

# UNDERSTANDING YOUR FORM 1099 CONSOLIDATED TAX STATEMENT



Reporting investment income and related expenses on your tax forms is simpler with a bit of guidance. To help you navigate the Form 1099 Tax Reporting Information Statement you receive from investment firms such as Janney, review this handy guide.

## THINGS TO KEEP IN MIND

The Tax Reporting Information Statement, Form 1099, is a record of activity in your account at Janney Montgomery Scott LLC.

This statement provides a comprehensive record of reportable income and securities transactions posted to your Janney account during the taxable year. The information provided by Janney on Form 1099 will be reported to the Internal Revenue Service (IRS) as indicated.

If you are required to file a tax return with the IRS, you could be subject to a negligence penalty or other sanctions if the IRS determines that the income reported on this statement is taxable and has not been reported.

All information that Janney provides here should not be a substitute for obtaining tax-filing advice from a professional tax advisor as this guide is general in nature and every taxpayer's tax situation is unique.

**If you have any questions regarding your 1099 Consolidated Tax Statement, please contact your Janney Financial Advisor.** Tax preparation questions should be directed to your professional tax advisor.

Your 1099 Consolidated Tax Form consists of several sections which are summarized below in the order in which they appear on the form. Sections reportable by Janney directly to the IRS are indicated where applicable on your 1099 Form.

## 1099-DIV: DIVIDENDS AND DISTRIBUTIONS

This section includes all dividend income received in your Janney account during the year. Below are explanations of commonly populated lines:

- *Line 1a: Total Ordinary Dividends* – Shows the total ordinary dividends.
- *Line 1b: Qualified Dividends* – Shows the portion of the dividends displayed in Line 1a that may be eligible for a reduced capital gains rate, also known as “qualified dividends.”
- *Line 2a: Total Capital Gain Distributions* – Shows the total capital gain distributions from a regulated investment company or real estate investment trust.
- *Line 2e: Section 897 Ordinary Dividends* – Shows the portion of the dividends displayed in box 1a that is Section 897 gain attributable to disposition of U.S. Real Property interests (USRPI).

- *Line 2f: Section 897 Capital Gain* – Shows the portion of the amount in box 2a that is Section 897 gain attributable to disposition of USRPI.
- *Line 3: Non-dividend Distributions* – Also known as Return of Capital, this line shows the total amount of any non-dividend distributions received which is a return of your initial investment. This amount generally reduces the basis for the security by the same amount of the distribution.
- *Line 4: Federal Income Tax Withheld* – Shows the total amount of Federal dividend income withholding.
- *Line 5: Section 199A dividends* – Shows the total “qualified REIT dividends” (also called “Section 199A dividends”) resulting from the Tax Cuts and Jobs Act.

## 1099-MISC: MISCELLANEOUS INCOME

This section includes payments in cash (including certain monetary instruments) or foreign currency received in any of the following transactions: royalty income payments, fees, non-employee compensation, and substitute payments in lieu of dividends.

- *Line 3: Other Income* – This line can include payments received from the Fully Paid Lending Program

- **Line 4: Federal Income Tax Withheld** – Shows the total amount of miscellaneous income withholding.
- **Line 8: Substitute Payments in Lieu of Dividends or Interest** – Shows the total amount of payments in lieu of dividend or interest when your securities are out on loan. Income received during the period when you are not holder of record is considered a substitute payment, rather than dividend or interest income.

## 1099-INT: INTEREST INCOME

This section includes interest income received in your Janney account during the year. Below are explanations of commonly populated lines:

- **Line 1: Interest Income** – Shows the total taxable interest paid to you during the calendar year by the payer. This line does not include Line 3.
- **Line 3: Interest on US Savings Bond & Treasury Obligations** – Shows the total interest from US Savings Bonds, Treasury Bills, Treasury Bonds and Treasury Notes.
- **Line 4: Federal Income Tax Withheld** – Shows the total amount of interest income withholding.
- **Line 8: Tax Exempt Interest** – Shows the total amount of tax-exempt interest paid to you during the calendar year by the payer.
- **Line 11: Bond Premium** – Shows the total amount of bond premium for taxable obligations. Despite being shown as a positive number, this is a negative line item and the IRS recognizes that the number is negative and their systems read it as negative.

## SALE TRANSACTIONS

This section, which is for informational purposes, summarizes the total cost basis, proceeds, and gain/loss information from the transactions displayed in section 1099-B.

### Term

- **Short Term:** Assets owned for one year or less.
- **Long Term:** Assets owned for more than one year.
- **Undetermined:** Assets owned where the date acquired or cost basis cannot be determined.

