

ate to require that the recharacterized contribution be reported by the trustee of the SECOND IRA on a Form 5498 for the year for which it is treated as having been contributed, even if the recharacterization occurs in the subsequent year. Another possible approach would be to require only the reporting by the trustee of the SECOND IRA involved in the recharacterization transaction that would have been required if the contribution had initially been made to the SECOND IRA and never had been made to the FIRST IRA.

Comments can be addressed to CC:DOM:CORP:R (Notice 98-49), room 5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, comments may be hand delivered between the hours of 8 a.m. and 5 p.m. to CC:DOM:CORP:R (Notice 98-49), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. Alternatively, taxpayers may transmit comments electronically via the IRS Internet site at: http://www.irs.ustreas.gov/prod/tax_regs/comments.html.

DRAFTING INFORMATION

The principal author of this notice is Roger Kuehnle of the Employee Plans Division. For further information regarding this notice, please contact the Employee Plans Division's taxpayer assistance telephone service at (202) 622-6074/6075 (not toll-free numbers), between the hours of 1:30 and 3:30 p.m. Eastern Time, Monday through Thursday.

Section 1045: Rollover of Gain From Qualified Small Business Stock to Another Qualified Small Business Stock

Rev. Proc. 98-48

SECTION 1. PURPOSE

This revenue procedure provides procedures for taxpayers to make an election under § 1045 of the Internal Revenue Code ("§ 1045 election") to defer recognition of certain gain on the sale of qualified small business stock ("QSB stock").

SECTION 2. BACKGROUND

.01 Section 1045(a), as added by

§ 313(a) of the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, 111 Stat. 788 (Aug. 5, 1997), and amended by § 6005(f) of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685 (July 22, 1998), generally allows a taxpayer other than a C corporation to elect not to recognize gain from the sale of QSB stock held by the taxpayer for more than six months. If the taxpayer makes the election under § 1045 and this revenue procedure, gain from such sale is recognized only to the extent that the amount realized on the sale exceeds:

(1) the cost of any QSB stock that the taxpayer purchases during the 60-day period beginning on the date of sale, reduced by

(2) any portion of the cost of the replacement QSB stock that was previously taken into account under § 1045. However, the election is not available to defer any gain on the sale that is treated as ordinary income for purposes of the Code.

.02 Under § 1045(b), "qualified small business stock" has the same meaning as provided in § 1202(c).

.03 Section 1045(b)(5) provides that, for QSB stock held through passthrough entities, rules similar to the rules of § 1202(g) apply for purposes of § 1045. For example, a passthrough entity may make a § 1045 election if the entity sells QSB stock held for more than six months and purchases replacement QSB stock during the 60-day period beginning on the date of the sale. The benefit of deferral with respect to a sale of QSB stock by the passthrough entity will flow through to taxpayers (other than C corporations) that held interests in the entity during the entire period in which the entity held the QSB stock. Also, for example, if a passthrough entity sells QSB stock held for more than six months, an individual who has held an interest in the entity during the entire period in which the entity held the QSB stock and who purchases replacement QSB stock during the 60-day period beginning on the date of the sale of the QSB stock may make the § 1045 election with respect to the individual's share of any gain on the sale that the entity does not defer under § 1045.

SECTION 3. PROCEDURE

.01 *Time for Making the Election.*

A § 1045 election must be made on or before the later of December 31, 1998, or the due date (including extensions) for filing the income tax return for the taxable year in which the QSB stock is sold.

.02 *Manner of Making the Election.*

(1) *In general.* Except as provided in section 3.02(2) of this revenue procedure, the election is made by:

(a) reporting the entire gain from the sale of QSB stock on Schedule D, Capital Gains and Losses, of the return in accordance with the instructions for Schedule D;

(b) writing "section 1045 rollover" directly below the line on which the gain is reported; and

(c) entering the amount of the gain deferred under § 1045 on the same line as (b) above, as a loss, in accordance with the instructions for Schedule D.

(2) *Transition rule.* If gain is reportable on a return filed before October 21, 1998, and the return does not satisfy the requirements of section 3.02(1) of this revenue procedure but discloses the gain and includes an affirmative statement to the effect that a § 1045 election applies to the gain, the requirements of section 3.02(1) will be treated as satisfied and an amended return is not required to make the § 1045 election. Otherwise, an original or amended return satisfying the requirements of section 3.02(1) of this revenue procedure is required to make the § 1045 election with respect to such gain.

.03 *Scope of the Election.*

If a person has more than one sale of QSB stock in a taxable year that qualifies for the § 1045 election, the person may make a § 1045 election for any one or more of those sales.

.04 *Revocation.*

A § 1045 election is revocable only with the prior written consent of the Commissioner. To obtain the Commissioner's consent, the person who made the § 1045 election must submit a request for a private letter ruling in accordance with the provisions of Rev. Proc. 98-1, 1998-1 I.R.B. 7 (or its successor).

SECTION 4. EFFECTIVE DATE

This revenue procedure is effective for sales of QSB stock occurring after August 5, 1997.

DRAFTING INFORMATION

The principal author of this revenue

procedure is J. Peter Baumgarten of the office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Mr. Baumgarten on (202) 622-4950 (not a toll-free call).

