

Instructions for Beneficiary

The information on Form 5498-ESA is furnished to you by the trustee or issuer of your Coverdell education savings account (ESA) by May 2, 2011. Form 5498-ESA reports contributions and rollover contributions made for you for 2010. For more information about Coverdell ESAs, see Pub. 970, Tax Benefits for Education.

Beneficiary's identification number. For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN). However, the issuer has reported your complete identification number to the IRS and, where applicable, to state and/or local governments.

Account number. May show an account or other unique number the trustee/issuer assigned to distinguish your account.

Box 1. Shows Coverdell ESA contributions made in 2010 and through April 15, 2011, on your behalf. Do not deduct these amounts on your income tax return. If the total contributions made to all your Coverdell ESAs for 2010 exceeded \$2,000, you must withdraw the excess, plus earnings, by June 1, 2011, or you may owe a penalty. You must keep track of your Coverdell ESA basis (contributions and distributions).

Box 2. Shows any rollover (including a direct rollover and contribution of a military death gratuity) you made in 2010. Generally, any amount rolled over from one Coverdell ESA to another Coverdell ESA for the benefit of the named beneficiary or a member of the beneficiary's family who is under age 30 (except for a beneficiary with special needs) is not taxable.

Instructions for Trustee or Issuer

General and specific form instructions are provided as separate products. The products you should use to complete Form 5498-ESA are the 2010 General Instructions for Certain Information Returns and the 2010 Instructions for Form 5498-ESA. To order these instructions and additional forms, visit the IRS website at www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).

Caution: *Because paper forms are scanned during processing, you cannot file Form 1096, 1098, 1099, 3921, 3922, or 5498 that you download and print from the IRS website.*

Due dates. Furnish Copy B of this form to the beneficiary (participant) by May 2, 2011.

File Copy A of this form with the IRS by June 1, 2011. To file electronically, you must have software that generates a file according to the specifications in Pub. 1220, Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically. IRS does not provide a fill-in form option.

Need help? If you have questions about reporting on Form 5498-ESA, call the information reporting customer service site toll free at 1-866-455-7438 or 304-263-8700 (not toll free). For TTY/TDD equipment, call 304-579-4827 (not toll free). The hours of operation are Monday through Friday from 8:30 a.m. to 4:30 p.m., Eastern time.



Instructions for Form 5498-ESA

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

What's New

Truncating beneficiary identification number on paper payee statements. Notice 2003-93 allows filers of this form to truncate a beneficiary's identification number (social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN)) on paper payee statements for tax years 2009 and 2010. See part M in the 2010 General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G).

Reminder

In addition to these specific instructions, you should also use the 2010 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Backup withholding.
- 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 or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions

File Form 5498-ESA, Coverdell ESA Contribution Information, with the IRS by June 1, 2011, for each person for whom you maintained any Coverdell education savings account (ESA) during 2010.

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 or custodial account. 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).

Contributions. You must report contributions, including rollover contributions, to any Coverdell ESA on Form 5498-ESA. See the instructions under box 1 and box 2. If no reportable contributions were made for 2010, no return is required.

For contributions made between January 1, 2011, and April 15, 2011, trustees and issuers should obtain the participant's designation of the year for which the contributions are made.

Rollovers and 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. The contribution of a military death gratuity to a Coverdell ESA is a rollover contribution. 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 a member of the beneficiary's family.

Family member. Family members of the designated beneficiary include the beneficiary's spouse. Also included are the beneficiary's children, stepchildren, foster children, and their descendants; siblings and their children; parents, their siblings, and ancestors; stepparents; in-laws; the spouse of any of the foregoing; and any first cousin of the designated beneficiary.

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 above) of the prior beneficiary and has not reached the age of 30 (except for a beneficiary with special needs).

Statements to participants. If you are required to file Form 5498-ESA, you must provide a statement to the beneficiary (participant) by May 2, 2011.

For more information about the requirement to furnish statements to participants, see part M in the 2010 General Instructions for Certain Information Returns.

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 2010 General Instructions for Certain Information Returns.

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

Enter contributions to a Coverdell ESA made from January 1, 2010, through April 15, 2011, and designated for 2010.

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

Box 2. Rollover Contributions

Enter any rollover contributions (including a military death gratuity and trustee-to-trustee transfer) to this Coverdell ESA received by you during 2010 (see *Rollovers and transfers* earlier).