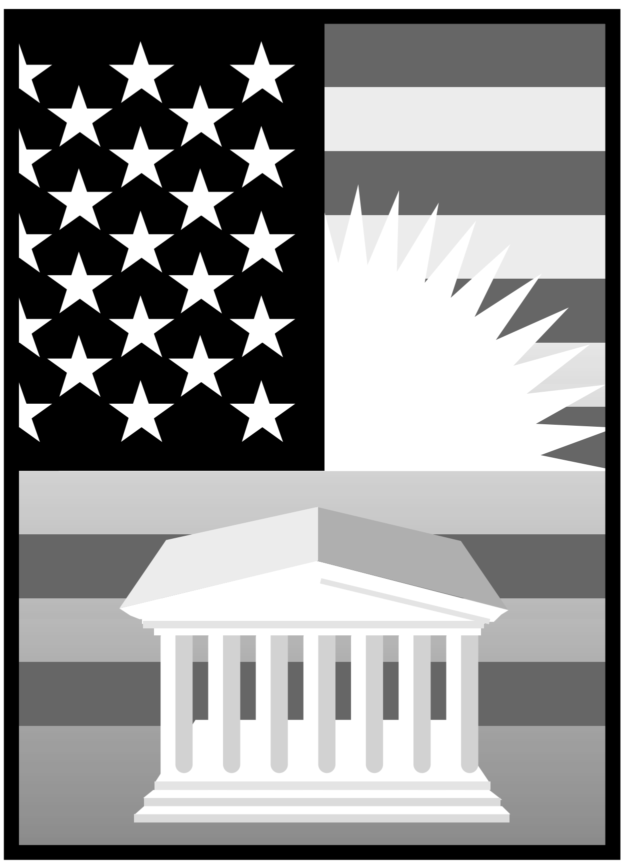
Department of the Treasury
Internal Revenue Service

Publication 969
(Rev. April 2000)
Cat. No. 24216S

Medical Savings Accounts (MSAs)



Get forms and other information faster and easier by:

COMPUTER
- World Wide Web • www.irs.gov
- FTP • ftp.irs.gov

FAX
- From your FAX machine, dial • (703) 368-9694

See *How To Get More Information* in this publication.

Contents

Introduction

This publication explains Medical Savings Accounts (MSAs) and Medicare+Choice Medical Savings Accounts (M+C MSAs). MSAs were created to help self-employed individuals and employees of certain small employers meet the medical care costs of the account holder, the account holder's spouse, or his/her dependent(s). M+C MSAs were created to be used solely to pay the qualified medical expenses of the account holder who is eligible for Medicare.

MSAs and M+C MSAs are “pilot projects.” The pilot project for MSAs is scheduled to end December 31, 2000. The pilot project for M+C MSAs is scheduled to end December 31, 2002.

You do not need IRS approval to start your MSA or M+C MSA. Complete Form 8853, *Medical Savings Accounts and Long-Term Care Insurance Contracts,* and attach it to your Form 1040 each year you (or your spouse if you file jointly):

- Have an MSA, or
- Receive a distribution from an M+C MSA.

You will have to file Form 1040, not Form 1040A or Form 1040EZ.

This publication will explain what MSAs and M+C MSAs are, including setting up either type of account, making contributions, and treating distributions from them. MSAs and M+C MSAs are discussed separately.

Medical Savings Accounts (MSAs)

To qualify for an MSA, you must be an employee of a small employer or be self-employed. You must also have a high deductible health plan (HDHP) that meets all of the requirements outlined later, and have no other health insurance coverage except permitted coverage. You must be an eligible individual on the first day of a given month to get an MSA deduction for that month.

CAUTION *If another taxpayer is entitled to claim an exemption for you, you cannot claim a deduction for an MSA contribution. This is true even if the other person does not actually claim your exemption.*

Understanding MSAs

To understand MSAs, you will want to know what an MSA is and what the benefits are of having one. You will also need to know whether you meet the rules for starting an MSA. If you meet the rules, then you will want to read the section titled *Setting Up an MSA*.

What is an MSA? An MSA is a tax-exempt trust or custodial account with a financial institution (like a bank or an insurance company) in which you can save money for future medical expenses. This account must be used in conjunction with an HDHP. See *What is a high deductible health plan (HDHP)*, later.

What are the benefits of an MSA? You may enjoy several benefits from having an MSA.

