Changes to 1098 Reporting

Mortgage Interest Statement

Date 5/18/16
Spec Writer: Karen
Systems Affected:
☑ CU*BASE

Programmer analysis needed.

This project includes changes to reporting requirements for Form 1098: Mortgage Interest Statement required for the 2016 tax year. See below for detail.

Changes to the 2016 Form 1098: Mortgage Interest Statement
 (from the NAFCU Compliance Blog)
Written by Victoria Daka, Regulatory Compliance Counsel

While credit unions complete tax reporting requirements for 2015, we thought it would be a good time to note that next year there will be changes to this process. A new law passed in July, 2015 included additional reporting requirements for credit unions that receive mortgage interest. Just to be clear, this will impact next year's reporting, as it applies to mortgage interest *received* in 2016.

To meet this law's requirements, the Internal Revenue Service added two additional reporting requirements and resized the 2016 version of Form 1098. Credit unions will be required to report mortgage insurance premiums in box 5. This still applies only where a borrower pays a credit union $600 or more in mortgage interest on any one mortgage during the calendar year. Second, credit unions must report the address or description of property securing the mortgage, the outstanding mortgage principal as of January 1, 2016, and the mortgage origination date. Additionally, Form 1098 has increased in size from a 3-to-a-page to a 2-to-a-page format.

Below is a summary from the Form 1098's 2016 instructions on the additional requirements:

Mortgage insurance premiums. Report mortgage insurance premiums paid of $600 or more in box 5. Reporting is required under section 6050H(h).

New reporting requirements. The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 contains new reporting requirements for recipients of mortgage interest. For forms 1098 issued to payers after December 31, 2016, you must report the address or description of property securing the mortgage, the outstanding mortgage principal as of January 1, 2016, and the mortgage origination date.

Form resized. Due to the modification of reporting requirements by P.L. 114-41, sec. 2003, the official IRS Form 1098 has increased in size from a 3-to-a-page to a 2-to-a-page format, beginning with tax year 2016. The revised form can be found at www.irs.gov/form1098."

The instructions for 2016 Form 1098 are available here. The revised form can be found here. Again, this is not for the 2015 tax year, but for any 1098 forms sent after December 31, 2016.

Suggested content for the **Release Summary** (sales pitch, geared toward credit unions): Year-end tax reporting for Form 1098 Mortgage Interest Statement has been updated to include new mortgage loan information required by the IRS for the 2016 tax year. In addition, the form is re-sized to 2-on-a-page rather than 3-on-a-page. SHOW SAMPLE OF NEW FORM

Contents

1098 Form Samples

1098 for 2015

8181	☐ VOID	☐ CORRECTED

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number

OMB No. 1545-0901

2015

Form **1098**

Mortgage Interest Statement

RECIPIENT'S federal identification no.

PAYER'S social security number

1 Mortgage interest received from payer(s)/borrower(s)
$

PAYER'S/BORROWER'S name

2 Points paid on purchase of principal residence
$

Street address (including apt. no.)

3 Refund of overpaid interest
$

City or town, state or province, country, and ZIP or foreign postal code

4

Account number (see instructions)

5

**Copy A
For
Internal Revenue
Service Center
File with Form 1096.**

For Privacy Act and Paperwork Reduction Act Notice, see the **2015 General Instructions for Certain Information Returns.**

Form **1098**   Cat. No. 14402K   www.irs.gov/form1098   Department of the Treasury - Internal Revenue Service

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NEW 1098 for 2016

8181	☐ VOID	☐ CORRECTED

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0901

2016

Form **1098**

Mortgage Interest Statement

1 Mortgage interest received from payer(s)/borrower(s)
$

RECIPIENT'S/LENDER'S federal identification number

PAYER'S/BORROWER'S taxpayer identification no.

2 Outstanding mortgage principal as of 1/1/2016
$

3 Mortgage origination date

4 Refund of overpaid interest
$

5 Mortgage insurance premiums
$

PAYER'S/BORROWER'S name

6 Points paid on purchase of principal residence
$

Street address (including apt. no.)

7 Is address of property securing mortgage same as PAYER'S/BORROWER'S address?
If Yes, check box . . . . ☐
If No, enter address of property securing mortgage below

City or town, state or province, country, and ZIP or foreign postal code

8 Address of property securing mortgage (see instructions)

10 Other

9 If property securing mortgage has no address, provide description of the property (see instructions)

Account number (see instructions)

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For Privacy Act and Paperwork Reduction Act Notice, see the **2016 General Instructions for Certain Information Returns.**

Form **1098**   Cat. No. 14402K   www.irs.gov/form1098   Department of the Treasury - Internal Revenue Service

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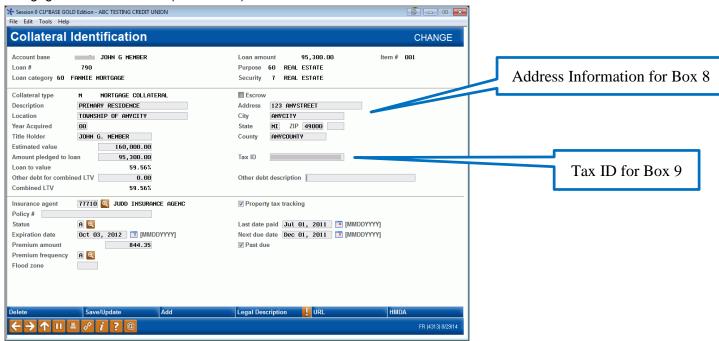
Summary of Program Changes

The following program changes are anticipated with this project:

☐ Changes to the tax creation program and other changes (need programmer input) based on the added boxes listed below:

Box #	Description	Gather Data From
2	Outstanding Mortgage Principal as of 1/1/20XX (Beginning of year)	Propose using the EOM 12/31/XX balance from MBRBAL – programmer analysis needed. If the loan was opened after 01/01/XX then use zeroes
3	Mortgage Origination Date	MEMBER5/6
5	Mortgage Insurance Premium	Manual
7	Is address of property securing mortgage same as PAYER's/BORROWER's address?	Y/N flag Check collateral record*, if data exists in Address, City, State or County then value is N
8	Address of property securing mortgage	If Box 7 is N, then populate with the address information from the collateral record If Box 7 is Y, then leave blank
9	If property securing mortgage has no address, provide description of the property	Check collateral record*, if a Tax ID exists, then populate with the Tax ID from the collateral record

*Note: If multiple collateral records exist for the loan, then use the first record on file.

Mortgage Collateral Record (ULNCLA-B)

1. Check the first collateral record (CLML) for the loan.

2. If data exists in any of the address fields (PRADDR, PRCITY, PRCOUN, PRSTAT, PRZIP9), then the addresses are considered different - Box 7 is not checked (N) and Box 8 is populated with the address information from the collateral record.

3. Check if an alternate address is in effect. If so, box 7 should be checked (Y). Note: We are assuming that the alternate address is the primary address.

4. If there is no data in the CLML address fields listed in #2, then the addresses are considered the same - Box 7 is checked (Y) and Box 8 is left blank.