

Forms 1096 and 1099, giving all the information required by such form and by the regulations in this part. A separate Form 1099 must be prepared for each shareholder to whom such distribution was made, showing the name and address of such shareholder, the number and class of shares owned by him in liquidation of which such distribution was made, and the total amount distributed to him on each class of stock. If the amount distributed to such shareholder on any class of stock consisted in whole or in part of property other than money, the return on such form shall in addition show the amount of money distributed, if any, and shall list separately each class of property other than money distributed, giving a description of the property in each such class and a statement of its fair market value at the time of the distribution. Such forms, accompanied by transmittal Form 1096 showing the number of Forms 1099 filed therewith, shall be filed on or before February 28 (March 31 if filed electronically) of the year following the calendar year in which such distribution was made with any of the Internal Revenue Service Centers, the addresses of which are listed in the instructions for Form 1096.

(b) If the distribution is in complete liquidation of a domestic corporation pursuant to a plan of liquidation in accordance with which all the capital stock of the corporation is cancelled or redeemed, and the transfer of all property under the liquidation occurs within some one calendar month pursuant to section 333, and any shareholder claims the benefit of such section, the return on Form 1096 shall show:

(1) The amount of earnings and profits of the corporation accumulated after February 28, 1913, determined as of the close of such calendar month, without diminution by reason of distributions made during such calendar month, but including in such computation all items of income and expense accrued up to the date on which the transfer of all the property under the liquidation is completed;

(2) The ratable share of such earnings and profits of each share of stock canceled or redeemed in the liquidation;

(3) The date and circumstances of the acquisition by the corporation of any or securities distributed to shareholders in the liquidation;

(4) If the liquidation is pursuant to section 333(g), a schedule showing the amount of earnings and profits to which the corporation has succeeded after December 31, 1963, pursuant to any corporate reorganization or pursuant to a liquidation to which section 332 applies, except earnings and profits which on December 31, 1963, constituted earnings and profits of a corporation referred to in section 333(g)(3), and except earnings and profits which were earned after such date by a corporation referred to in section 333(g)(3); and

(5) If the liquidation occurs after December 31, 1966, and is pursuant to section 333(g)(2), the amount of earnings and profits of the corporation accumulated after February 28, 1913, and before January 1, 1967, and the ratable share of such earnings and profits of each share of stock canceled or redeemed in the liquidation.

[T.D. 6500, 25 FR 12108, Nov. 26, 1960, as amended by T.D. 6949, 33 FR 5531, Apr. 9, 1968; T.D. 8734, 62 FR 53476, Oct. 14, 1997; T.D. 8804, 63 FR 72188, Dec. 31, 1998; T.D. 8895, 65 FR 50406, Aug. 18, 2000]

§ 1.6043-3 Return regarding liquidation, dissolution, termination, or substantial contraction of organizations exempt from taxation under section 501(a).

(a) *In general*—(1) *Requirement to provide information.* Except as provided in paragraph (b) of this section, for taxable years beginning after December 31, 1969, every organization which for any of its last 5 taxable years preceding any liquidation, dissolution, termination, or substantial contraction of the organization was exempt from taxation under section 501(a) shall provide the information will respect to such liquidation, dissolution, termination, or substantial contraction required by the instructions accompanying the organization's annual return of information. The information required by this section shall be provided with, and at the time prescribed for filing, the organization's annual return of information for the period during which any liquidation, dissolution (or the adopting

of a resolution or plan for the dissolution or liquidation in whole or part), termination or substantial contraction occurred with respect to the organization. An organization which is no longer exempt from taxation under section 501(a) shall use the annual return of information it would have been required to file when the organization was exempt.

(2) *Transitional rule.* In the case of an annual return of information of an organization which was filed before September 11, 1978, if the organization had failed to provide the information with such return in accordance with paragraph (a)(1) of this section, the organization may comply with this section by providing the information with the organization's first annual return of information filed after such date.

(b) *Exceptions.* The following organizations are not required to provide the information under paragraph (a) of this section:

(1) Churches, their integrated auxiliaries, or conventions or associations of churches;

(2) Any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than \$5,000;

(3) Any organization which has terminated its private foundation status under section 507(b)(1)(B) with respect to a liquidation, dissolution, termination, or substantial contraction which is in connection with the termination under section 507(b)(1)(B);

(4) Any organization described in section 401(a) if the employer who established such organization files a return which provides the information under paragraph (a) of this section;

(5) Any organization described in section 501(c)(1) and any corporation described in section 501(c)(2) which holds title to property for such 501(c)(1) organizations;

(6) Any organization described in section 501(c)(14)(A) subject to a group exemption letter issued to a state regulatory body; and

(7) Any subordinate unit of a central organization (other than a private foundation) which established its exempt status under the group ruling procedure of regulations § 601.201 (n)(7),

if the central or parent organization files an annual information return for the group in accordance with § 1.6033-2(d); and

(8) Any organization no longer exempt from taxation under section 501(a) and which during the period of its exemption under such section was neither described in section 501(c)(3) nor a corporation described in section 501(c)(2) which held title to property for an organization described in section 501(c)(3).

The Commissioner may relieve any organization or class or organizations from filing the return required by section 6043(b) of this section, where it is determined that such information is not necessary for the efficient administration of the internal revenue laws.