- The interest or other earnings on the assets in your MSA are tax-free.
- You can claim a tax deduction for contributions you make even if you do not itemize your deductions on Form 1040.
- The contributions remain in your MSA from year to year until you use them.

Rules for Starting an MSA

You need to meet the following rules before you can start an MSA.

1) You must work for a small employer or be self-employed.
2) You must have an HDHP.

Who is a small employer? A small employer is an employer who had an average of 50 or fewer employees during either of the last 2 calendar years. The definition of small employer is modified for new employers and growing employers.

New employer. A new employer is also considered a small employer for MSAs if he or she reasonably expects to employ 50 or fewer people this year.

Growing employer. A small employer may begin HDHPs and MSAs for his or her employees and then grow beyond 50 employees. The employer will continue to meet the requirement for small employers if he or she:

- Had 50 or fewer employees when the MSAs began,
- Made a contribution for the last year the employer had 50 or fewer employees, and
- Had an average of 200 or fewer employees each year after 1996.

What is a high deductible health plan (HDHP)? To be eligible for an MSA, you must have an HDHP. If you are an employee, the plan must be through your small employer. You generally cannot have another health insurance plan.

Definition. An HDHP has:

1) A higher annual deductible than typical health plans, and
2) A maximum limit on the annual out-of-pocket medical expenses that you must pay for covered expenses.

Limits. The following tables show the limits for annual deductibles and the maximum out-of-pocket expenses for high deductible health plans for 1999 and 2000. These limits may be changed in future years because of inflation adjustments.

1999

Type of coverage	Minimum annual deductible	Maximum annual deductible	Maximum annual out-of-pocket expenses
Self-only	$1,550	$2,300	$3,050
Family	$3,050	$4,600	$5,600

2000

Type of coverage	Minimum annual deductible	Maximum annual deductible	Maximum annual out-of-pocket expenses
Self-only	$1,550	$2,350	$3,100
Family	$3,100	$4,650	$5,700

Family plans that do not currently meet the high deductible rules. There are some family plans that have deductibles for individual family members. These deductibles are less than the annual deductible for the family plan. Under these plans, if you meet the individual deductible for one family member, you do not have to meet the annual deductible amount for the family plan. These plans do not qualify as HDHPs.

Example. Mr. Wilber has health insurance with company A in 1999. The annual deductible for the family plan is $3,500. This plan also has an individual deductible of $1,550 for each family member. Mr. Wilber's wife had $1,750 of covered medical expenses. They had no other medical expenses for 1999. The plan paid $200 to Mr. Wilber because Mrs. Wilber met the individual deductible of $1,550, even though the Wilbers did not meet the $3,500 annual deductible for the family plan. The plan does not qualify as an HDHP.

TIP *Insurance companies that have family plans with individual deductibles may change these health plans to meet the high deductible rules. Check with your insurance company if you have such a plan to see if they are going to change the plan to meet the rules.*

Other health insurance. You (or your spouse if you file jointly) generally cannot have any other health plan that is not an HDHP. However, this rule does not apply if the other health plan(s) only covers the following items.

1) Accidents.
2) Disability.
3) Dental care.
4) Vision care.
5) Long-term care.
6) Benefits related to workers' compensation laws, tort liabilities, or ownership or use of property.
7) A specific disease or illness.
8) A fixed amount per day (or other period) of hospitalization.

Setting Up an MSA

When you set up an MSA, you will need to work with a trustee and know the rules for contributing and withdrawing money from the account.

MSA trustee. The person or business with whom you set up your MSA is called a *trustee.* A trustee can be a bank, insurance company, or anyone already approved by the IRS to be a trustee of individual retirement arrangements. Your employer may already have some information on MSA trustees in your area.

Who can contribute to my MSA? Your employer may decide to make contributions to an MSA for you. You do not pay taxes on these contributions. If your employer does not make contributions to your MSA, you can make your own contributions to your MSA and deduct these amounts on your tax return without itemizing deductions. Both you and your employer cannot make contributions to your MSA in the same year. There are limits to the amounts that can be contributed to your MSA. See *Making Contributions,* later. You do not have to make contributions to your MSA every year.

CAUTION *If your spouse is covered by your HDHP and your spouse's employer makes a contribution to your spouse's MSA, you cannot make contributions to your own MSA that year.*

When can I make withdrawals from my MSA? You can make tax-free withdrawals from your MSA to pay for qualified medical expenses (discussed later). If you make withdrawals for other reasons, the amount you withdraw will be subject to income tax and may be subject to an excise tax as well. See *Receiving Distributions*, later. You do not have to make withdrawals from your MSA each year.

