

# 2017 Tax Information Guide

Please retain this booklet with your 2017 tax records. If you use the services of a tax advisor, please furnish this booklet to him or her. This "Tax Information Guide" is provided for your general guidance and is based on IRS Form 1040 specifications. The applicability of specific situations should be determined through additional consultation with your tax advisor. This guide is not intended to be, nor should it be construed as, the basis of tax advice. Since tax laws can be very complex and subject to various interpretations and frequent changes, you should consult a tax advisor.

## To our clients:

Wells Fargo Clearing Services, LLC (WFCS) is the entity through which your firm clears transactions and is the "Payer" responsible to the Internal Revenue Service (IRS) for reporting your federal income and any tax withholding that appears on your Forms 1099. When reporting information on your tax return (such as on Schedule B of Form 1040), be sure to use WFCS' name and Payer ID number shown on your Form 1099 documents instead of the name of your brokerage firm.

Only the information that is identified as being part of the official IRS Form 1099 is provided to the IRS. For example, please note that the following information is provided for courtesy purposes only and is NOT reported to the IRS: partnership distributions, transaction details for Forms 1099-DIV or 1099-INT, cost basis for noncovered securities, market discount, bond premium or acquisition premium for noncovered securities, account fees or other monthly statement activity. Federal tax reporting requirements and additional post year-end information from various issuers will frequently result in amounts shown on a Form 1099 being different from what appeared on your monthly statements. If you received an IRS Form 1099, you must include that information on your tax return. However, the instructions for various IRS tax forms and their attached schedules explain how to adjust that information when completing your return.

We hope this guide will be helpful in assisting you with your IRS tax reporting requirements. The forms and publications that are mentioned in this guide may be obtained from the IRS via the Internet ([irs.gov](http://irs.gov)) or by phone 1-800-TAX-FORM (1-800-829-3676).

## Amended Forms 1099—Receipt of Late Information

Amounts shown on your Forms 1099 (particularly the Form 1099-DIV and Form 1099-B) are based on the best information that is available to us from the issuing company or trustee at the time your Forms 1099 were created. The IRS mandated postmark deadline is February 15 (or next business day if the 15th falls on a holiday or weekend), and like many payers, we request a 30-day extension from the IRS to mail these forms to capture as much late information as possible.

Delayed reporting message: Many companies do not provide their income allocation information to us until AFTER your original Forms 1099 are mailed. In particular, if you have an investment in (a) a mutual fund that includes real estate investment trusts (REITs), foreign securities or municipal bonds that might be subject to alternative minimum tax (AMT), (b) a REIT, (c) a unit investment trust (UIT), (d) a security organized as a grantor trust, (e) a foreign company, or (f) a U.S. company that has a fiscal year ending after December 31, you can expect to receive one or more amended tax forms. Foreign securities (and closed-end funds with such securities in their portfolio), as well as REIT issuers, frequently provide information as late as March or early April. If we are aware of this, we have included a "delayed reporting message" on the original statement.

**Investment and Insurance Products: ► NOT FDIC Insured ► NO Bank Guarantee ► MAY Lose Value**

**Reminder:** If you invested in any of these types of securities, you will receive additional supplementary information that is not due until March 15 (or next business day if the 15th falls on a weekend or holiday): (1) a Widely Held Mortgage Trust (WHMT)—such as pass-through mortgage backed pools issued by FNMA (Fannie Mae), FHLMC (Freddie Mac), and GNMA (Ginnie Mae); or (2) a Real Estate Mortgage Investment Conduit (REMIC). These types of securities have a delayed reporting date because payments in December, January, and February impact the Form 1099 information we must provide. In addition, they can provide supplementary information and factors that need to be included with our reporting, but cannot be calculated by them until January or February.

The “as of” date shown on an amended form is the date through which information was received and not the mailing date.

WFCS is not responsible for any costs incurred for your filing an amended tax return as a result of a late reclassification of any income by the issuer. You should consult with your tax advisor regarding the impact of any amended Form 1099 information received by you after you have filed your return. The current federal tax code does not require us to send an amended form when the amount of correction is less than \$100 in any single box unless you have made an election to receive all corrections.

## Reminders for 2017

**Cost basis reporting—reminder:** The Emergency Economic Stabilization Act (EESA) that was enacted in October 2008 included provisions to phase in cost basis tracking and reporting based on the type of security and acquisition date. For example, cost basis reporting to the IRS and to you is required on the Form 1099-B only for corporate stock you purchased in your account on or after January 1, 2011, or for shares eligible for average cost basis that you acquired on or after January 1, 2012. Cost basis reporting for “less complex” debt instruments (defined on page 3 of this document) and certain options acquired or granted after January 1, 2014 is also required. Cost basis reporting for other “more complex” debt instruments began for those securities acquired on or after January 1, 2016. Therefore, it is very important for you to notice that cost basis information is provided to the IRS only for “covered securities.” For all other securities (for example, partnership interests), the cost basis is not provided to the IRS. Even though it appears in your tax statement as courtesy information, you should review that information with your tax advisor regarding its accuracy before completing your tax return (for example, IRS Form 8949 and Schedule D of IRS Form 1040).

**Postmark due date reminder:** as a result of the increasing complexity of Form 1099 reporting requirements, Congress and the IRS moved the postmark due date for Form 1099-B reporting to February 15 (or the next business day if February 15 falls on a holiday or weekend) starting with tax year 2008. If a “composite statement” is provided where multiple types of Form 1099 information are included with the Form 1099-B, this postmark due date applies to all Forms 1099. WFCS provides a “composite statement.” Most issuers of Form 1099-B and Form 1099-DIV now request a 30-day extension to mail those forms in order to have additional time to capture as much information as possible, and eliminate some amended forms.