26 CFR 601.602: Tax forms and instructions.
(Also Part I, Sections 6012, 6061; 1.6012-5,
1.6061-1.)

Rev. Proc. 98-50

CONTENTS

SECTION 1	PURPOSE
SECTION 2	BACKGROUND AND CHANGES
SECTION 3	FORM 1040 IRS <i>e-file</i> PROGRAM PARTICIPANTS—DEFINITIONS
SECTION 4	ACCEPTANCE IN THE FORM 1040 IRS <i>e-file</i> PROGRAM
SECTION 5	RESPONSIBILITIES OF AN AUTHORIZED IRS <i>e-file</i> PROVIDER
SECTION 6	PENALTIES
SECTION 7	FORM 8453, U.S. INDIVIDUAL INCOME TAX DECLARATION FOR AN IRS <i>e-file</i> RETURN
SECTION 8	INFORMATION AN AUTHORIZED IRS <i>e-file</i> PROVIDER MUST FURNISH TO THE TAXPAYER
SECTION 9	DIRECT DEPOSIT OF REFUNDS
SECTION 10	REFUND ANTICIPATION LOANS
SECTION 11	BALANCE DUE RETURNS
SECTION 12	ADVERTISING STANDARDS FOR AUTHORIZED IRS <i>e-file</i> PROVIDERS AND FINANCIAL INSTITUTIONS
SECTION 13	MONITORING AND SUSPENSION OF AN AUTHORIZED IRS <i>e-file</i> PROVIDER
SECTION 14	ADMINISTRATIVE REVIEW PROCESS FOR DENIAL OF PARTICIPATION IN THE FORM 1040 IRS <i>e-file</i> PROGRAM

SECTION 15 ADMINISTRATIVE REVIEW PROCESS FOR SUSPENSION FROM THE FORM 1040 IRS *e-file* PROGRAM

SECTION 16 VITA AND TCE SPONSORED PARTICIPATION IN THE FORM 1040 IRS *e-file* PROGRAM

SECTION 17 EMPLOYER SPONSORED PARTICIPATION IN THE FORM 1040 IRS *e-file* PROGRAM

SECTION 18 PILOT PROGRAMS

SECTION 19 EFFECT ON OTHER DOCUMENTS

SECTION 20 EFFECTIVE DATE

SECTION 21 INTERNAL REVENUE SERVICE OFFICE CONTACT

SECTION 22 PAPERWORK REDUCTION ACT

SECTION 1. PURPOSE

This revenue procedure informs those who participate in the Form 1040 IRS *e-file* Program (formerly known as the Form 1040 Electronic Filing (ELF) Program) of their obligations to the Internal Revenue Service, taxpayers, and other participants. The following returns can be filed under the Form 1040 IRS *e-file* Program: (1) Form 1040 and Form 1040A, U.S. Individual Income Tax Return; and (2) Form 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents. This revenue procedure updates and supersedes Rev. Proc. 97-60, 1997-52 I.R.B. 38.

SECTION 2. BACKGROUND AND CHANGES

.01 Section 1.6012-5 of the Income Tax Regulations provides that the Commissioner may authorize the use, at the option of a person required to make a return, of a composite return in lieu of any form specified in 26 CFR Part 1 (Income Tax), subject to the conditions, limitations, and special rules governing the preparation, execution, filing, and correction thereof as the Commissioner may deem appropriate.

.02 For purposes of this revenue procedure, an electronically filed Form 1040,

Form 1040A, or Form 1040EZ is a composite return consisting of electronically transmitted data and certain paper documents. The paper portion of the return consists of Form 8453, U.S. Individual Income Tax Declaration for an IRS *e-file* Return, and other paper documents that cannot be electronically transmitted. Form 8453 must be received by the Service before the composite return is considered filed (see section 5.08 of this revenue procedure). The composite return must contain the same information that a return filed completely on paper contains. See section 7 of this revenue procedure for procedures for completing Form 8453.

.03 Each year prior to the start of the filing season, the Service will issue Publication 1345A, Filing Season Supplement for Electronic Return Originators, and Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns. These publications list the forms and schedules associated with the Form 1040 series that can be electronically transmitted during the upcoming filing season.

.04 For purposes of the Form 1040 IRS *e-file* Program, a Form 1040, Form 1040A, or Form 1040EZ for any taxable year cannot be electronically filed after the 15th day of October following the close of that taxable year, notwithstanding the fact that the taxpayer has been granted an extension to file a return beyond that date. If the 15th day of October falls on a Saturday, Sunday, or legal holiday, then the electronically filed return may be filed on the next succeeding day which is not a Saturday, Sunday, or legal holiday.

.05 An amended tax return cannot be electronically filed under the Form 1040 IRS *e-file* Program. A taxpayer must file an amended tax return on paper in accordance with the instructions for Form 1040X, Amended U.S. Individual Income Tax Return.

.06 A tax return that has a foreign address for the taxpayer cannot be electronically filed under the Form 1040 IRS *e-file* Program. Army/Air Force (APO) and Fleet (FPO) post offices are not considered foreign addresses for this purpose.

.07 A tax return for a decedent cannot be electronically filed under the Form 1040 IRS *e-file* Program. The decedent's spouse or personal representative must file a paper tax return for the decedent.