

Understanding your 2023 1099 statement

An indispensable tax-planning tool organized in an easy-to-read format

Whether you prepare your own return, work with a professional tax preparer, or use tax software, this tax-planning guide provides an easy-to-read summary of your reportable and certain nonreportable information to assist in completing your tax return. If you are receiving your tax package in paper form, please note online tax documents are also available. If you would like to receive your tax documents online, please contact your financial professional for enrollment information.

Your tax package reflects the sources and amounts of your income and proceeds for the year. Information reported to the IRS is denoted accordingly in the package. Other information that may be helpful in completing your tax return is included within the package, but not reported to the IRS. This includes the Additional Realized Gain/Loss Information, Supplemental Tax Statement and, if eligible, the Annual Statement Information. The data shown in these sections are for informational purposes only but may be used in addition to the information provided in your tax forms. If you have questions about your tax package, please contact your financial professional.

How to obtain a detailed tax guide

You may obtain a more detailed “2023 Tax Information Guide” as well as additional tax information on royalty trusts from our website at wfclearing.com. The tax guide has been designed for your general guidance. It is not intended to be, nor should it be construed as, the basis of tax advice. Two IRS publications from the IRS website (irs.gov - Wells Fargo Clearing Services, LLC has provided this link for your convenience but does not control or endorse the website and is not responsible for the products, services, content, links, privacy policy, or security policy of this website.) are particularly useful: Publication 17 (Your Federal Income Tax) and Publication 550 (Investment Income and Expenses).

Subsequent and/or amended tax forms possible

If you hold investments in a mutual fund, regulated investment company (RIC), real estate investment trust (REIT), unit investment trust (UIT), foreign security, or any other stock that makes a late dividend-change announcement, you may receive one or more amended tax form(s) to include information provided by these issuers after your original tax form was created.

Additionally, information regarding whether or not a dividend paid by a foreign company is eligible for the “qualified dividend” tax rate is subject to change based on that company’s filings with the SEC or subsequent published guidance.

An amended tax form will be issued to you reflecting late reclassification information we receive from the companies or paying agents. Neither First Clearing nor your brokerage firm will be liable for any costs related to your filing of an amended tax return as a result of First Clearing receiving reclassification information from the issuer after we have generated your original Forms 1099, or any subsequent revisions by the issuer of previously provided information.

The IRS does not require financial institutions to provide clients amended 1099s for amounts where the change in any box is \$100 or less. If you would like to receive amended 1099s for corrections less than \$100, please contact your financial professional.

Our original Forms 1099 will be issued to clients between late January and the end of February. If you have multiple brokerage accounts, you may receive some Forms 1099 in January but may not receive Forms 1099 for all of your accounts until late February. Please ensure that you have received the required tax forms for all accounts that may have tax reportable activity before completing your tax forms for the IRS. Note: The IRS does not require financial institutions to provide Forms 1099 for any accounts that received less than \$10 in reportable income for the tax year.

Summary of tax package information

In general, Forms 1099-DIV and 1099-INT income is reportable by First Clearing to the IRS in the aggregate. For Forms 1099-B and 1099-OID, it is reportable to the IRS at the tax lot or transaction level (some exceptions apply).

To assist you with completing your tax return, this package includes both a summary of the total amounts and a detailed section for each type of Form 1099 we are required to report. These include:

- **1099-DIV**—Dividends and distributions from stocks and other investments. This includes capital gains and non-dividend distributions (return of capital). Additional information supporting the totals shown here can be found in the “Details of Reportable Tax Information” section.
- **1099-INT**—Interest income paid to you during the year from debt securities. This includes the reporting of market discounts and bond premiums for covered securities. Additional information supporting the totals shown here can be found in the “Details of Reportable Tax Information” section.
- **1099-OID Summary**—Original issue discount (OID) accrued during the year on debt instruments that must be recognized as income even though it may not have been received. This includes the reporting of market discounts and acquisition

premium amounts for covered securities. The Form 1099-OID amounts reported to the IRS are shown in the “Reportable Tax Information” section. Please note, for tax-exempt obligations that are covered securities acquired on or after January 1, 2017, the OID for the part of the year it was owned by the record holder will be reported on Form 1099-OID. The OID for a tax-exempt obligation that is a noncovered security or a covered security acquired before January 1, 2017 is provided as supplemental information in the “Federal Non-reportable Information” section of your statement.