## Your Forms 1099

The Forms 1099 package issued by WFCS provides you with comprehensive year-end information. In addition, REMIC (real estate mortgage investment conduits), CDO (collateralized debt obligations), and WHMT (widely held mortgage trust), information is provided later (by March 15) if you hold those types of securities.

You are required to report on your tax return the amount shown on a Form 1099, although you have the right to include adjusting entries based on your individual elections, nominee reporting, etc. Please consult with your tax advisor about items eligible for adjustment based on your particular situation.

**WARNING:** We have noticed many customers are audited by the IRS because they sold securities, used the cash proceeds to purchase new securities, and did not include that sale on their tax return. You still must include the Form 1099-B information on your tax return when that occurs. The same is true if any debt instrument matured for the same amount that you paid for it and the proceeds are reported on the Form 1099-B. The IRS assumes your cost basis is \$0 if you do not complete IRS Form 8949 and Schedule D providing the correct cost basis information to the IRS.

When preparing your tax return, use the information provided on your Forms 1099 rather than your monthly statements. Because of IRS requirements, amounts shown on your Forms 1099 often do not correspond to what appears on your account statements. If you have securities registered in your name, you will receive a Form 1099 directly from those companies.

The tax package also includes information that we do not report to the IRS but might be needed for a state and local tax return or as adjustments to your cost basis or actual income.

Cost basis and gain/loss information is provided to the IRS only for “covered securities” as defined in the federal tax code and regulations. For tax year 2017 reporting, the term “covered securities” for which WFCS is required to track the cost basis and report to the IRS and to you includes shares of stock in a corporation acquired by you on or after January 1, 2011, shares eligible for average cost basis that you acquired on or after January 1, 2012 “less complex” debt instruments, that which is not included in “more complex” debt instruments, acquired or granted on or after January 1, 2014, certain options (such as “puts” and “calls” on certain specified securities) acquired or granted on or after January 1, 2014, and “more complex” debt instruments purchased on or after January 1, 2016. The IRS defines the following as “more complex” debt instruments, and these types of securities are subject to cost basis tracking and reporting if they are acquired on or after January 1, 2016: (A) a debt instrument that provides for more than one rate of stated interest (including a debt instrument that provides for stepped interest rates); (B) a convertible debt instrument; (C) a stripped bond or stripped coupon subject to OID reporting; (D) a “tax credit bond”; (E) a debt instrument that provides for a payment-in-kind (PIK) feature; (F) a debt instrument issued by a non-U.S. issuer; (G) a debt instrument that is issued as part of an investment unit; or (H) a debt instrument evidenced by a physical certificate unless such certificate is held by a securities depository or a clearing organization. Securities acquired before their applicable dates are “noncovered” and the cost basis is not provided to the IRS.

The following pages provide a brief description of what information is included in each section and how and where that information should be reported on a tax return. Most of this information is also provided in the instructions found on the reverse side of the “Summary of Reportable Tax Information” page(s) in your tax package.

On most Forms 1099, Box 4 (Federal Income Tax Withheld) shows any federal income tax withheld on amounts reportable on a Form 1099. Such “backup withholding” (at 28% for reportable amounts paid in 2017) can occur because WFCS had not received a valid Form W-9 or Form W-8 at the time of the payment, or WFCS had received an incorrect name or TIN that did not match the records at the IRS (a B-Notice), or the IRS has notified us that you have not responded to the IRS about an underreporting of income matter (a C-Notice). Include this amount on your 1040, 1040A or 1040NR as federal income tax withheld. Make sure that you report the withholding on the tax return that corresponds to the taxpayer identification number (TIN) that appears on the Form 1099 in order for the IRS to credit this correctly.

## 1099-DIV Dividends and Distributions

1099-DIV Dividends and Distributions		OMB No. 1545-0110
IRS Box		Amount
1a. Total Ordinary Dividends	CORR	\$999,999,999.99
1b. Qualified Dividends		\$999,999,999.99
2a. Total Capital Gain Distributions		\$999,999,999.99
2b. Unrecaptured Section 1250 Gain		\$999,999,999.99
2c. Section 1202 Gain		\$999,999,999.99
2d. Collectibles (28%) Gain		\$999,999,999.99
3. Nondividend Distributions		\$999,999,999.99
<b>4. Federal Income Tax Withheld</b>		<b>\$999,999,999.99</b>
5. Investment Expenses		\$999,999,999.99
6. Foreign Tax Paid		\$999,999,999.99
7. Foreign Country or U.S. Possession		See Details
8. Cash Liquidation Distributions		\$999,999,999.99
9. Noncash Liquidation Distributions		\$999,999,999.99
10. Exempt-Interest Dividends		\$999,999,999.99
11. Specified Private Activity Bond Interest Dividends		\$999,999,999.99
12. State		See Details
13. State Identification No.		See Details
14. State Tax Withheld		\$999,999,999.99

**Box 1a (Total Ordinary Dividends):** This box reflects total ordinary dividends, including those from money market funds and net short-term capital gain distributions from mutual funds. It also includes the fair market value (FMV) of distributions of stock where you elected to receive stock instead of cash or IRC section 305(c) “deemed distributions” for securities that change their conversion ratio or when the exercise price of a warrant is reduced. Box 1a also includes the investment expense amount reported in Box 5 and the cash value of reinvested dividends. Include the amount from Box 1a in the income section on the ordinary dividends line on Form 1040 or 1040A.

