed Penalties regarding the incorrect filing of information return 1098-T.

Notice 972-CG was issued to [Institution name] (the "Institution") on [Date]. We are submitting this letter within 45 days of the issuance date of Notice 972-CG respectfully to request an extension. The Institution requires additional time to adequately review the proposal and collect the documentation required to respond. The Institution also desires to review its current procedures in place concerning the solicitation and reporting of student information in order to ensure the Institution's present and future compliance with the requirements of Form 1098-T.

Please contact me at [xxx.xxx.xxxx] if additional information is required. Thank you for your assistance with this matter.

Sincerely,

Appendix D: Sample Notice 972CG

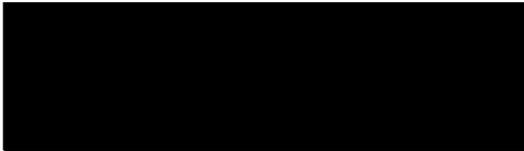


PHILADELPHIA, PA 19255-0633

IF YOU WRITE OR CALL US, REFER TO THIS INFORMATION:

NOTICE NUMBER: 972CG
BOD CODE: TE2
DATE OF THIS NOTICE: 08/06/2018
TAXPAYER IDENTIFICATION NUMBER:
FORM: CVL PEN
TAX PERIOD: 201612
PENALTY REFERENCE CODE: 502

FOR INFORMATION, PLEASE CALL: 1-866-455-7438



000261

A PENALTY IS PROPOSED FOR YOUR 2016 INFORMATION RETURNS ACTION REQUIRED

OUR RECORDS SHOW THAT YOU DIDN'T FILE CERTAIN INFORMATION RETURNS CORRECTLY AS REQUIRED BY INTERNAL REVENUE CODE (IRC) SECTION 6721 FOR THE TAX PERIOD SHOWN ABOVE. THE LAW ALLOWS FOR A PENALTY FOR FILING INFORMATION RETURNS INCORRECTLY. A PENALTY IS PROPOSED IN THE AMOUNT OF \$64,480.00. INTEREST ON THIS PENALTY WILL NOT BE CHARGED UNTIL AFTER YOU RECEIVE A BILL.

PLEASE READ THIS NOTICE CAREFULLY. IT EXPLAINS THE PROPOSED PENALTY AND WHAT YOU SHOULD DO IF YOU AGREE OR DISAGREE WITH THE PROPOSAL. THIS PENALTY WILL BE CHARGED IF YOU DON'T RESPOND TO THIS NOTICE. THE PROPOSED PENALTY IS EXPLAINED UNDER THE "EXPLANATION OF PENALTY" SECTION.

HOW YOU SHOULD RESPOND TO THIS NOTICE

PLEASE REVIEW YOUR RECORDS RELATED TO FILING THE RETURNS LISTED ON PAGE 2.

-- IF YOU AGREE TO THE FULL AMOUNT OF THE PROPOSED PENALTY, DO ALL OF THE FOLLOWING:

- 1. CHECK BOX (A) ON THE RESPONSE PAGE OF THIS NOTICE.
2. SIGN AND DATE THE CONSENT OF PENALTY ASSESSMENT.
3. ENCLOSE YOUR PAYMENT IN FULL. MAKE YOUR CHECK OR MONEY ORDER PAYABLE TO THE UNITED STATES TREASURY.
4. ENCLOSE THE APPROPRIATE MAILING STUB TO INDICATE WHETHER A PAYMENT IS INCLUDED.
5. ENSURE THE ADDRESS ON THE STUB APPEARS IN THE ENVELOPE WINDOW.

-- IF YOU DON'T AGREE WITH ALL OR PART OF OUR FINDINGS OR BELIEVE YOU HAVE A REASON ALL OR PART OF THIS PENALTY SHOULD NOT BE CHARGED, DO ALL OF THE FOLLOWING:

- 1. CHECK BOX (B) OR (C) ON THE RESPONSE PAGE OF THIS NOTICE.
2. ENCLOSE A SIGNED STATEMENT EXPLAINING WHY YOU DISAGREE.
3. INCLUDE ANY SUPPORTING DOCUMENTS YOU WISH TO HAVE CONSIDERED.
4. IF YOU AGREE TO PART OF THE PENALTY, ENCLOSE YOUR PAYMENT. MAKE YOUR CHECK OR MONEY ORDER PAYABLE TO THE UNITED STATES TREASURY.
5. ENCLOSE THE APPROPRIATE MAILING STUB TO INDICATE WHETHER A PAYMENT IS INCLUDED.
6. RETURN THE RESPONSE PAGE OF THIS NOTICE WITH YOUR STATEMENT AND DOCUMENTS IN THE ENCLOSED ENVELOPE (ENSURE THE ADDRESS APPEARS IN THE ENVELOPE WINDOW). PLEASE INCLUDE A TELEPHONE NUMBER, INCLUDING THE AREA CODE, AND THE BEST TIME TO CALL.

IT'S IMPORTANT THAT YOUR COMPLETED RESPONSE BE RECEIVED WITHIN 45 DAYS FROM THE DATE OF THIS NOTICE. YOU HAVE 60 DAYS TO RESPOND IF YOU LIVE OUTSIDE THE UNITED STATES. IF YOU DO NOT RESPOND WITHIN THIS PERIOD, YOU WILL RECEIVE A BILL CALLED "NOTICE OF PENALTY CHARGE" FOR THE AMOUNT OF THE PROPOSED PENALTY. INTEREST WILL BE CHARGED FROM THE DATE OF THE "NOTICE OF PENALTY CHARGE" TO THE DATE PAYMENT IS RECEIVED IN FULL.

IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE, YOU MAY WRITE TO THE RETURN ADDRESS ON THIS NOTICE. IF YOU PREFER, YOU MAY CALL THE TELEPHONE NUMBER SHOWN ABOVE FOR GENERAL INFORMATION ABOUT THIS NOTICE. HOWEVER, THE OFFICE AT THE ADDRESS SHOWN ON THIS NOTICE IS MOST FAMILIAR WITH YOUR CASE.

SUMMARY OF PROPOSED PENALTY

THE SUMMARY ON THE FOLLOWING PAGE SHOWS THE INFORMATION RETURNS FOR WHICH A PENALTY IS PROPOSED AND THE AMOUNT OF PENALTY FOR EACH PENALTY TYPE. THE AMOUNT OF THE PROPOSED PENALTY MAY BE LOWER THAN THE ACTUAL PENALTY AMOUNT DUE TO THE DOLLAR LIMITATIONS IMPOSED UNDER IRC 6721.

PROPOSED PENALTY AMOUNT: \$64,480



PROPOSED PENALTY AMOUNT -- THIS AMOUNT MAY BE LESS THAN THE TOTAL OF THE INDIVIDUAL PENALTY AMOUNTS SHOWN ABOVE IF MORE THAN ONE TYPE OF PENALTY APPLIES TO ANY OF THE RETURNS FILED. FOR EXAMPLE, IF YOU FILED A RETURN LATE AND WITH A MISSING TAXPAYER IDENTIFICATION NUMBER, THE RETURNS WILL BE SHOWN IN BOTH PENALTY COLUMNS. HOWEVER, THE MAXIMUM CHARGE IS \$260 FOR THAT RETURN.

000261

LATE FILING PENALTY -- THIS PENALTY APPLIES TO RETURNS FILED AFTER THE DUE DATE. IT MAY ALSO APPLY TO RETURNS FILED BY THE DUE DATE BUT NOT FILED CORRECTLY.

ELECTRONIC MEDIA PENALTY -- THIS PENALTY APPLIES TO THE NUMBER OF PAPER RETURNS OVER 250 THAT YOU FILED.
NOTE: FINANCIAL INSTITUTIONS MUST FILE ALL FORM 1042-S DOCUMENTS ELECTRONICALLY.

INCORRECT TIN -- THIS PENALTY APPLIES TO RETURNS FILED WITH A MISSING OR INCORRECT TAXPAYER IDENTIFICATION NUMBER.