Changing employers. If you change employers and still meet the rules for having an MSA, you can continue to use that MSA. However, you may not make additional contributions unless you are otherwise eligible.

Making Contributions

There are two limits to the amount you can contribute to your MSA. One is based on the annual deductible of your HDHP. The other is based on your wages or compensation if you are an employee, or your net self-employment income if you are self-employed.

Annual deductible. You can contribute up to 75% of the amount of your annual health plan deductible (65% if you have a self-only plan) to your MSA. You must have the insurance all year to deduct the full amount.

For each full month you did not have an HDHP, you must reduce the amount you can contribute by one-twelfth. See the *MSA Contribution Limits Worksheet*, later.

Example 1. You have an HDHP for your family all year. The annual deductible is $4,000. You can contribute $3,000 ($4,000 × 75%) to your MSA for the year.

Example 2. You have an HDHP for your family for the entire months of July through December (6 months). The annual deductible is $4,000. You can contribute $1,500 ($4,000 × 75% ÷ 12 months × 6 months) to your MSA for the year.

TIP *If both you and your spouse have a family plan, you are treated as having family coverage with the lower annual deductible of the two health plans. The contribution limit is split equally between you unless you agree on a different division.*

Wages or compensation. You cannot contribute more than you earned for the year from the employer through whom you have your HDHP. If you are self-employed, you cannot contribute more than your net self-employment income. This is your income from self-employment minus expenses (including the one-half of self-employment tax deduction).

Example 1. Bob Smith earned $25,000 from ABC Company for the year. He had an HDHP for his family at ABC. He had the plan all year. His annual deductible is $4,000. He can contribute $3,000 to his MSA (75% × $4,000). He can contribute the full amount because he earned more than $3,000 at ABC.

Example 2. Joe Craft is self-employed. He had an HDHP for his family for the entire year and the annual deductible is $3,500. His maximum contribution to his MSA would have been $2,625 (75% × $3,500). However, after deducting his expenses, Joe's net self-employment income is $1,950 for the year. Therefore, he is limited to a contribution of $1,950 to his MSA.

Worksheet to figure your MSA contribution. You can use the following worksheet to figure how much you can contribute to your MSA for the year.

CAUTION *You must figure your limit separately for each employer with whom you have had a different HDHP.*

MSA Contribution Limits Worksheet

1. Enter the annual deductible of your HDHP .... _______
2. Multiply line 1 by .75 (.65 if you have self-only insurance) .... _______
3. Divide line 2 by 12 .... _______
4. Enter the number of months you had an HDHP during the year .... _______
5. Multiply line 3 by line 4 .... _______
6. Enter the amount of wages you earned while working for the employer with whom you had the HDHP. (If you were self-employed, substitute your net self-employment income.) .... _______
7. Enter the smaller of line 5 or 6. This is the most you can contribute to your MSA during the year for this HDHP .... _______

Reporting contributions on your return. Report all contributions to your MSA on Form 8853. Follow the instructions for the form and attach the form to your Form 1040.

You should receive **Form 5498–MSA**, *Medical Savings Account Information (MSA or Medicare + Choice MSA Information for 2000),* from the trustee showing the amount you (or your employer) contributed during the year. You can make contributions to your MSA until April 15 (or the next business day if April 15 is a Saturday, Sunday, or holiday) and deduct them on your Form 1040 for the preceding year to the extent your total contributions do not exceed your limitation.

Excess contributions. You must generally pay a 6% excise tax on contributions that you or your employer make to your MSA that are greater than the limits discussed earlier.

However, you will not have to pay the excise tax if you withdraw these excess contributions (and associated earnings) before the date that your tax return is due (generally April 15). You will have to pay tax on any earnings associated with the excess contributions you withdraw.

Report and pay income tax on any excess contributions an employer makes and you withdraw before the due date of your tax return. You will also have to pay tax on any earnings associated with the excess contributions the employer makes that you withdraw. If the employer did not add the excess contributions and associated earnings to the box 1 amount on your Form W–2, include them in your gross income on your Form 1040.

Receiving Distributions

You will generally pay medical expenses during the year without being reimbursed by your HDHP until you reach the annual deductible. When you pay medical expenses during the year that are not reimbursed by your HDHP, you can ask the trustee of your MSA to send you a distribution from your MSA.

