

cannot show reasonable cause, a penalty of \$50 may be imposed for each failure to furnish Form 1042-S to the recipient when due. The penalty may also be imposed for failure to include all required information or for furnishing incorrect information on Form 1042-S. The maximum penalty is \$100,000 for all failures to furnish correct recipient statements during a calendar year. If you intentionally disregard the requirement to report correct information, each \$50 penalty is increased to \$100 or, if greater, 10% of the total amount of items required to be reported, with no maximum penalty.

**Failure to file electronically.** If you are required to file electronically but fail to do so, and you do not have an approved waiver on record, you may be subject to a \$50 penalty per return unless you establish reasonable cause. The penalty applies separately to original returns and amended returns.

### Avoid Common Errors

To ensure that your Forms 1042-S can be correctly processed, be sure that you:

- Carefully read the information provided in Pub. 515 and these instructions.

- If you are an electronic filer, comply with the requirements in Pub. 1187.
- Complete all required fields. At a minimum, you must enter information in boxes 1, 2, 5, 6, 7, 9, 11, 12a-12d, 13a, 13b, and 16. Other boxes must be completed if the nature of the payment requires it.

**Note.** You may leave box 6 blank if you are applying backup withholding to the payment being reported.

- Use only income, recipient, exemption, and country codes specifically listed in these instructions.

## Income Codes, Exemption Codes, and Recipient Codes

**Box 1.** Enter the appropriate income code.

### Code Interest Income

- 01 Interest paid by U.S. obligors—general
- 02 Interest paid on real property mortgages
- 03 Interest paid to controlling foreign corporations
- 04 Interest paid by foreign corporations
- 05 Interest on tax-free covenant bonds
- 29 Deposit interest
- 30 Original issue discount (OID)
- 31 Short-term OID
- 33 Substitute payment—interest

### Code Dividend Income

- 06 Dividends paid by U.S. corporations—general
- 07 Dividends qualifying for direct dividend rate
- 08 Dividends paid by foreign corporations
- 34 Substitute payment—dividends

### Code Other Income

- 09 Capital gains
- 10 Industrial royalties
- 11 Motion picture or television copyright royalties
- 12 Other royalties (e.g., copyright, recording, publishing)
- 13 Real property income and natural resources royalties
- 14 Pensions, annuities, alimony, and/or insurance premiums
- 15 Scholarship or fellowship grants
- 16 Compensation for independent personal services<sup>1</sup>
- 17 Compensation for dependent personal services<sup>1</sup>
- 18 Compensation for teaching<sup>1</sup>
- 19 Compensation during studying and training<sup>1</sup>
- 20 Earnings as an artist or athlete<sup>2</sup>
- 24 Real estate investment trust (REIT) distributions of capital gains
- 25 Trust distributions subject to IRC section 1445
- 26 Unsevered growing crops and timber distributions by a trust subject to IRC section 1445
- 27 Publicly traded partnership distributions subject to IRC section 1446
- 28 Gambling winnings<sup>6</sup>
- 32 Notional principal contract income<sup>3</sup>
- 35 Substitute payment—other
- 36 Capital gains distributions
- 37 Return of capital
- 50 Other income

**Box 6.** If the tax rate entered in box 5 is 00.00, you must generally enter the appropriate exemption code from the list below (but see the **Caution** below).

### Code Authority for Exemption

- 01 Income effectively connected with a U.S. trade or business
- 02 Exempt under an Internal Revenue Code section (income other than portfolio interest)
- 03 Income is not from U.S. sources<sup>4</sup>
- 04 Exempt under tax treaty
- 05 Portfolio interest exempt under an Internal Revenue Code section
- 06 Qualified intermediary that assumes primary withholding responsibility
- 07 Withholding foreign partnership or withholding foreign trust
- 08 U.S. branch treated as a U.S. person
- 09 Qualified intermediary represents income is exempt

**Caution:** See the instructions for box 6 on page 14 for information on additional codes (“00” and “99”) that may be required.

**Box 13b.** Enter the appropriate recipient code.

### Code Type of Recipient

- 01 Individual<sup>2</sup>
- 02 Corporation<sup>2</sup>
- 03 Partnership other than a withholding foreign partnership<sup>2</sup>
- 04 Withholding foreign partnership or withholding foreign trust
- 05 Trust
- 06 Government or international organization
- 07 Tax-exempt organization (IRC section 501(a))
- 08 Private foundation
- 09 Artist or athlete<sup>2</sup>
- 10 Estate
- 11 U.S. branch treated as U.S. person
- 12 Qualified intermediary
- 13 Private arrangement intermediary withholding rate pool—general<sup>5</sup>
- 14 Private arrangement intermediary withholding rate pool—exempt organizations<sup>5</sup>
- 15 Qualified intermediary withholding rate pool—general<sup>5</sup>
- 16 Qualified intermediary withholding rate pool—exempt organizations<sup>5</sup>
- 17 Authorized foreign agent
- 18 Public pension fund
- 20 Unknown recipient

<sup>1</sup> If compensation that otherwise would be covered under Income Codes 16–19 is directly attributable to the recipient’s occupation as an artist or athlete, use Income Code 20 instead.

<sup>2</sup> If Income Code 20 is used, Recipient Code 09 (artist or athlete) should be used instead of Recipient Code 01 (individual), 02 (corporation), or 03 (partnership other than withholding foreign partnership).

<sup>3</sup> Use appropriate Interest Income Code for embedded interest in a notional principal contract.

<sup>4</sup> Non-U.S. source income paid to a nonresident alien is not subject to U.S. tax. Use Exemption Code 03 when entering an amount for information reporting purposes only.

<sup>5</sup> May be used only by a qualified intermediary.

<sup>6</sup> Subject to 30% withholding rate unless the recipient is from one of the treaty countries listed under *Gambling winnings (Income Code 28)* in Pub. 515.