If your total ordinary dividends exceed \$1,500, you must complete Schedule B of IRS Form 1040 or Form 1040A. Show WFCS as the “Payer” on Schedule B for any amounts reported on your Form 1099-DIV. You are not eligible to use Form 1040EZ if you have dividend income.

**Box 1b (Qualified Dividends):** This box shows the portion of the amount in Box 1a that may be eligible for the capital gains rate. Please consult your tax advisor if you met the required holding period discussed in the IRS instructions for Form 1040. Include this amount in the income section on the qualified dividends line of Form 1040 or 1040A if you qualify. See the instructions for Form 1040/1040A for more information on how to report these dividends and ordinary dividends (shown in Box 1a). Foreign corporations can distribute “qualified dividends” but only if they meet the requirements announced in various IRS notices discussed in the IRS “Instructions for Form 1099-DIV.”

**Box 2a (Total Capital Gain Distributions—Includes amounts in Boxes 2b–2d):** This box shows the total capital gain distributions (long-term) from a regulated investment company (mutual fund) or REIT. Report the amounts shown in Box 2a on Schedule D (Form 1040), line 13 Capital gain distributions. But if no amount is shown in Boxes 2b–2d and your only capital gains and losses are capital gain distributions, you may be able to report the amounts shown in Box 2a on the Capital Gain or (Loss) line 13 of Form 1040 (line 10 of Form 1040A) rather than on Schedule D. Please refer to the IRS instructions for all of these forms and schedules. Similar to the amount in Box 2a, the amounts in boxes 2b, 2c, and 2d are based on announcements by the mutual fund company, REIT or other issuer.

**Box 2b (Unrecaptured Section 1250 Gain):** This box shows the portion of the amount in Box 2a that is unrecaptured section 1250 gain from certain depreciable real property. Report this amount on the Unrecaptured Section 1250 Gain Worksheet in the Schedule D instructions (Form 1040). Please see “Unrecaptured Section 1250 Gain Worksheet—Line 19” in the 2017 Instructions for Schedule D (and Form 8949).

**Box 2c (Section 1202 Gain):** This box shows the portion of the amount in Box 2a that is section 1202 gain from certain small business stock that may be subject to a 50% exclusion. Please see the information under “Exclusion of Gain on Qualified Small Business (QSB) Stock” in the “2017 Instructions for Schedule D (and Form 8949).”

**Box 2d (Collectibles [28%] Gain):** This box shows 28% rate gain from sales or exchanges of collectibles. If required, use this amount when completing the “28% Rate Gain Worksheet—Line 18” in the “2017 Instructions for Schedule D (and Form 8949).”

**Box 3 (Non-dividend Distributions):** This box reflects distributions which are nontaxable as long as they are a return of your cost. Your cost basis can be reduced by amounts in this box until the basis of your stock has been reduced to zero.

Once the basis of your stock has been reduced to zero, this amount becomes reportable as capital gains on Schedule D (Form 1040). Please see IRS Publication 550.

**Box 5 (Investment Expenses):** This amount is your share of expenses of a non-publicly offered regulated investment company. This is also included as dividend income in Box 1. See Form 1040, Schedule A (“Other expenses”) and instructions to determine if deductions are applicable.

**Box 6 (Foreign Tax Paid):** The amount of tax withheld by a foreign payer (not WFCS) from foreign corporate dividend distributions. For more details, see the “Foreign Dividends and Interest” topic in this guide.

**Box 7 (Foreign Country or U.S. possession):** As noted in the IRS instructions, mutual fund companies are no longer required to provide country-specific information, so this box can be blank even when Box 6 shows an amount.

**Boxes 8 and 9 (Cash and Noncash Liquidation Distributions):** Distributions received during a partial or complete liquidation of a corporation (including REITs). These amounts are not taxable to you until you have recovered the basis of your stock. After the basis has been reduced to zero, you must report the liquidation distribution as capital gain.

**Box 10 (Exempt-Interest Dividends):** This box shows exempt-interest dividends from a mutual fund or other type of regulated investment company. Include this amount on the “Tax Exempt Interest” line of Form 1040 or 1040A as tax- exempt interest income.

**Box 11 (Specified Private Activity Bond Interest Dividends):** This box shows the amount reported in Box 10 that could be subject to the AMT if you meet those thresholds. See the IRS instructions for Form 6251.

**Boxes 12–14 (State Withholding Information):** These boxes reflect any state withholding amounts. Several states require payers to apply state withholding when federal backup withholding applies.

### Additional Information about Dividend Reporting:

“RICS” Payments: Dividends paid by a RIC or REIT having record dates in October, November or December and paid prior to February 1 of the following year are reportable and taxable in the year of the record date. These dividends are a separate line item with the 2018 pay date on your 2017 Form 1099-DIV and will not be included on your 2018 Form 1099-DIV.

**Optional Stock Dividends:** Companies sometimes offer shareholders the option of receiving a dividend in either cash or additional stock. If an optional stock dividend or spin-off distribution increases your proportionate interest in the corporation’s assets or earnings and profits, or provides the option to take cash or other property, it is taxable and reported on your Form 1099-DIV in the same manner as regular cash payments.

### Not reported on Form 1099

**Undistributed Capital Gains—Form 2439:** Some mutual funds (RICs) and REITs keep their long-term capital gains and pay taxes on those amounts. You must report as long-term capital gains any amounts that the mutual fund allocated to you as capital gain distributions, even when you did not actually receive them. No later than April 1, we will send you (if applicable) a Form 2439 showing the amount of the undistributed capital gains and the tax paid. Form 2439 Box 1a reflects the total undistributed long-term capital gains, including the amounts in Boxes 1b, Section 1250 unrecaptured gain; 1c Section 1202 gain; and 1d collectibles (28%) gain.