A distribution is money you get from your MSA. The trustee will report any distribution to you and the IRS on **Form 1099–MSA**, *Distributions From Medical Savings Accounts*.

How to report distributions on your tax return. How you report your distributions depends on whether or not you use the distribution for ***qualified medical expenses*** (defined later).

- When you use a distribution from your MSA for qualified medical expenses, you do not pay tax on the distribution. You do have to report the distribution on Form 8853. Follow the instructions for the form and attach it to your Form 1040. You cannot file Form 1040A or Form 1040EZ.
- When you do not use a distribution from your MSA for qualified medical expenses, you must pay tax on the distribution and report the amount on Form 8853. Follow the instructions for the form and attach it to your Form 1040. You must also report and pay an excise tax on your Form 1040 unless you meet one of the exceptions listed later.

CAUTION *If an amount is contributed to your MSA this year (by you or your employer), you also must report and pay tax on a distribution you receive from your MSA this year that is used to pay for medical expenses of someone who is not covered by an HDHP, or is also covered by another health plan that is not an HDHP, at the time the expenses are incurred. See the instructions for Form 8853 for more information.*

Reporting and paying an excise tax. There is a 15% excise tax on the part of your distributions not used for qualified medical expenses. You report the excise tax on line 53 of your Form 1040.

Exceptions to excise tax. There is no excise tax if you are disabled, age 65 or older, or die during the year.

Death of the MSA holder. You should choose a beneficiary when you set up your MSA. What happens to that MSA when you die depends on whom you designate as the beneficiary.

Spouse is the designated beneficiary. If your spouse is the designated beneficiary of your MSA, it will be treated as your spouse's MSA after your death.

Spouse is not the designated beneficiary. If someone other than your spouse is the designated beneficiary of your MSA, on the date you die:

1) The account stops being an MSA , and

2) The fair market value of the MSA becomes taxable to the designated beneficiary.

No designated beneficiary. If you have no beneficiary, the fair market value of the MSA will be included on your final income tax return after your death.

Qualified Medical Expenses

Qualified medical expenses are explained in Publication 502, *Medical and Dental Expenses*. Examples include amounts paid for doctors' fees, prescription medicines, and necessary hospital services.

CAUTION *You cannot deduct qualified medical expenses as an itemized deduction on Schedule A (Form 1040) if you pay for them with a tax-free distribution from your MSA. You also cannot claim a deduction if you use other funds equal to the amount of the distribution.*

Special rules for insurance premiums. Generally, you cannot treat insurance premiums as qualified medical expenses for MSAs. You can, however, treat premiums for long-term care or health care coverage while you receive unemployment benefits as qualified medical expenses for MSAs. This includes COBRA-type continuation coverage required under any federal law.

RECORDS **Recordkeeping.** For each qualified medical expense you deduct or pay with a distribution from your MSA, you must keep a record of the name and address of each person you paid and the amount and date of the payment. Do not send these records with your tax return. Keep them with your tax records.

Filing Form 8853

You must file Form 8853 and attach it to Form 1040 if you (or your spouse, if married filing a joint return) had any activity on your MSA during the year. You must file the form even if your employer or your spouse's employer made contributions to the MSA.

Employer Participation

This section contains the rules that employers must follow if they decide to make MSAs available to their employees. Unlike the previous discussions, "you" refers to the employer, and not to the employee.

Health plan. If you want your employees to be able to have an MSA, you must make an HDHP available to them. You can provide no additional coverage other than those exceptions listed previously under *Other health insurance*.

Contributions. You can make contributions to your employees' MSAs. You deduct the contributions on the "Employee benefit programs" line of your business income tax return for the year you make these contributions.

Comparable contributions. If you decide to make contributions, you must make comparable contributions to all comparable participating employees' MSAs. Your contributions are comparable if they are either:

- The same amount, or
- The same percentage of the annual deductible limit under the HDHP covering the employees.

Comparable participating employees. Comparable participating employees:

- Are covered by your HDHP and are eligible to establish an MSA,
- Have the same category of coverage (either self-only or family coverage), and
- Have the same category of employment (either part-time or full-time).

Additional tax. If you made contributions to your employees' MSAs that were not comparable, you must pay an additional tax of 35% of the amount you contributed. See **Form 5330**, *Return of Excise Taxes Related to Employee Benefit Plans,* to report and pay this tax.

