Important information about tax reporting changes for bonds

The following information is intended to help you understand cost basis reporting requirements for bonds, including recent Internal Revenue Service (IRS) changes.

The information you find within your tax statement package depends on your investments and account activity. Please provide this information to your tax preparer along with your tax statements and also retain a copy for your records.

Summary of 2014 changes
Beginning in 2014, the IRS requires us to report cost basis and holding period information to you and the IRS, and to track bond elections on our systems for certain “less complex” bonds\(^\text{1}\) acquired on or after Jan. 1, 2014.

Bond elections, which may affect the earnings on your bonds, the character of your bond income, your cost basis, and tax reporting, were available to you prior to 2014, but we were not required to record or track them. IRS-required default methods are used if you do not make an alternate election\(^\text{2}\).

Changes for 2015 tax reporting
In 2015, the following changes went in to effect:

- For bonds purchased at a discount on or after Jan. 1, 2015 the IRS-required broker default method for market discount calculation was changed from straight-line to constant yield.
- Bonds purchased at a discount between Jan. 1, and Dec. 31, 2014 used the straight-line calculation method as the broker default.
- Starting in 2015 bond premium will be reported separately for taxable and tax-exempt bonds on Form 1099-INT, Interest Income.
**Actions you can take**

- You have the opportunity to retain the constant yield calculation method or make an election to use the straight-line calculation method by Dec. 31 of the year in which you acquire a bond.
- This election may be made either at the account level or on a bond-by-bond basis.

**Additional resources**

- When preparing your tax returns, consult a qualified tax professional or review IRS 2015 Instructions for Schedule D (and Form 8949) and IRS Publication 550, Investment Income and Expenses
- To see transactions and history for your Ameriprise accounts, log in to the secure site on ameriprise.com
- For more information on cost basis, visit ameriprise.com/costbasis
- For information about bond elections refer to IRS Publication 550, Investment Income and Expenses, and IRS Publication 1212, Guide to Original Issue Discount (OID) Instruments
- IRS forms and publications are available at irs.gov

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1. Bonds impacted by 2014 regulation changes include corporate, treasury and municipal bonds with a fixed interest rate, payment schedule and maturity. Most options also became covered in 2014. For more information about cost basis reporting regulations visit ameriprise.com/cost basis.
2. Review the “Additional resources” section of this brochure to find out where to get more information about bond elections.