### Covered vs. Non-covered

- **Covered:** Janney reports the cost basis information to the IRS (on a tax lot by tax lot basis).
- **Non-covered:** Janney does not report the cost basis information to the IRS, however it is provided on the Form 1099 for your convenience where we have the information.

## 1099-B: PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS

This section includes reportable information and shows all sales transactions that occurred in your Janney account during the year. There are several sub-sections that separate long-term, short-term and undetermined-term holding period and covered or non-covered status. Each sub-section's header that displays what the type of transactions are and what information is being reported to the IRS.

- **Short Term Transactions for Covered Tax Lots:** This section displays sales transactions of assets that were owned for one year or less. The cost basis for these transactions is reported to the IRS.
- **Short Term Transactions for Non-covered Tax Lots:** This section displays sales transactions of assets that were owned for one year or less. The cost basis for these transactions is not reported to the IRS.
- **Long Term Transactions for Covered Tax Lots:** This section displays sales transactions of assets that were owned for more than one year. The cost basis for these transactions is reported to the IRS.
- **Long Term Transactions for Non-Covered Tax Lots:** This section displays sales transactions of assets that were owned for more than one year. The cost basis for these transactions is not reported to the IRS.
- **Undetermined Term Transactions for Non-Covered Tax Lots:** This section displays sales transactions of assets where the date acquired and/or the cost basis cannot be determined.

### Example of a Long Term Transaction for Covered Tax Lots transaction displayed on the 1099-B

LONG TERM TRANSACTIONS FOR COVERED TAX LOTS (Ordinary gains or losses are identified in the Additional Information column) (Lines 1 & 5)							
Report on Form 8949, Part II with Box D checked. Basis is provided to the IRS. (Line 3)							
Gain or loss ("I" as NOT reported to the IRS)							
1a- Description of property/CUSIP/Symbol	1d- Proceeds & 6- Reported (G/gross or N/net)	1b- Date acquired	1e- Cost or other basis	1f- Accrued mkt disc (D) & 1g- Wash sale loss disallowed (W)	7- Loss not allowed (X) also not reported (Z)	Additional information	
1c- Date sold or disposed	Quantity						
OPKO HEALTH INC / CUSIP: 68379N103 / Symbol: OPKO							
2 transactions for 01/02/18. Total proceeds and cost reported to the IRS.							
	1,500,000	6,470.62	12/09/16	16,689.85	0.00	-10,219.23	1 of 2 - Sale
	1,000,000	4,313.74	12/09/16	11,599.90	0.00	-7,286.16	2 of 2 - Sale
01/02/18	2,500,000	10,784.36	Various	28,289.75	0.00	-17,505.39	Total of 2 transactions

- **1a-Description of Property/CUSIP/Symbol:** Displays the name of the asset, CUSIP and symbol.
- **1c-Date Sold or Disposed:** Displays the date in which the asset was sold or disposed of.
- **Quantity:** Displays the total amount of shares or units.
- **1d-Proceeds:** Displays the proceeds received from the transaction which is reported to the IRS.
- **1b-Date Acquired:** Displays the date in which the asset was originally purchased.

- *1e-Cost or other basis*: Displays the basis on the tax lot used to calculate the gain or loss provided
  - Note: This section will display the adjusted cost basis if there were adjustments such as bond adjustments, return of capital, or paydowns.
- *Adjustments*: Displays, if any, the amount of disallowed loss in a wash sale transaction or the amount of accrued market discount.
- *Gain or Loss*: Displays the total amount of gain or loss which is equal to the difference between the cost basis and the proceeds.
- *Additional information*: Displays what type of transaction occurred, provides additional footnotes, and will also note what the original cost basis was if there has been an adjustment.

## DETAIL FOR DIVIDENDS AND DISTRIBUTIONS & DETAIL FOR INTEREST INCOME SECTIONS

These sections include payment level detail of your qualified and nonqualified taxable dividends, capital gain distributions, exempt-interest dividends, non-dividend distributions (return of capital payments), liquidation distributions, interest income and associated bond premium.

All amounts are grouped by security, with the income or distributions listed in chronological order.

- The detail provided is Security Description, CUSIP and/or Symbol, Date, Amount, Transaction Type and Notes. Any notes are further explained at the end of the Form 1099.

## OTHER RECEIPTS AND RECONCILIATION SECTION

- *Unit Investment Trusts*: Displays the adjustments made between cash distributions and reportable income during the applicable Tax Year. Income recognition may be taxable in a separate Tax Year from the actual year of distribution. This section shows the year such income is recognized, not necessarily distributed.
- *Partnerships*: This section will show the gross amount of partnership distributions received throughout the year. This section does not include information on the final taxability of these distributions; tax implications are provided on your Schedule K-1 issued directly from the Partnership.
- *Deferred Income*: If you have deferred income, it may be shown in this section but reportable and taxable in the following Tax Year (on 1099-DIV). Any information shown in this section as “Deferred Income” is shown therefore as informational only to assist account holders in any reconciliation of their income received during the year, and is not being reported.