Employment taxes. Amounts you contribute to your employees' MSAs are generally not subject to employment taxes. You must report the contributions in box 13 of the Form W–2 you file for each employee during the calendar year. Enter Code "R" in box 13.

Medicare+Choice Medical Savings Accounts (M+C MSAs)

To qualify for a Medicare+Choice Medical Savings Account (M+C MSA), you must be eligible for Medicare and have a high deductible health plan (HDHP) that meets the Medicare guidelines outlined below. If you have additional health insurance coverage that would cover your deductible, you cannot keep the additional coverage and still enroll in an M+C MSA plan.

M+C MSAs are administered through the Federal Medicare program. The Health Care Financing Administration (HCFA) has more information about this program. You can get this information by calling 1–800–318–2596. You can also reach HCFA through the Internet at ***www.medicare.gov***.

Understanding M+C MSAs

To understand M+C MSAs, you will want to know what an M+C MSA is and what the benefits are of having one. You will also need to know whether you meet the rules for starting an M+C MSA. If you meet the rules, then you may want to read the section titled *Setting Up the M+C MSA*.

What is an M+C MSA? An M+C MSA has two parts. One part is a tax-exempt trust or custodial savings account that you set up with a financial institution (like a bank or an insurance company) in which the Medicare program can deposit money for qualified medical expenses. The money in your account is not taxed if it is used for qualified medical expenses, and it may earn interest or dividends.

CAUTION *In an M+C MSA plan, qualified medical expenses do not include amounts paid for medical care for any individual other than the account holder.*

The other part of an M+C MSA is an M+C MSA Health Policy. This is a special health insurance policy that has a high deductible. See *M+C MSA High Deductible Health Plan (M+C MSA HDHP)*, later.

What are the benefits of an M+C MSA? You may enjoy several benefits from having an M+C MSA.

- The Medicare program, not you, makes a tax-free deposit to your account each year.
- The Medicare program, not you, pays a monthly premium to the insurance company for your policy.
- The interest or other earnings on the assets in your M+C MSA are tax-free.
- The contributions remain in your M+C MSA account from year to year until they are used regardless of whether you are still enrolled in the program.

Example. In 1999, Jane chooses an M+C MSA plan and sets up an account. With this plan, Jane receives a $1,200 yearly deposit from the Medicare program into her account. This amount is deposited into her account on January 1, 2000. During 2000, Jane has a routine check-up, dental check-ups, and fills her regular prescriptions (benefits not covered by the original Medicare plan). She pays for these services by using $300 of the $1,200 which the Medicare program had deposited into her account. At the end of the year, Jane still has $900 in her account. On January 1, 2001, another $1,200 deposit is made to her account by the Medicare program. Now Jane has $2,100 (plus any interest earned) in her account for medical expenses.

Rules for Starting an M+C MSA

You need to meet the following conditions before you can start an M+C MSA.

1) You must be eligible for Medicare.
2) You must have an M+C MSA HDHP which is approved by Medicare.
3) You must have an account set up with a bank or other institution which is registered with the Medicare program to set up M+C MSA accounts.

Call 1–800–318–2596 for a list of insurers and their phone numbers, or look for this information on the Internet at ***www.medicare.gov***.

M+C MSA High Deductible Health Plan (M+C MSA HDHP). To be eligible for an M+C MSA, you must have an M+C MSA HDHP. You generally cannot have another health insurance plan. You choose the policy you want to use as part of your M+C MSA plan. However, the policy must have been approved by the Medicare program.

Definition. An M+C MSA HDHP:

1) Has a higher annual deductible than typical health plans, and
2) Must have been designed to work as part of an M+C MSA plan.

In 1999 and 2000, the annual deductible for the policy cannot exceed $6,000 and $6,300 respectively.

Other health insurance. An M+C MSA account holder generally cannot have any other health plan that is not an HDHP. However, this rule does not apply if the other health plan(s) only covers the following items.

1) Accidents.
2) Disability.
3) Dental care.
4) Vision care.
5) Long-term care.
6) Benefits related to workers' compensation laws, tort liabilities, or ownership or use of property.
7) A specific disease or illness.
8) A fixed amount per day (or other period) of hospitalization.

Setting Up the M+C MSA

When you set up an M+C MSA, you choose the bank or other institution where the account will be. The organization you choose will be the trustee or custodian of your account. The bank or institution must be registered with the Medicare program to set up M+C MSAs. The trustee can be a bank, insurance company, or anyone already approved by the IRS to be a trustee of individual retirement arrangements.