(c) *Penalties.* For provisions relating to the penalty provided for failure to furnish any information required by this section, see section 6652(d) and the regulations thereunder.

(d) *Definitions.* (1)(i) The term "substantial contraction", as used in this section, shall include any partial liquidation or any other significant disposition of assets, other than transfers for full and adequate consideration or distributions out of current income. For purposes of this subparagraph, the term "significant disposition of assets" shall not include any disposition for a taxable year where the aggregate of—

(A) The dispositions for the taxable year and

(B) Where any disposition for the taxable year is part of a series of related dispositions made during such prior taxable years, the total of the related dispositions made during prior taxable years, is less than 25 percent of the fair market value of the net assets of the organization at the beginning of the taxable year (in the case of (A) of this subdivision) or at the beginning of the first taxable year in which any of the series of related dispositions was made (in the case of (B) of this subdivision). A "significant disposition of assets" may result from the transfer of assets to a single organization or to several organizations, and it may occur in a single taxable year (as in (A) of this subdivision) or over the course of two or more taxable years (as in (B) of this

subdivision). The determination whether a significant disposition has occurred through a series of related dispositions (within the meaning of (B) of this subdivision) will be determined from all the facts and circumstances of the particular case. Ordinarily, a distribution described in section 170(b)(1)(D)(ii) shall not be taken into account as a significant disposition of assets within the meaning of this subparagraph.

(ii) The provisions of this subparagraph may be illustrated by the following examples:

Example (1). M, an organization described in section 501(c)(4), is on the calendar year basis. It has net assets worth \$100,000 as of January 1, 1971. In 1971, in addition to distributions out of current income, M transfers \$10,000 to N, \$10,000 to O, and \$10,000 to P. Such dispositions to N, O, and P are not distributions described in section 170(b)(1)(E)(ii). N, O, and P are all organizations described in section 501(c)(4). Under subdivision (i)(a) of this subparagraph, M has made a significant disposition of its assets in 1971 since M has disposed of more than 25 percent of its net assets (with respect to the fair market value of such assets as of January 1, 1971). Thus, M is subject to the provisions of section 6043(b) and this section for the year 1971.

Example (2). U, a tax-exempt private foundation on the calendar year basis, has net assets worth \$100,000 as of January 1, 1971. As part of a series of related dispositions in 1971 and 1972, U transfers in 1971, in addition to distributions out of current income, \$10,000 to private foundation X and \$10,000 to private foundation Y, and in 1972, in addition to distributions out of current income, U transfers \$10,000 to private foundation Z. Such dispositions to X, Y, and Z are not distributions described in section 170(b)(1)(E)(ii). Under subdivision (i) of this subparagraph, U is treated as having made a series of related dispositions in 1971 and 1972. The aggregate of the 1972 disposition (under subdivision (i)(a) of this subparagraph) and the series of related dispositions (under subdivision (i)(b) of this subparagraph) is \$30,000, which is more than 25 percent of the fair market value of U's net assets as of the beginning of 1971 (\$100,000), the first year in which any such disposition was made. Thus, U has made a significant disposition of its assets and is subject to the provisions of section 6043(b) and this section for the year 1972.

Example (3). Assume in Example (1) that in 1973 M makes a \$5,000 disposition related to the 1971 disposition. Under subdivision (i)(B) of this subparagraph M is treated as having made a series of related dispositions in 1971 and 1973. The aggregate of the 1971 disposi-

tion under subdivision (i)(A) of this subparagraph and the 1973 related disposition under subdivision (i)(B) of this subparagraph is \$35,000, which is more than 25 percent of the fair market value of M's net assets as of the beginning of 1971, the first year in which any disposition was made. Thus M has made a significant disposition of its assets and is subject to the provisions of section 6043(b) and this section for the year 1973.

(2) For the definition of the term "normally" as used in paragraph (b)(2) of this section, see § 1.6033-2(g)(3).

(3) For examples of the term "integrated auxiliaries" as used in paragraph (b)(1) of this section, see § 1.6033-2(g)(1)(i)(a).

[T.D. 7563, 43 FR 40221, Sept. 11, 1978]

§ 1.6044-1 Returns of information as to patronage dividends with respect to patronage occurring in taxable years beginning before 1963.

(a) *Requirement*—(1) *In general.* Except as provided in subparagraph (2) of this paragraph, any corporation allocating to any patron in respect of patronage occurring in any taxable year of the corporation beginning before January 1, 1963, amounts aggregating \$100 or more during a calendar year as patronage dividends, rebates, or refunds (whether in cash, merchandise, capital stock, revolving fund certificates, retain certificates, letters of advice, or in some other manner that discloses to each patron the amount of such dividend, rebate, or refund) shall for each such calendar year file a return of information with respect to such allocation on Forms 1096 and 1099. A separate Form 1099 shall be prepared for each patron showing the name and address of the patron to whom such allocation is made, and the amount of the allocation. The allocation shall be reported for the calendar year during which the allocation is made, regardless of whether the allocation is deemed for the purpose of section 522 to be made at the close of a preceding taxable year of the corporation.

(2) *Exception.* A return is not required under this section in the case of any corporation (including any cooperative or nonprofit corporation engaged in rural electrification) described in section 501(c) (12) or (15) which is exempt from tax under section 501(a), or in the case of any corporation subject to a tax