## IMPORTANT TAX INFORMATION

### Amended Tax Forms

Holding certain asset types could cause an amended 1099 to be issued due to late income taxability announcements by the issuing companies. Types of assets that could cause an amended form are mutual funds, regulated investment companies (RIC), real estate investment trusts (REIT), unit investment trusts (UIT), foreign securities or any other asset that has late income taxability announcements. Janney strives to deliver the most accurate information to you at the earliest available time.

### TurboTax®

- Janney clients have the ability to import their 1099 Tax Form data directly into TurboTax® software which will provide clients the benefit of saving valuable time and effort as the information will not have to be manually entered.
- TurboTax® is a leading tax-preparation software product from Intuit, Inc. that allows you to download W-2 and 1099 data from participating employers and financial institutions.
- Step by step instructions to import 1099 data into TurboTax® are located at [www.janney.com/taxes](http://www.janney.com/taxes) under “Janney Download Guide for TurboTax®.”

### H&R Block®

- Janney clients have the ability to import their 1099 Tax Form data directly into H&R Block® software which will provide clients the benefit of saving valuable time and effort as the information will not have to be manually entered.
- H&R Block® is a leading tax-preparation software product that allows you to download W-2 and 1099 data from participating employers and financial institutions.
- Step by step instructions to import 1099 data into H&R Block® are located at [www.janney.com/taxes](http://www.janney.com/taxes) under “Janney Download Guide for H&R Block®.”

### CSV File

- Janney also offers clients a download capability for 1099 tax statement data (1099 Consolidated, 1099 Non-reportable Summaries, and 1099-R forms) into a CSV file format.
- This download feature allows clients with large amounts of tax data to download CSV or ZIP files that are commonly used by tax professionals with many professional tax and accounting software programs.
- Clients are encouraged to request further information from their Financial Advisor or local Branch team to take advantage of this option if their tax preparer or professional suggests a data file rather than the traditional 1099 form.

## HELPFUL TAX TERMINOLOGY & DEFINITIONS

### Managed Account Fees

- Fees that are paid to investment/fund advisors for portfolio management from investment/fund assets. Typically these fees are a certain percentage of assets under management, which are comprehensive. Under the Tax Cuts and Jobs Act (2018), these fees are no longer deductible as itemized deductions as they have been curtailed by the new law. The fees are no longer displayed on the 1099 Consolidated Form in order to reduce confusion with previous tax year's deductibility. If you would like to review your yearly total, please review your monthly statements or feel free to reach out to your Financial Advisor.

### Investment Expenses

- Certain products such as Unit Investment Trusts (UIT) classify expenses as Investment Expenses, which includes operating expenses related to portfolio supervision, administration, evaluation, trustee fees and bookkeeping. The trustees supply investment factors in a variety of formats, most often as a factor of distributed income. Additional information on how these factor values are determined can usually be found on the UITs public website in their tax section. Please note, depending on the type of UIT you hold, information may be released later in tax season than other types of securities.

### Grantor Trust (UIT organization type) and Regulated Investment Company (UIT organization type)

- Grantor Trust UITs act as pass-through vehicles where UIT holders are deemed to own the underlying assets of the UIT directly and tax reporting is subject to WHFIT rules. Currently in-kind distributions are not taxable.
- Regulated Investment Company UITs ("RICs") are not treated as pass-through entities, and therefore holders are not deemed to own the underlying assets directly. Tax reporting on RICs are not subject to WHFIT rules, however in-kind distributions, if applicable, are considered taxable.

### Limited Partnership Distributions (K-1)

- If you owned units in a limited partnership during the Tax Year you will receive a Schedule K-1 (Form 1065) from the partnership you own. General Partners have until March 15 to issue K-1's. If you do not receive your Schedule K-1, please contact the partnership directly as Janney does not generally have access to your K-1 forms. Janney does not produce K-1 forms. Two main websites that allow you to access your form electronically are [www.taxpackagesupport.com](http://www.taxpackagesupport.com) and [www.partnerdatalink.com](http://www.partnerdatalink.com). These public websites are not maintained or affiliated with Janney Montgomery Scott, LLC and are being provided for informational purposes only.

- Additional information on limited partnership and their taxability can also be found in IRS Publication 541.