You choose the insurance policy you want to use as part of your M+C MSA plan. This policy must have been approved by the Medicare program. The policy is offered to you by an insurance company and it must be designed to work as part of an M+C MSA plan. It must have a high annual deductible which cannot be more than $6,000 in 1999 or $6,300 in 2000. Every month, the Medicare program (not you) pays the premium for your policy directly to the insurance company.

Who can contribute to my M+C MSA? At the beginning of the year, the Secretary of Health and Human Services, through the Medicare program, makes a deposit to your account for the entire year. See *Making Contributions to an M+C MSA,* later.

How can I make withdrawals from my M+C MSA? You can make tax-free withdrawals from your M+C MSA to pay for qualified medical expenses (discussed later). If you make withdrawals for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional penalty tax as well. See *Receiving Distributions from an M+C MSA*, later. You do not have to make withdrawals from an M+C MSA each year.

Making Contributions to an M+C MSA

The amount of the annual tax-free deposit made by the Medicare program to your M+C MSA will depend on the policy that you select and the area in which you live. The deposit may also vary depending on the services your policy covers. Each insurance company that offers a policy will tell you the exact amount of the deposit you will receive.

If you should set up an M+C MSA with one trustee and then later set up another M+C MSA with a different trustee, you can have the assets transferred from one account to the other without becoming liable for taxes. However, the transfer must be made only by the trustees and only between your own M+C MSAs.

Are there any limits to contributions? Only the Secretary of Health and Human Resources, through the Medicare program, can make deposits to your M+C MSA. The appropriate deposit will be made in one lump sum at the beginning of the year.

Note. If a mistake is made and too much money is deposited into your M+C MSA, the excess contribution can be returned to the Secretary of Health and Human Resources (along with any interest or dividends earned on the overpaid amount) without you having to pay any extra tax or penalty on that amount.

Receiving Distributions from an M+C MSA

You will generally pay medical expenses during the year without being reimbursed by your HDHP until you reach the annual deductible. When you pay medical expenses during the year that are not reimbursed by your HDHP, you can ask the trustee of your M+C MSA to send you a distribution from your M+C MSA.

A distribution is money you get from your M+C MSA. The trustee will report any distribution to you and the IRS on **Form 1099–MSA**, *Distributions From Medical Savings Accounts*.

How to report distributions on your tax return. How you report your distributions depends on whether or not you use the distribution for ***qualified medical expenses***, defined later.

- When you use a distribution from your M+C MSA for qualified medical expenses, you do not pay tax on the distribution. Report distributions on Form 8853, Section B. Follow the instructions for the form and attach it to your Form 1040. You cannot file Form 1040A or Form 1040EZ.
- When you do not use a distribution from your M+C MSA for qualified medical expenses, you must pay tax on the distribution and report the amount on Form 8853, Section B. Follow the instructions for the form and attach it to your Form 1040.

Note. If you are married filing jointly and both you and your spouse received distributions from an M+C MSA, attach a separate Section B of Form 8853 for each spouse. Get ***Instructions for Form 8853***.

Reporting and paying the 50% penalty tax. You may have to pay a 50% penalty tax on the part of your distributions not used for qualified medical expenses. You report the penalty tax on your Form 1040 unless you meet one of the following exceptions.

Exceptions to the 50% penalty tax. There is no 50% penalty tax if you are disabled or die during the year.

Figuring the M+C MSA 50% penalty tax. Refer to *Section B — Medicare + Choice MSA Distributions* in the *Instructions for Form 8853* to figure whether you owe the 50% penalty tax and how much the 50% penalty tax is if you do owe it. Since the penalty computation method may vary depending on which year you are reporting distributions for, be sure to use the instructions for the specific year in which the distributions were made.

Death of the M+C MSA holder. What happens to your M+C MSA when you die depends on whom you designate as the beneficiary.

When your spouse is the designated beneficiary. If your spouse is the designated beneficiary of your M+C MSA, it will be treated as your spouse's MSA after your death. However, no further contributions will be made by the Secretary of Health and Human Resources and distributions will be subject to the rules of regular MSAs, not M+C MSAs.

When your spouse is not the designated beneficiary. If someone other than your spouse is the designated beneficiary of your M+C MSA on the date you die, then:

1) The account stops being an M+C MSA, and
2) The fair market value of the M+C MSA becomes taxable to the designated beneficiary.