- **1099-B Summary**—Proceeds from broker and barter exchange transactions show gross proceeds (less commissions and options premiums) from sales or redemptions of securities and corporate actions, such as mergers and acquisitions. The Form 1099-B amounts reported to the IRS are shown in the “Reportable Tax Information” section. For covered securities, the Form 1099-B can also include information about wash sales where some or all of the loss cannot be currently recognized and deferred market discount included in the gain amount that is treated as ordinary income. Realized and unrealized profits and losses from Regulated Futures Contracts are also reported on this form.
- **1099-MISC and 1099-C**—Miscellaneous payments and cancellation of debt must be reported on these forms. Additional information supporting the totals shown here can be found in the “Details of Reportable Tax Information” section.

Important messages

Please carefully read through the following information as it might be helpful to you as you prepare your tax return.

Multiple tax forms

If you changed broker-dealers during the year or had an account that converted to First Clearing and had reportable activity prior to your account clearing through First Clearing, you will receive separate tax forms from your previous clearing firm for that activity. Make sure you have all of your tax forms from all firms before completing your return.

Realized gain/loss information

This information may not match the reportable tax information presented in the preceding pages that is subject to different reporting rules. The “Unknown Term Realized Gain/Loss” section includes lots that could not be matched to a corresponding transaction reported on the Form 1099-B. The “Unknown Term” section of the Form 1099-B may, or may not, include some similar lots. For example, certain corporate actions require that we report only the cash proceeds while the taxpayer may need to account for the cash and fair market value of shares received as proceeds. We provide this information.

Federal non-reportable information

The Federal Non-Reportable section provides information about items, such as miscellaneous debit interest, expense items, and accrued interest on purchases which may prove useful in the preparation of your federal, state, or local taxes.

Wells Fargo Clearing Services, LLC as “payer”

When you file your tax return, list Wells Fargo Clearing Services, LLC (“WFCS”) as the payer for all dividends and interest received through your brokerage account. Do not list the name of the security issuer, your brokerage firm, or any other entity.

Only Forms 1099 information is provided to the IRS

When preparing your tax return, use the information provided on your Forms 1099—not your monthly or quarterly statements. Because of IRS requirements, amounts shown on your Forms 1099 may not always correspond to what appears on your monthly/quarterly account statements or trade confirmations. The information on your Forms 1099 is what is reported to the IRS. First Clearing reports only the line/box total amounts for Forms 1099-DIV, 1099-INT, and 1099-MISC. You should consult with your tax advisor about any income-reporting adjustments that may be possible based on your unique reporting situation.

To mortgage backed security holders—additional reporting in March

If you own any widely held mortgage trust (WHMT), real estate mortgage investment conduit (REMIC), or certain collateralized mortgage obligation (CMO) securities, all reporting information on these securities will be mailed to you no later than March 15, 2024. Your enclosed statement will contain a listing of the REMICs, CMOs, and/or WHMTs that you own. Do not file your tax return until you receive this additional information.

“Substitute payments” reminder

Payments made while securities were loaned from an individual taxpayer’s margin account are subject to reporting as “substitute payments in lieu of dividends or interest” on Form 1099-MISC. For example, if you note a dividend total in your December statement that is different from your Form 1099-DIV amount, that difference could be the result of a dividend payment being identified as a substitute payment and reported on Form 1099-MISC.

General information

Correction requests

You should review your Forms 1099 and immediately contact your financial professional if you think an amendment may be necessary.

Continued on page 3

Original-issue discount reporting—Form 1099-OID

In addition to the current OID reporting in place, we must also report market discount, bond premium, or acquisition premium amounts on the applicable Form 1099-OID or Form 1099-INT based on broker reporting defaults or differing customer elections for which we were notified in writing by year-end. Pursuant to the IRS reporting regulations, First Clearing has defaulted all customers to amortize premiums annually on all fixed income securities purchased at a premium. In addition, the recognition of market discounts will be deferred until the debt instrument is disposed of by maturity, sale, or exchange. As supplemental information for “less complex” bonds acquired prior to January 1, 2014, as well as “more complex” bonds acquired prior to January 1, 2016, the market discount amount is being accreted and reported annually. To review your elections, contact your financial professional.

