2015 Tax Information Guide

Before you file your taxes, consider that more forms may be on the way

Corrected Form 1099
Your Form 1099 Composite includes the most comprehensive information available at the time it’s prepared. If we receive updated information from issuers of securities you hold, we’re required to send a corrected Form 1099 Composite with the revision(s) clearly displayed.

Widely Held Fixed Investment Trust Securities
WHFIT security issuers have until March 15, 2016 to issue statements that contain their tax reporting information. This may result in you receiving one or more corrected Form 1099 Composite statements that include WHFIT reporting.

Income Reclassification may result in Corrected Tax Forms
Mutual fund companies, Real Estate Investment Trusts (REITs), and Utilities are among the issuers that most frequently qualify (amend) the description or nature of their distributions after payment. This type of reclassification requires an amended Form 1099 to be sent to you, the taxpayer.

If, for example, a mutual fund (or other security issuer) paid a distribution as a dividend during the 2015 calendar year and then in 2016 the issuer announces that the originally reported dividend distribution is being reclassified to a return of capital (ROC); your tax record will be amended and a corrected Form 1099 will be issued to you. Please note reclassifications may result in cost basis changes.

Spillovers or Constructive Receipts
If a mutual fund company or Real Estate Investment Trust (REIT) declares a dividend (including any exempt-interest dividend or capital gain distribution) with a record date in October, November, or December 2015, but actually pays the dividend in 2016; the dividend is considered for reporting purposes to be received by the investor on December 31, 2015. If the dividend is not reported in the year of its corresponding record date, optionsXpress will issue a corrected Form 1099.

*Please see IRS Publication 550 – Investment Income and Expenses
General Cost Basis Information
The Emergency Economic Stabilization Act (EESA) that was enacted in October 2008 includes provisions to phase in cost basis tracking and reporting based on the type of security and acquisition date.

Please visit optionsXpress’ Tax Center for the specific cost basis timeline and phase information. Implementation phases began in 2011.

Changes to Form 1099-B
Numerous changes to IRS Form 1099-B have occurred, since the inception of cost basis reporting in 2011. In addition to complying with IRS form requirements, optionsXpress has made various formatting changes to the substitute Form 1099 to better assist you with your tax reporting.

The 2015 tax year Form 1099 integrates all Mortgage Backed Income Reporting covering Real Estate Mortgage Investment Conduits (REMIC). Interest and OID will be included on the composite Form 1099. A separate, specialized tax statement for mortgage backed securities has been eliminated. Please be aware that late reporting by the security issuer may result in an amended Form 1099.

*Please see IRS Publication 550 – Investment Income and Expenses

Truncated Taxpayer Identification Number (TTIN)

In an attempt to reduce the risk of identity theft resulting from including a TIN on a payee statement, the IRS allows filers to display the last four digits of a payee’s TIN and mask the remaining by replacing the first five numbers with either an asterisk (*) or letter “X”.

Federal Backup Withholding and Tax Identification Number (TIN) Verification

Federal backup withholding law provides that optionsXpress may be required to withhold a specified percentage of certain reportable payments made to recipients for whom optionsXpress filed an information return (Form 1099) that had a missing or incorrect Tax Identification Number (TIN).

Please verify that the social security number or employee identification number and the title on your account match what the IRS has on file. If either do not match, your account will be subject to 28% (or the current established rate) withholding on all income and proceeds from covered securities.

Typical name mismatches include persons who change their name as a result of divorce, marriage, or adoption. If you hyphenate your name with the IRS, your account must be established in the same manner.

State Backup Withholding
If your optionsXpress account is subject to federal backup withholding and you reside in California, Maine, or Vermont we are required to backup withhold at the state designated levels in addition to the federal withholding requirements.

Money Markets
Dividends received from Reich and Tang Money Market Funds (Cortland) are reported on Form 1099-DIV with other ordinary dividends.
Charles Schwab bank sweep accounts replaced the Reich and Tang Money Market Funds (Cortland) in June 2015. Income from the bank sweep will be reported on Form 1099-INT.

Master Limited Partnerships (Form 1065)
Tax reporting income for Master Limited Partnerships (MLPs) is sent to you directly from the general partner in the form of a Schedule K-1. Sale proceeds will be reported to you on Form 1099-B. Please directly contact the partnership if you do not receive an anticipated Schedule K-1 by April 15, 2016.

Puerto Rico
If you are the holder of a Puerto Rico corporation security or a resident of Puerto Rico you may receive, in addition to IRS Form 1099, a Puerto Rico Informative Return.

Form 1099-Miscellaneous Income
When an investor has a debit balance in a margin account, securities in the account are often eligible to be lent. If the shares are lent over a dividend record date, the investor should receive a substitute payment equal to the amount of the dividend. Substitute payments are payments received in lieu of dividends, interest, or other payments and are reported on Form 1099-MISC.

Although the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) introduced lower federal tax rates for qualified dividend income, substitute payments are not taxed as qualified dividends but are instead taxed as ordinary income.

*Please see IRS Publication 550 – Investment Income and Expenses

More Information
For further information regarding Form 1099 and other helpful tools please log on to your optionsXpress account and select Tax Center from the Help tab.