When you do not name a designated beneficiary. If you do not name a designated beneficiary of your M+C MSA, the fair market value of the MSA will be included on your final income tax return after your death.

Qualified Medical Expenses

Qualified medical expenses are explained in Publication 502. Examples include amounts paid for doctors' fees, prescription medicines, and necessary hospital services.

CAUTION *You cannot deduct qualified medical expenses as an itemized deduction on Schedule A (Form 1040) if you pay for them with a tax-free distribution from your M+C MSA. You also cannot claim a deduction if you use other funds equal to the amount of the distribution.*

Special rules for insurance premiums. Generally, you cannot treat insurance premiums as qualified medical expenses for M+C MSAs. You can, however, treat premiums for long-term care or health care coverage while you receive unemployment benefits as qualified medical expenses for M+C MSAs. This includes COBRA-type continuation coverage required under any Federal law.

Recordkeeping. For each qualified medical expense you deduct or pay with a distribution from your M+C MSA, you must keep a record of the name and address of each person you paid and the amount and date of the payment. Do not send these records with your tax return. Keep them with your tax records.

Filing Form 8853

You must file Form 8853 and attach it to Form 1040 if you (or your spouse, if married filing a joint return) received distributions from an M+C MSA during the year. If both you and your spouse received distributions from an M+C MSA, attach a separate Section B of Form 8853 for each spouse. For more information, see the *Instructions for Form 8853*.

How To Get More Information

You can order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services.* It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Personal computer. With your personal computer and modem, you can access the IRS on the Internet at **www.irs.gov**. While visiting our web site, you can select:

- *Frequently Asked Tax Questions* (located under *Taxpayer Help & Ed)* to find answers to questions you may have.
- *Forms & Pubs* to download forms and publications or search for forms and publications by topic or keyword.
- *Fill-in Forms* (located under *Forms & Pubs)* to enter information while the form is displayed and then print the completed form.
- *Tax Info For You* to view Internal Revenue Bulletins published in the last few years.
- *Tax Regs in English* to search regulations and the Internal Revenue Code (under *United States Code (USC)).*
- *Digital Dispatch* and *IRS Local News Net* (both located under *Tax Info For Business)* to receive our electronic newsletters on hot tax issues and news.
- *Small Business Corner* (located under *Tax Info For Business)* to get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at **ftp.irs.gov.**

TaxFax Service. Using the phone attached to your fax machine, you can receive forms and instructions by calling **703–368–9694.** Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1–800–829–3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1–800–829–1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1–800–829–4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1–800–829–4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.

Walk-in. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Also, some libraries and IRS offices have:

- An extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.
- The Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**
  Western Area Distribution Center
  Rancho Cordova, CA 95743–0001
- **Central part of U.S.:**
  Central Area Distribution Center
  P.O. Box 8903
  Bloomington, IL 61702–8903
- **Eastern part of U.S. and foreign addresses:**
  Eastern Area Distribution Center
  P.O. Box 85074
  Richmond, VA 23261–5074

CD-ROM. You can order IRS Publication 1796, *Federal Tax Products on CD-ROM,* and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1–877–233–6767** or on the Internet at **www.irs.gov/cdorders.** The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide,* is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1–800–829–3676.**

Tax Publications for Individual Taxpayers

See *How To Get More Information* for a variety of ways to get publications, including by computer, phone, and mail.

General Guides

1 Your Rights as a Taxpayer
17 Your Federal Income Tax (For Individuals)
225 Farmer's Tax Guide
334 Tax Guide for Small Business
509 Tax Calendars for 2000
553 Highlights of 1999 Tax Changes
595 Tax Highlights for Commercial Fishermen
910 Guide to Free Tax Services