If the fund has paid a tax on the capital gains (Box 2, Form 2439), you are allowed a credit for the tax as it is considered paid by you. Take this credit by entering in the payments Section line 73a, Form 1040 the amount of tax shown on Form 2439 (Box 2). Attach Copy B of Form 2439 to your tax return. If making adjustments to noncovered securities, decrease your basis in the stock by the difference between the amount of undistributed capital gains that you report and the amount of tax paid for you by the fund (generally 65% of the amount reported in Box 1a). Keep Copy C of Form 2439 with your records to confirm decreases in the basis of the mutual fund or REIT. The undistributed capital gains reported on Form 2439 should be reported in addition to any capital gains reported on Form 1099-DIV. Refer to IRS Publication 550.

## 1099-INT Interest Income

1099-INT Interest Income <i>IRS Box</i>	OMB No. 1545-0112 <i>Amount</i>
1. Interest Income	\$999,999,999.99
3. Interest on U.S. Savings Bonds and Treasury Obligations	\$999,999,999.99
<b>4. Federal Income Tax Withheld</b>	<b>\$999,999,999.99</b>
5. Investment Expenses	\$999,999,999.99
6. Foreign Tax Paid	\$999,999,999.99
7. Foreign Country or U.S. Possession	See Details
8. Tax-Exempt Interest	\$999,999,999.99
9. Specified Private Activity Bond Interest	\$999,999,999.99
10. Market Discount	\$999,999,999.99
11. Bond Premium	\$999,999,999.99
12. Bond Premium on Treasury Obligations	\$999,999,999.99
13. Bond Premium on Tax-Exempt Bond	\$999,999,999.99
14. Tax-Exempt and Tax Credit Bond CUSIP No.	See Details
15. State	See Details
16. State Identification No.	See Details
17. State Tax Withheld	\$999,999,999.99

**Box 1 (Interest Income Not Included in Box 3):** The amount of interest (not including U.S. Treasury interest) credited to your account during 2017. Interest payments or tax credits received for a tax credit bond (for example, a “Build America Bond”) are also reportable in this box. Box 1 also includes credit interest, accrued interest (except accrued interest on U.S. Treasury obligations) on bonds sold between interest dates and original issue discount on most short-term obligations (which is reportable as interest income if held to maturity). See the “Short Term OID” topic in this guide. Furthermore, Box 1 reports your proportionate share of expenses paid by trustees of grantor trust securities. Since these expense items were deducted prior to being paid to you, the total interest income reportable to you may not match the interest actually credited to your account for these securities during 2017.

If you acquired a taxable covered debt instrument on or after January 1, 2014, that included bond premium and you did not notify us that you did not want to amortize premium, that amount is reported in Box 11. WFCS did not elect to net that amount from the interest amount reported in this Box 1. The bond premium for covered non-taxable bonds is reported in Box 13.

**Box 3 (Interest on U.S. Treasury Obligations):** The amount of interest income (including accrued interest) you received from U.S. Savings Bonds, Treasury Bills, Treasury Notes and Treasury Bonds. While taxable by the Federal government, interest reflected in Box 3 is exempt from any state or local tax. Payments made by various agencies “backed” by the U.S. Government (such as the Tennessee Valley Authority [TVA], FHA, FNMA, GNMA) are not direct obligations of the U.S. Treasury and may be subject to state taxes. Therefore, payments by those agencies are included in Box 1.

**Box 5 (Investment Expenses):** This amount is your share of investment expenses of a single-class REMIC. If you file Form 1040, you may be able to deduct these expenses on the “Other expenses” line of Schedule A (Form 1040) subject to the 2% of adjusted gross income (AGI) limit, (3% if your AGI exceeds a certain amount depending on your filing status). This amount is also included as part of your interest income in Box 1.

**Box 6 (Foreign Tax Paid):** The amount of foreign tax withheld by the foreign payer (not WFCS) and paid to a foreign government. For more details, see the “Foreign Dividends and Interest” topic in this guide.

**Box 8 (Tax-Exempt Interest):** Shows tax-exempt interest payments made by municipal bond issuers or other securities eligible to make such payments. Report this amount on your Form 1040 or 1040A on the tax exempt interest income line.

**Box 9 (Specified Private Activity Bond Interest):** Shows tax-exempt income that may be subject to the AMT, assuming your AGI exceeds the applicable exemption. This amount is included in Box 8. See the “Instructions for Form 6251, Alternative Minimum Tax—Individuals.”

**Box 10 (Market Discount):** This box will be blank unless you acquired a “less complex” debt instrument on or after January 1, 2014, and you informed us that you wanted to recognize the market discount currently as ordinary income rather than defer recognition (the default election). Market discount occurs when your purchase price is less than its adjusted issue price on the date of purchase. Consult with your tax advisor about which election you have made with the IRS and the instructions for Form 1040 or 1040A about how to report this income. Market discount is only reportable on a Form 1099-INT or form 1099-OID (if current recognition is elected) or Form 1099-B (if recognition is deferred until the sale or maturity) on certain debt instruments acquired on or after January 1, 2014. Market discount for other debt instruments may be provided for courtesy purposes, if WFCS has the required information to do that calculation. Brokers are now required to use the “constant interest rate” calculation method for bonds acquired on or after January 1, 2015. For bonds acquired in 2014, the default calculation method was the ratable method. Market discount applies to both taxable and nontaxable bonds. See IRS Publications 1212 and 550.