PENALTY TYPE	TIN	ELECTRONIC	LATE			TOTALS
			TIER 1	TIER 2	TIER 3	
1098-T	244	0	0	0	0	244
1099-MISC	4	0	0	0	0	4
NO. OF PENALTIES	248	0	0	0	0	
X	\$260	\$260	\$50	\$100	\$260	TOTALS
GROSS PEN. MINUS DUPS	\$64,480	\$0	\$0	\$0	\$0	\$64,480
	\$0	\$0	\$0	\$0	\$0	\$0
	\$64,480	\$0	\$0	\$0	\$0	\$64,480
TIER CAP LIMITATION	\$64,480	\$0	\$0	\$0	\$0	\$64,480
TOTAL PROPOSED PENALTY						\$64,480



000261



RESPONSE TO PROPOSED PENALTY FOR YOUR TAX YEAR 2016 INFORMATION RETURNS

PLEASE CHECK THE BOX THAT APPLIES TO YOU AND RETURN THIS PAGE IN THE ENCLOSED ENVELOPE. PLEASE REMEMBER TO INCLUDE THE APPROPRIATE MAILING STUB AND INSERT IT IN THE ENCLOSED ENVELOPE SO THE ADDRESS APPEARS IN THE ENVELOPE WINDOW.

PLEASE CHECK ONLY ONE BOX:



000261

- () (A) TOTAL AGREEMENT WITH THE PROPOSED PENALTY - I CONSENT TO THE IMMEDIATE ASSESSMENT AND COLLECTION OF THE PENALTY AMOUNT SHOWN IN THIS NOTICE, PLUS ANY APPLICABLE INTEREST.
I HAVE () HAVE NOT () ENCLOSED A PAYMENT.

SIGNATURE _____

DATE _____

- () (B) PARTIAL AGREEMENT WITH THE PROPOSED PENALTY - I AGREE WITH PART OF THE PROPOSED PENALTY SHOWN IN THIS NOTICE. I HAVE ATTACHED A SIGNED STATEMENT AND SUPPORTING DOCUMENTS EXPLAINING WHICH ITEMS I DISAGREE WITH AND WHY I DISAGREE, OR WHY I FEEL YOU SHOULDN'T CHARGE PART OF THE PROPOSED PENALTY.
I HAVE () HAVE NOT () ENCLOSED A PAYMENT.

- () (C) TOTAL DISAGREEMENT WITH THE PROPOSED PENALTY - I DISAGREE WITH THE ENTIRE PROPOSED PENALTY SHOWN IN THIS NOTICE. I'VE ATTACHED A SIGNED STATEMENT AND SUPPORTING DOCUMENTS EXPLAINING WHY THE PROPOSED PENALTY IS INCORRECT, OR AN ACCEPTABLE REASON WHY YOU SHOULDN'T CHARGE THIS PROPOSED PENALTY.

TELEPHONE NUMBER: () _____ BEST HOURS TO CALL: _____
(INCLUDE AREA CODE)

PLEASE DO NOT DETACH

IRS INFORMATION: PHILADELPHIA SERVICE CENTER [REDACTED]

08/06/2018 972CG

CORRESPONDENCE ONLY (NO PAYMENTS)

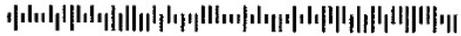
1. Write on all attached pages:
Name, taxpayer identification number, 972CG Notice, and tax period
2. Include your phone numbers: () - home () - work/cell
3. Best time to call: a.m. p.m.

Address change? Correct it below.



INTERNAL REVENUE SERVICE
PHILADELPHIA, PA 19255-0633

000261



Cut Here



972CG Correspondence Only. Cut the stub (Philadelphia, PA) above, and place in the enclosed envelope, ensuring the entire address appears in the envelope window.

972CG Payment (with or without correspondence). Cut the stub below (Kansas City, MO) and place in the enclosed envelope, ensuring the entire address appears in the envelope window.



Cut Here

IRS INFORMATION: PHILADELPHIA SERVICE CENTER [REDACTED]

08/06/2018 972CG

PAYMENT (WITH OR WITHOUT CORRESPONDENCE)

1. Make check payable to: United States Treasury Amount Enclosed: \$ _____
2. Write on payment and all attached pages:
Name, taxpayer identification number, 972CG Notice, and tax period
3. Include your phone numbers: () - home () - work/cell
4. Best time to call: a.m. p.m.

Address change? Correct it below.



INTERNAL REVENUE SERVICE
Kansas City, MO 64999-0202



Advisory 18-06

Guide to Form 1098-T Information Reporting

December 2018

