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IRS Issues Draft Form 1099-OID With New Fields.

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The two fields eliminated from the form are "Foreign tax paid" and "Foreign country or U.S. possession."

The addition of the acquisition premium box represents a "paradigm shift," according to Stevie D. Conlon of Wolters Kluwer Financial Services Inc. "Completion of the form went from standardized data based on the issued price of the instrument for the entire issue of the debt to a calculation of acquisition premium for each tranche offering," she said.

Acquisition premium is the excess of a debt instrument's adjusted basis immediately after purchase over the debt instrument's adjusted issue price at that time. The amount will have to be calculated for each series in a debt offering. Before the new reporting requirements, a taxpayer did not have to calculate the unique purchase price for each purchaser for each series in the offering.

The new reporting requirements will require more work to complete the forms, Conlon said. However, she said the new draft form dovetails with the new cost basis reporting requirements. Treasury in April issued final regulations (T.D. 9616) on broker reporting of basis for debt instruments and options. The final regs implement the rules in phases; basis reporting for less complex debt instruments begins January 1, 2014, while reporting for more complex debt instruments, including those without fixed yield and maturity dates, won't begin until January 1, 2016.

Opponents of the new reporting requirements are expected to argue that they don't have systems in place to calculate the acquisition premiums. However, Conlon said the requirements represent good tax policy because they will provide more accurate data for investors.

by William R. Davis