**Box 11 (Bond premium):** Based on the same criteria as explained above as to which debt instruments are a “covered security” for which this information must be tracked by the broker, if you purchased a debt instrument with bond premium (the price you paid was greater than the redemption amount), this box will include the premium amount that corresponds to the interest payments you received during the year if you did not contact us to inform us that you did not want to amortize bond premium. The broker default under the tax regulations is to amortize premium currently, but that does not impact your election with the IRS regarding your taxable debt instruments. If an amount is reported in this box, see the instructions for Form 1040 (Schedule B).

**Box 12 (Bond premium on Treasury obligations):** If you acquired a treasury obligation that is a covered security with bond premium, that amount is reported in this box.

**Box 13 (Bond premium on tax-exempt bond):** If you acquired a tax-exempt bond that is a covered security with bond premium, that amount is reported in this box.

**Boxes 15–17 (State Withholding Information):** These boxes reflect any state withholding amounts. More states are requiring payers to apply state withholding when federal backup withholding applies.

**Bonds Sold and Purchased Between Interest Payment Dates:** When bonds are sold between interest payment dates, part of the sales price includes accrued interest from the date of the last interest payment date. For taxable bonds, we must report this amount as taxable interest income. If you bought a bond between interest payment dates, that amount is found in the “Federal Non-reportable” section because you can make elections as to how to treat it.



**Payments in Kind:** The issuers of some corporate bonds may distribute additional bonds in lieu of cash interest payments. These “payments in kind” are reportable as interest using the fair market value of the bonds on the date of distribution. Generally, the cash interest payment amounts are reported on the Form 1099-INT and the issuance of new bonds in lieu of paying interest is reported as original issue discount on the Form 1099-OID.

If your total amount of taxable interest income from all sources exceeds \$1,500, list it on Schedule B of Form 1040/1040A. Show WFCS as the “Payer” on Schedule B for any amounts reported on your Form 1099-INT or Form 1099-OID in this package.

## 1099-OID Original Issue Discount—Summary

1099-OID Original Issue Discount—Summary	
<i>IRS Box</i>	<i>Amount</i>
1. Original Issue Discount for 2017	\$999,999,999.99
2. Other Periodic Interest	\$999,999,999.99
<b>4. Federal Income Tax Withheld</b>	<b>\$999,999,999.99</b>
5. Market Discount	\$999,999,999.99
6. Acquisition Premium	\$999,999,999.99
8. OID on U.S. Treasury Obligations	\$999,999,999.99
9. Investment Expenses	\$999,999,999.99
10. Bond Premium	\$999,999,999.99
11. Tax-Exempt OID	\$999,999,999.99
12. State	See Details
13. State Identification No.	See Details
14. State Tax Withheld	\$999,999,999.99

The totals shown in the 1099-OID Summary represent the totals across all 1099-OID transactions reported later in this package. Each item is reported to the Internal Revenue Service individually.

**Box 1 (Original Issue Discount):** Generally, the difference between the issue price of the certificate and its maturity value attributable to the days you held it in 2017. However, accrual amounts may also be reportable for investments in contingent payment debt instruments and fixed income securities that can or have deferred payments, or for which the maturity amount is contingent upon a stock or exchange index. If you hold tax-exempt bonds or notes subject to the original issue discount (OID) rules, that information is not reportable on a Form 1099-OID pursuant to IRS Notice 2006-93. If WFCS had the information needed to do the calculation (which is often not available for many municipal bonds), it is provided in the “Federal Non-Reportable” section of your year-end package.

**Box 2 (Other Periodic Interest):** Interest credited to your account during the calendar year on an OID security. This will generally be for securities where the issuer did not provide accrual rates, so we had to report the cash interest paid.

**Box 5 (Market Discount):** For a covered security (“less complex” debt instruments acquired on or after January 1, 2014), if you made an election with the IRS under section 1278(b) to include market discount in income as it accrues and you notified WFCS of the election, this box shows the market discount that accrued on the debt instrument during the year while held by you. Report this amount on your income tax return as directed in the instructions for Form 1040 and 1040A. The broker default under the regulations is that you have not made this election.

**Box 6 (Acquisition Premium):** Acquisition premium is the amount you paid in excess of the adjusted issue price for an OID bond. For a covered security (“less complex” debt instruments acquired on or after January 1, 2014), this box shows the amount of acquisition premium amortization for the year that reduces the amount of OID that is included as interest on your income tax return. If any amount is reported in this box, see the instructions for Form 1040 (Schedule B). If an amount is not reported in this box for a covered security acquired with acquisition premium, WFCS has reported a net amount of OID that reflects the offset of OID that is included in income.

**Box 8 (Original Issue Discount on U.S. Treasury Obligations):** OID on a U.S. Treasury obligation for the part of the year that you owned it. Although this OID is exempt from state and local income taxes and not included in Box 1, it is reportable on your federal tax return.

(WARNING: If the OID is related to a Treasury STRIP for which WFCS did not have the acquisition price and date requiring us to use the rates published in Section II of IRS Publication 1212, those are “placeholder” rates only. You must consult with your tax advisor and recalculate the amount that was reported using the rates in Section II. If WFCS had your purchase price and acquisition date, the correct OID amount is reported.)

