

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

imposed by subchapter L, chapter 1, of the Code.

(b) *Time and place for filing.* Returns made under this section on Forms 1096 and 1099 for any calendar year shall be filed on or before February 28 of the following year with any of the Internal Revenue Service Centers, the addresses of which are listed in the instructions for such forms.

(c) *Definitions.* The terms “cooperative association”, “patron”, “patronage dividends, rebates, and refunds”, and “allocation” are defined, for the purpose of this section, in paragraph (b) of § 1.522-1.

[T.D. 6500, 25 FR 12108, Nov. 26, 1960, as amended by T.D. 6628, 27 FR 12798, Dec. 28, 1962]

§ 1.6044-2 Returns of information as to payments of patronage dividends.

(a) *Requirement of reporting—(1) In general.* Except as provided in § 1.6044-4, every organization described in paragraph (b) of this section which makes payments with respect to patronage occurring on or after the first day of the first taxable year of the organization beginning after December 31, 1962, of amounts described in § 1.6044-3 aggregating \$10 or more to any person during any calendar year shall make an information return on Forms 1096 and 1099 for the calendar year showing the aggregate amount of such payments, the name and address of the person to whom paid, the total of such payments for all persons, and such other information as is required by the forms. The organization is required to make an information return regardless of the amount of the payment if the tax imposed by section 3406 is required to be withheld. Thus, in the case of any amount subject to backup withholding under section 3406 and not refunded by the payor before the due date of the information return in accordance with the regulations under section 3406, an information return shall be made even if the payment is not generally reportable because it is made to an exempt recipient described in § 1.6049-4(c)(1)(ii) or the amount paid during the calendar year to the recipient aggregates less than \$10.

(2) *Definitions.* The term “person” when used in this section does not in-

clude the United States, a State, the District of Columbia, a foreign government, a political subdivision of a State or of a foreign government, or an international organization. Therefore, payment of amounts described in § 1.6044-3 to one of these entities need not be reported.

(3) *Determination of person to whom a patronage dividend is paid.* For purposes of applying the provisions of this section, the person whose identifying number is required to be included by the cooperative on an information return with respect to a patronage dividend shall be considered the person to whom such dividend is paid. For regulations relating to the use of identifying numbers, see § 1.6109-1.

(4) *Inclusion of other payments.* The Form 1099 filed by an organization with respect to payments of patronage dividends made to any person during a calendar year may, at the election of the organization, include other payments made by it to such person during such year which are required to be reported on Form 1099.

(b) *Organizations subject to reporting requirement.* The organizations subject to the reporting requirements of paragraph (a) of this section are:

(1) Any organization exempt from tax under section 521 (relating to exemption of farmers' cooperatives from tax), and

(2) Any corporation operating on a cooperative basis other than an organization:

(i) Which is exempt from tax under chapter 1 (other than section 521), or

(ii) Which is subject to the provisions of part II of subchapter H of chapter 1 (relating to mutual savings banks, etc.), or subchapter L of chapter 1 (relating to insurance companies), or

(iii) Which is engaged in furnishing electric energy, or providing telephone service, to persons in rural areas.

(c) *When payment deemed made.* For purposes of this section, money or other property (except written notices of allocation) is deemed to have been paid when it is credited or set apart to a person without any substantial limitation or restriction as to the time or manner of payment or condition upon which payment is to be made, and is made available to him so that it may