Some contingent payment debt instruments (CPDI) require OID-accrual reporting in lieu of the interest payments you received. The accrual amounts are generally different from the cash payment and were not subject to IRS cost basis reporting rules until tax year 2016. CPDI securities generally result in ordinary gain or loss. This information will now be indicated on your form 1099-B. Please consult IRS Publication 1212 and your tax advisor about your income adjustment requirements elections for these types of securities.

IRS Form 1099-B transactions

Form 1099-B reports gross proceeds (on a trade-date basis, less commissions or options premiums) received from the sale or exchange of securities, tender offers, cash received in lieu of a fractional share, various corporate actions, implicit redemptions, partial return of principal payments, and the final redemption payment you received on all debt obligations (including municipal bonds and CDs). It is your responsibility to determine and report the applicable gain or loss by completing IRS Form 8949 along with Schedule D of your IRS Form 1040. Securities are identified as “covered” or “noncovered” or “unknown” on the Form 1099-B to assist your filing. First Clearing only reports the cost basis to the IRS for covered securities. Your tax advisor should be aware of which situations require adjustments to your cost basis and where the difference between your basis and proceeds may not qualify for capital gain or loss treatment and be reported as ordinary income or loss. Pursuant to the IRS “Instructions for Form 1099-DIV,” any net short-term gains distributed by a mutual fund are reportable on IRS Form 1099-DIV as ordinary dividends instead of gains on Form 1099-B. Other types of capital gain distributions made by a mutual fund or REIT are also reported on the Form 1099-DIV instead of on the Form 1099-B or “Realized Gain/Loss Statement” in accordance with the IRS instructions.

Income reporting—applicable dates

In accordance with IRS regulations, First Clearing reports dividend and interest income to you based on when it is “credited or set apart” in your account so that it may be withdrawn at any time by you without any limitation.

Proceeds from the sales of securities are reportable based on the trade date rather than the settlement date because that is the first date it was entered on our books. Exceptions do apply, such as for “RICs” payments in January of the current year that were declared in the prior calendar quarter or implicit redemptions within a structured security.

Limited-partnership distributions (K-1)

If you owned units in a limited partnership during the year, you will receive a Schedule K-1 (Form 1065) directly from the partnership you own. General partners have until March 15 to issue K-1s. If you do not receive your K-1 or have further questions about it, you must contact the partnership directly. While we track your original purchase and report it to you, the cost basis from your K-1 should be used to calculate your gain or loss. You can refer to taxpackagesupport.com (Wells Fargo Clearing Services, LLC has provided this link for your convenience but does not control or endorse the website and is not responsible for the products, services, content, links, privacy policy, or security policy of this website.) for partnership contact information. For additional information, please refer to IRS Publication 541.

Worthless securities

You should consult with your tax advisor about this reporting. Generally, you must take this loss by the end of the first tax year for which you determined the shares to be worthless and no Form 1099-B is required to do this. You should report a security as worthless only if you are absolutely certain no more payments will be received.

Federal income tax withheld

Clients who have not furnished a taxpayer identification number (TIN) (usually a Social Security Number) or the proper certifications (see IRS Form W-9) to the payer of most types of investment income (for example, dividends, interest, or gross proceeds) become subject to backup withholding at the applicable federal withholding rate. This amount is charged to your account and paid to the IRS as required by law. Backup withholding is also required if the IRS notifies us that a taxpayer has under-reported dividends or interest in the past or if the TIN being used to report income does not match a name on the records with the Social Security Administration or the IRS. Federal tax laws prohibit refunds or reversals of prior-year—or properly applied—backup-withholding amounts. You must take this withholding as a credit when you file your tax return for the applicable year. Please direct questions regarding backup withholding to your financial professional. If you are subject to “C-notice” backup withholding because IRS records show you have not reported all of your income, you can contact the IRS Taxpayer Advocate Service at 1-877-777-4778 (TTY/TTD: 1-800-829-4059) to discuss the matter and obtain a “stop” letter.

IRS taxpayer assistance

For additional questions regarding how to complete your tax return, please consult with your tax advisor or call the IRS Taxpayer Assistance number at 1-800-829-1040.
First Clearing cannot provide tax advice.