**Box 9 (Investment Expenses):** Any amount shown here is your share of investment expenses in a single-class REMIC.

**Box 10 (Bond premium):** Based on the same criteria as explained above as to which debt instruments are a “covered security” for which this information must be tracked by the broker, if you purchased a debt instrument with bond premium (the price you paid was greater than the redemption amount), this box will include the premium amount that corresponds to the interest payments you received during the year if you did not contact us to inform us that you did not want to amortize bond premium. The broker default under the tax regulations is to amortize premium currently, but that does not impact your election with the IRS regarding your taxable debt instruments. If an amount is reported in this box, see the instructions for Form 1040 (Schedule B).

**Box 11 (Tax-exempt OID):** For a tax-exempt obligation that is a covered security acquired on or after January 1, 2017, shows the tax-exempt OID on the obligation for the part of the year you owned it. The payer may, but is not required to, report the OID for a tax-exempt obligation that is a covered security acquired before January 1, 2017. In general, report the amount of tax-exempt OID in box 11 on line 8b on Form 1040.

**NOTE:** Prior to Tax Year 2017, pursuant to IRS Notice 2006-93, the OID accrual on a tax-exempt debt obligation was not reportable on the Form 1099-OID, unlike with cash interest received on tax-exempt bonds or dividends received from mutual funds that have tax-exempt bonds in their portfolio. These accruals, including acquisition premium, bond premium, or market discount (if elected for current recognition) require adjustments to the cost basis by the taxpayer if acquired before January 1, 2014.

**Boxes 12–14 (State Withholding Information):** This reflects any state backup withholding amounts. More states are requiring payers to apply state backup withholding when federal backup withholding applies.

**Short-term OID:** Bonds with a maturity date of one year or less from their original issue date are called “short-term OID bonds.” If your short-term OID security was held until maturity, your redemption proceeds will not be reported on Form 1099-OID or Form 1099-B. Instead, we are required to report interest income on Form 1099-INT based on the difference between the purchase amount and the redemption proceeds.

If WFCS does not have record of your purchase amount, the reportable interest is calculated by using the original issue price, found in IRS Publication 1212. The actual redemption proceeds of the bond are not reportable and will not appear on your Forms 1099. However, if you sold your short-term OID obligation before its maturity date, the gross proceeds from the sale will be reflected on Form 1099-B (Proceeds from Broker and Barter Exchange Transactions), part of which reflects your accrued OID while you held that bond.

**Long-term OID:** If a security issued at a discount has a maturity of more than one year, the original issue discount (as it accrues on a daily basis) is reported on Form 1099-OID. The accrual rates and OID are calculated using information in IRS Publication 1212. If the debt instrument is not included in that publication, other external resources are used to provide the most comprehensive reporting available. You may be able to adjust the amount reported to you if you did not acquire the obligation on the original issue date (see OID Adjustments section). If long-term OID on any of your securities qualifies as “de minimis,” it is below the reporting threshold and is not included on your Forms 1099. See IRS Publication 1212 for a complete definition of “de minimis” OID.

**Additional supplemental OID information and adjustments:** For noncovered securities (“less complex” debt instruments acquired before January 1, 2014 and “more complex” debt instruments acquired before January 1, 2016), if we had your complete purchase information, we provide that information to you as supplemental information. Enter the full amount of OID shown on your Form 1099-OID on line 1, Part 1 of Schedule B (Form 1040). Below the subtotal of all interest income listed, write “OID Adjustment” and enter the difference between the full amount of OID shown on Form 1099-OID and the amount of OID that you are required to report. If the amount of OID you are required to report is less than the amount listed on your Form 1099-OID, subtract the difference from your subtotal. If the amount of OID you are required to report is more than the amount listed on your Form 1099-OID, add the difference to your subtotal. Report the result on line 2, Part 1 of Schedule B (Form 1040) and on Form 1040, line 8a, taxable interest income. If we provided market discount information as supplemental information for noncovered securities, see the instructions for Form 1040 and 1040A.

**Contingent Payment Debt Instruments:** These debt instruments (often referred to as “preferred securities”) are not eligible for secondary market purchase elections because you are required to make negative or positive adjustments to your income with each cash payment or accrual period in accordance with the rules found in Federal Tax Regulation section 1.1275-4. Also, the gain or loss on a contingent payment debt instrument must generally be recognized as ordinary income or loss. You should refer to the “How to Report OID” section in IRS Publication 1212 and consult with your tax advisor regarding the regulatory requirements.

## 1099-B Proceeds from Broker and Barter Exchange Transactions—Summary

1099-B Proceeds from Broker and Barter Exchange Transactions—Summary		<i>Amount</i>
<i>IRS Box</i>		
1d. Total Proceeds		\$999,999,999.99
Total Cost or Other Basis (Covered and Noncovered)		\$999,999,999.99
1f. Accrued Market Discount		\$999,999,999.99
1g. Wash Sale Loss Disallowed		\$999,999,999.99
<b>4. Federal Income Tax Withheld</b>		<b>\$999,999,999.99</b>
14. State Name		See Details
15. State Identification No.		See Details
16. State Tax Withheld		\$999,999,999.99

The totals shown in the 1099-B Summary represent the totals across all 1099-B transactions reported later in this package. Each item is reported to the Internal Revenue Service individually.

**NOTE:** Form 1099-B has had extensive changes over the past several years. The changes began with tax year 2011 because of the phase-in of cost basis reporting requirements and IRS requirements about how this information must be presented to you on a substitute form. The information on Form 1099-B will impact your new Form 8949 and Schedule D reporting requirements. You must be very careful to complete the Form 8949 and Schedule D based on whether or not cost basis information was provided to the IRS for particular securities.

