



# Instructions for Form 5498-ESA

Section references are to the Internal Revenue Code unless otherwise noted.

## Reminder

In addition to these specific instructions, you should also use the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G. Those general instructions include information about:

- Backup withholding
- Magnetic media and electronic reporting requirements
- Penalties
- Who must file (nominee/middleman)
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS website at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

## Specific Instructions for Form 5498-ESA

File Form 5498-ESA, Coverdell ESA Contribution Information, with the IRS by May 31, 2007, for each person for whom you maintained any Coverdell education savings account (ESA) during 2006.

**Contributions.** You must report contributions, including rollover contributions, to any Coverdell ESA on Form 5498-ESA. See the instructions under Boxes 1 and 2. If no reportable contributions were made for 2006, no return is required.

For contributions made between January 1, 2007, and April 16, 2007, trustees and issuers should obtain the participant's designation for the year that the contributions are made.

**Transfers.** Report on Form 5498-ESA all rollovers including a direct trustee-to-trustee transfer from one Coverdell ESA to another Coverdell ESA. A rollover can be made from certain U.S. Savings Bonds or another Coverdell ESA. Any amount distributed from a Coverdell ESA may be rolled over to another Coverdell ESA and is not taxable if it is for the benefit of the same beneficiary or certain family members (see below).

**Total distribution, no contributions.** Generally, if a total distribution was made from an account during the year and no contributions including rollovers were made for that year, you do not need to file Form 5498-ESA.

**Distributions.** Report distributions from any Coverdell ESA on Form 1099-Q, Payments From Qualified Education Programs

(Under Sections 529 and 530). Any change in the beneficiary of the Coverdell ESA is not treated as a distribution if the new beneficiary is a family member (see below) of the prior beneficiary and has not reached the age of 30 (except for a beneficiary with special needs).

**Family member.** A family member of the designated beneficiary includes his or her spouse, children and their descendants, stepchildren and their descendants, siblings and their children, parents and grandparents, stepparents, and their spouses. It also includes the first cousins of the designated beneficiary.

**Statements to participants.** If you are required to file Form 5498-ESA, you must provide a statement to the beneficiary (participant) by April 30, 2007.

For more information about the requirement to furnish statements to participants, see part M in the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

**Account number.** The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 5498-ESA. Additionally, the IRS encourages you to designate an account number for all Forms 5498-ESA that you file. See part L in the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

## Coverdell Education Savings Account

A Coverdell education savings account is a trust or custodial account created or organized in the United States exclusively for the purpose of paying the qualified education expenses of an individual who is the designated beneficiary of the trust. The account must be designated as a Coverdell ESA at the time it is created or organized in order to be treated as a Coverdell ESA for tax purposes. The governing instrument creating the trust must meet the requirements of section 530(b)(1).

### Box 1. Contributions (Other Than Amounts in Box 2)

Enter contributions to a Coverdell ESA made in 2006 and through April 16, 2007, designated for 2006.

Do not include in box 1 rollovers. Report rollovers in box 2.

### Box 2. Rollover Contributions

Enter any rollover contributions (including trustee-to-trustee transfers) to this Coverdell ESA received by you during 2006 (see *Transfers* above).