### Covered and Non-Covered Tax Lots

- *Covered Tax Lot*: An asset purchased or acquired after a certain date in which Janney is required to send cost basis information along with proceeds information to the IRS.
- *Non-covered Tax Lot*: An asset purchased or acquired before a certain date in which Janney does not send cost basis information to the IRS. Janney is still required to send proceeds information to the IRS.
- *Undetermined Tax Lot*: An asset where a cost basis and/or date acquired is unknown. Janney does not send the cost basis information to the IRS but is still required to send the proceeds information to the IRS.
- The below chart states when classes of assets became covered:

Acquired after January 1, 2011	Equity Securities
Acquired after January 1, 2012	Mutual Funds and Dividend Reinvestment Plan (DRIP) shares
Acquired after January 1, 2014	Simple Debt securities, OID bonds, zero coupon bonds, options, rights and warrants
Acquired after January 1, 2016	Complex Debt Securities, variable rate bonds

### Holding Period Term

- *Short Term*: An asset that is held for one year or less.
- *Long Term*: An asset that is held for over one year. Assets inherited from a decedent are also deemed long term by the IRS.

### Dividends & Distributions

- *Qualified Dividend*: Represent dividends that, based on published information, may qualify for the tax rate of 15% if the taxpayer is in a certain income bracket and has held the shares for the minimum hold period around the ex-dividend date. The minimum holding period is 61 days for domestic common stocks and many foreign stocks and 91 days for domestic preferred stocks.
- *Non-qualified Dividend*: Represent a dividend that has no preferential tax treatment and would be taxed at your ordinary income tax rate.
- *Non-dividend Distribution*: Represents a return of your initial investment that will generally reduce the cost basis for the security by the same amount of the distribution. This is a non-taxable item until your cost basis in the asset has been fully recovered. Also known as Return of Capital.

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## FREQUENTLY ASKED QUESTIONS

### I did not receive any cash payments on my debt instrument. Why is OID being reported?

- If a debt instrument is issued with OID, we are required to report a portion of that OID each year the instrument is held in your account regardless of whether you actually receive cash payment. If you held a debt instrument that was issued with OID and also made cash payments of interest, we report the cash payments to you in Other Periodic Interest column of the 1099-OID section of your 1099-REMIC/WHFIT statement.

### How are return of capital (Non-dividend) distributions reported on the 1099-DIV?

- Return of capital (Non-dividend) distributions are reported on Line 3. It is not always possible to determine this information at the time of payment, which means the payment is considered final until the issuer reallocates the taxability. When Janney receives these notifications from the issuer a corrected Form 1099-DIV may then be produced.

### Why is the interest earned on certain asset-backed securities not reported on the Form 1099-INT section of the 1099 Consolidated Form?

- Interest earned on CDO, REMIC, and WHFIT securities are subject to special information reporting rules because additional tax information must be provided to the holders of the securities. The income and additional tax information is then reported on a Form 1099-OID/REMIC, which is postmarked to clients no later than March 15th.

### Why are principal payments showing on Form 1099-B Gross Proceeds?

- Form 1099-B reports receipt of Scheduled and Unscheduled Principal Payments on the mortgages held by the WHFIT. Trustees must calculate and provide information regarding these principal receipts that are attributable to a unit interest holder. Scheduled and Unscheduled Principal receipts are aggregated with the WHFIT's proceeds from sales and dispositions of mortgages and reported as trust sales proceeds to the IRS on Form 1099-B. Unless a trustee reports under the safe harbor for certain WHFITs, scheduled and unscheduled principal receipts and trust sales proceeds are reported separately to beneficial owners.

### Why haven't I received my K-1?

- Partnerships currently have until March 15th to issue K-1 statements. Many partnerships also offer online access to their forms via their individual websites once the forms are produced. Janney does not produce K-1 forms, therefore you should contact the partnership directly regarding any inquiry as to the status of your forms. A large amount of K-1 statements are available through two websites: [www.taxpackagesupport.com](http://www.taxpackagesupport.com) and [www.partnerdatalink.com/landing/landing.html](http://www.partnerdatalink.com/landing/landing.html). These are helpful resources for obtaining direct partnership contact information. *Janney is not affiliated with the [www.taxpackagesupport.com](http://www.taxpackagesupport.com) or [www.partnerdatalink.com/landing/landing.html](http://www.partnerdatalink.com/landing/landing.html) websites. These website addresses are provided only for informational purposes as an outside resource. Janney does not make any warranties or guarantees as it relates to their accuracy, accessibility, or security.*

Each taxpayer's situation is different and tax-related information provided herein is general in nature. Consult with a professional tax advisor with questions specific to your personal tax situation.

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