If we have indicated there are covered securities and we are sending the cost basis information to the IRS, then you must complete a Form 8949 and check Box A in Part I or Box D in Part II, depending on your holding period. If you sold a noncovered security (for which you received a 1099-B) and the cost basis is not being provided to the IRS, then you must complete a separate Form 8949 and check Box B in Part I or Box E in Part II, as applicable, to inform the IRS of your holding period.

You are responsible for ensuring the cost basis information provided to the IRS on the Form 8949 is accurate. Based on various individual elections and tax positions of which we are not aware and cannot take into consideration, you may be able to adjust your basis. The IRS Form 8949 provides columns and codes for you to make any adjustment and explain the reason to the IRS. See the “2017 Instructions for Form 8949” posted on the IRS website at [irs.gov](http://irs.gov). The IRS is aware that our Form 1099 reporting requirements are not always consistent with what you may report when completing your tax return. However, you must always provide the IRS with the amount reported on the Form 1099, the adjustment amount and the reason for the adjustment.

**Cost Basis Information—Applies to “Covered Securities” Only:** The cost basis reporting requirements have been phased in on the following dates for each type of specified security. Based on each of their effective dates, the type of securities are now considered “covered.”

- Shares issued by an entity organized or taxable as a corporation that are acquired by you on or after January 1, 2011;
- Shares issued by a regulated investment company (RIC) or pursuant to a qualified dividend reinvestment plan (DRP), provided they are eligible for the average cost basis election, acquired by you on or after January 1, 2012;
- “Less complex” debt instruments, and certain options (for example, “puts” and “calls” on specified securities) acquired by you on or after January 1, 2014;
- “More complex” debt instruments (see the list under “Your Forms 1099” on page 3) acquired on or after January 1, 2016; and
- Any securities transferred into your account from another broker when the transfer statement that was provided indicated the securities were covered securities AND provided all of the information required in the regulations so that we can report your cost basis correctly.

The following securities are treated as “noncovered securities” and not subject to cost basis reporting to you or the IRS:

- Securities described above that were purchased prior to their applicable effective date;
- Securities transferred into your account where your previous broker (a) provided a transfer statement with cost basis information but indicated the shares were noncovered while held there, or (b) provided a transfer statement indicating the shares were covered but it was incomplete because all of the required information was not included, or (c) provided no transfer statement because none was currently required;
- Securities that were not acquired for cash in your account;
- Securities received in exchange for securities that were noncovered; and
- Securities subject to reporting under other federal tax regulations, such as partnership interests and widely held fixed investment trusts (WHFITs)

The federal tax regulations state that brokers are not required to adjust cost basis for any taxpayer elections, accounting positions or events that occur outside of the account. The only exception to that is for organizational actions but only when the companies or courts involved issued a Form 8937. If the companies or courts do not provide a Form 8937, the new shares are noncovered.

## Form 1099-B (cont.)

1099-B Proceeds from Broker and Barter Exchange Transactions, continued									OMB No. 1545-0715
<b>Short Term Gains/Losses—Report on Form 8949, Part I with Box A checked</b>									
Box 2: Type of Gain or Loss—Short Term									
Box 3: Basis Reported to the IRS									
Box 5: Box not Checked (Covered Security)									
Box 6: Gross Proceeds									
The 1099-B data referenced by a Box number is reported to the IRS. The additional information not referenced by a Box number is not reported to the IRS, but may be helpful to complete your return.									
Description CUSIP (Box 1a)	Quantity Sold	Date Acquired (Box 1b)	Date Sold or Disposed (Box 1c)	Proceeds (Box 1d)	Cost or Other Basis (Box 1e)	Accrued Market Discount (Box 1f)	Wash Sale Loss Disallowed (Box 1g)	Gain/Loss Amount	Additional Information
Bank of America Corp. CUSIP: 060505104	1,000.00000	2/28/2017	2/28/2017	9,999.99	9,999.99	9,999.99	9,999.99	-9,999.99	Original basis: \$99,999.99
Annaly Capital Mngmt Inc. CUSIP: 035710409	3.27700 9.41900	2/28/2017 2/28/2017	4/1/2017 4/1/2017	9,999.99 9,999.99	9,999.99 9,999.99	9,999.99 9,999.99	9,999.99 9,999.99	9,999.99 9,999.99	Box 7: Loss Not Allowed
<b>Subtotals</b>	<b>12.69600</b>			<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>\$9,999.99</b>	
Bank of America Corp. CUSIP: 035710409	25,000.00000	2/28/2017	2/28/2017	9,999.99	9,999.99	9,999.99	9,999.99	9,999.99	Tender
Annaly Capital Mngmt Inc. 7% SR Sub Debt due 7/14/2030 CUSIP: 035710409	1,069.49600 400.00000	2/28/2017 3/1/2017	4/1/2017 3/1/2017	9,999.99 9,999.99	9,999.99 9,999.99	9,999.99 9,999.99	9,999.99 9,999.99	-9,999.99 -9,999.99	Short Sale CORR
<b>Subtotals</b>	<b>1,469.49600</b>			<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>(\$9,999.99)</b>	
<b>Total (8949, Part I with Box A checked)</b>				<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>\$9,999.99</b>	<b>(\$9,999.99)</b>	

**Box 1a (Description of the property):** This will describe the security that was sold, exchanged, matured or was otherwise disposed of during the applicable tax year, including securities that were subject to “constructive receipt” reporting because the merger date was on or just prior to December 31, and the parties involved stated in their merger prospectus or Form 8937 that it must be reported for that year even though the cash or stock was not received until January of the following year.