Specialized Publications

3 Armed Forces' Tax Guide
378 Fuel Tax Credits and Refunds
463 Travel, Entertainment, Gift, and Car Expenses
501 Exemptions, Standard Deduction, and Filing Information
502 Medical and Dental Expenses
503 Child and Dependent Care Expenses
504 Divorced or Separated Individuals
505 Tax Withholding and Estimated Tax
508 Tax Benefits for Work-Related Education
514 Foreign Tax Credit for Individuals
516 U.S. Government Civilian Employees Stationed Abroad
517 Social Security and Other Information for Members of the Clergy and Religious Workers
519 U.S. Tax Guide for Aliens
520 Scholarships and Fellowships
521 Moving Expenses
523 Selling Your Home
524 Credit for the Elderly or the Disabled
525 Taxable and Nontaxable Income
526 Charitable Contributions
527 Residential Rental Property
529 Miscellaneous Deductions
530 Tax Information for First-Time Homeowners
531 Reporting Tip Income
533 Self-Employment Tax
534 Depreciating Property Placed in Service Before 1987
537 Installment Sales
541 Partnerships
544 Sales and Other Dispositions of Assets
547 Casualties, Disasters, and Thefts (Business and Nonbusiness)
550 Investment Income and Expenses
551 Basis of Assets
552 Recordkeeping for Individuals
554 Older Americans' Tax Guide
555 Community Property
556 Examination of Returns, Appeal Rights, and Claims for Refund
559 Survivors, Executors, and Administrators
561 Determining the Value of Donated Property
564 Mutual Fund Distributions
570 Tax Guide for Individuals With Income From U.S. Possessions
575 Pension and Annuity Income
584 Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
587 Business Use of Your Home (Including Use by Day-Care Providers)
590 Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)
593 Tax Highlights for U.S. Citizens and Residents Going Abroad
594 Understanding the Collection Process
596 Earned Income Credit (EIC)
721 Tax Guide to U.S. Civil Service Retirement Benefits
901 U.S. Tax Treaties
907 Tax Highlights for Persons with Disabilities
908 Bankruptcy Tax Guide
911 Direct Sellers
915 Social Security and Equivalent Railroad Retirement Benefits
919 How Do I Adjust My Tax Withholding?
925 Passive Activity and At-Risk Rules
926 Household Employer's Tax Guide
929 Tax Rules for Children and Dependents
936 Home Mortgage Interest Deduction
946 How To Depreciate Property
947 Practice Before the IRS and Power of Attorney
950 Introduction to Estate and Gift Taxes
967 IRS Will Figure Your Tax
968 Tax Benefits for Adoption
970 Tax Benefits for Higher Education
971 Innocent Spouse Relief
972 Child Tax Credit
1542 Per Diem Rates
1544 Reporting Cash Payments of Over $10,000
1546 The Taxpayer Advocate Service of the IRS

Spanish Language Publications

1SP Derechos del Contribuyente
579SP Cómo Preparar la Declaración de Impuesto Federal
594SP Comprendiendo el Proceso de Cobro
596SP Crédito por Ingreso del Trabajo
850 English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
1544SP Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)

Commonly Used Tax Forms

See *How To Get More Information* for a variety of ways to get forms, including by computer, fax, phone, and mail. For fax orders only, use the catalog numbers when ordering.

Form Number and Title	Catalog Number
1040 U.S. Individual Income Tax Return	11320
Sch A & B Itemized Deductions & Interest and Ordinary Dividends	11330
Sch C Profit or Loss From Business	11334
Sch C-EZ Net Profit From Business	14374
Sch D Capital Gains and Losses	11338
Sch D-1 Continuation Sheet for Schedule D	10424
Sch E Supplemental Income and Loss	11344
Sch EIC Earned Income Credit	13339
Sch F Profit or Loss From Farming	11346
Sch H Household Employment Taxes	12187
Sch J Farm Income Averaging	25513
Sch R Credit for the Elderly or the Disabled	11359
Sch SE Self-Employment Tax	11358
1040A U.S. Individual Income Tax Return	11327
Sch 1 Interest and Ordinary Dividends for Form 1040A Filers	12075
Sch 2 Child and Dependent Care Expenses for Form 1040A Filers	10749
Sch 3 Credit for the Elderly or the Disabled for Form 1040A Filers	12064
1040EZ Income Tax Return for Single and Joint Filers With No Dependents	11329
1040-ES Estimated Tax for Individuals	11340
1040X Amended U.S. Individual Income Tax Return	11360
2106 Employee Business Expenses	11700
2106-EZ Unreimbursed Employee Business Expenses	20604
2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744
2441 Child and Dependent Care Expenses	11862
2848 Power of Attorney and Declaration of Representative	11980
3903 Moving Expenses	12490
4562 Depreciation and Amortization	12906
4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141
4952 Investment Interest Expense Deduction	13177
5329 Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329
6251 Alternative Minimum Tax–Individuals	13600
8283 Noncash Charitable Contributions	62299
8582 Passive Activity Loss Limitations	63704
8606 Nondeductible IRAs	63966
8812 Additional Child Tax Credit	10644
8822 Change of Address	12081
8829 Expenses for Business Use of Your Home	13232
8863 Education Credits	25379