**Box 1b (Date Acquired):** This is the date you acquired a covered security. If you sold multiple lots of a covered security, the date may be blank or state “VARIOUS.” If the security you sold is noncovered (either because of the date it was acquired or security type), this box may be left blank. For short sales, it is the date you acquired the security that was delivered to close the short sale. However, be sure to consult with your tax advisor regarding the holding period rules for a “short against the box” situation.

**Box 1c (Date Sold or Disposed):** This is the trade date (not the settlement date) for your sale or exchange of securities. For short sales, it is the date shares were delivered to close the short sale. Also, see the note above under Box 1a regarding “constructive receipt” and date used for mergers/acquisitions around December 31.

**Box 1d (Proceeds):** This is your net proceeds resulting from the sale of securities, redemptions, maturities, tender offers, taxable exchanges and mergers, or cash received in lieu of fractional shares. Federal tax regulations require the reporting of the disposition of all debt obligations, including municipal bond sales and redemptions even though their distributions were tax-exempt. Bonds purchased after April 30, 1993 (including tax-exempt bonds) at a discount on the secondary market can have ordinary income implications if purchased below the adjusted issue price. All partial principal payments are reportable, even though those payments do not close the position because there is remaining principal due from the issuer at a later date or upon maturity. In addition, all brokers must report proceeds net of commissions, transfer taxes or for option premiums on options acquired on or after January 1, 2014, as applicable.

**Total Cost or Other Basis (Covered and Noncovered):** Generally, this will be your original or adjusted basis (if applicable) for both covered and noncovered securities. The term “other basis” refers to average cost basis or the reportable cost basis amounts for an organizational action where you cannot recognize a loss. There can be two situations where you cannot recognize a loss. The most frequent of these occurs when you receive cash or other property (often referred to as “boot”) as part of a merger or acquisition that was completed under IRC section 356. To ensure no loss amount is indicated for this type of merger, the cost basis we are required to show is the amount that reflects “the net reduction in basis between stock exchanged and stock received.” For this type of merger, the proceeds reported in Box 1d is only the cash amount or fair market value (FMV) of any property (not including the shares in the new company) you received. Conversely, if you owned shares in a corporation that moved its tax residency outside the United States and it triggered penalties under IRC section 367 and you would have had a loss, the cost basis must equal the gross proceeds amount. For this type of event—referred to as an “acquisition of control or substantial change in capital structure,” the gross proceeds reported in Box 1d reflects the Fair Market Value (FMV) of any new shares you received plus any cash. The reporting for this type of event is the only no loss situation where Box 7 will be checked. While this is admittedly confusing, it is based on the reporting requirements found in the IRS instructions for the Form 1099-B. For short sales, it will be the adjusted basis of the shares delivered to close the short sale.

You must reconcile and report each transaction shown on Form 1099-B with Form 8949 and Schedule D of your Form 1040. If you fail to do this, the IRS will assume your basis was \$0 and the entire gross proceeds amount represents a gain.

**Box 1f: (Accrued market discount):** For covered securities only, this box will show the amount of accrued market discount if you acquired a debt instrument and it was sold, matured or was otherwise disposed of, with any deferred market discount. The cost basis reported in Box 1e is not adjusted for this amount, because you must complete the worksheet found in the IRS instructions for Form 8949 to calculate the amount of market discount that is ordinary income and the amount that is gain, and then adjust your basis accordingly.

**Box 1g: (Wash sale loss disallowed):** For covered securities only, this box will show the amount of nondeductible loss in a wash sale transaction. If you sold a covered security for a loss and acquired the same shares (as determined by a CUSIP number or symbol) in the same account within a period of 30 days before or after that trade date, we are required to report the amount of the loss that cannot currently be recognized pursuant to IRC section 1091. The information reported here may not reflect your complete reporting requirement regarding wash sales because the wash sale rule in IRC section 1091 applies to “substantially identical stock or securities” or if you acquire replacement securities (including your option positions) in other accounts you may own during this time frame. The wash sale rule is applied based on the facts and regardless of intent. Consult with your tax advisor, or review IRS Publication 550 and the IRS instructions for the Form 1099-B for more information about the “wash sale” rule.

**Box 2 (Type of Gain or Loss):** This information as to whether or not the security was held for more than one year (“long-term”), or one year or less (“short-term”) and whether the gain represents ordinary income only applies to covered securities. The check box for ordinary income is to capture special reporting for contingent payment debt instruments where the gain or loss is generally not eligible for capital gain/loss income tax rates. For these particular securities, brokers must check both the ordinary income box and either the short-term or long-term box based on the customer’s holding period for that security. This information is provided to the IRS. The information may not be correct if you are actively involved in holding hedged or straddled positions that impact holding periods. You should always consult with your tax advisor if you are involved in complex tax situations that involve numerous accounts and brokers requiring you to make adjustments when including this information on your Form 8949. For more information, see the contingent payment debt instrument section in the IRS Form 8949 instructions.

**Box 6 (Reported to IRS: Gross Proceeds or Net Proceeds):** This box is “checked” to indicate if any options acquired before January 1, 2014, have impacted the proceeds amount reported in Box 1d. That is optional for brokers. For non-compensatory options acquired on or after January 1, 2014, the broker is required to report the proceeds net of premiums for certain options activity.

**Boxes 8–11 (Regulated Futures Contracts):** The aggregate amount reported in Box 11 is based on this formula found in the Federal tax regulations: Box 8 + Box 10 – Box 9. See IRC section 1256 about the recognition of the reported gain or loss for a regulated futures contract, which is 60% long-term and 40% short-term.

**Box 12 (Collectibles):** This box is “checked” to indicate that the proceeds are from a transaction involving collectibles. These securities are subject to a different tax rate than a capital gains rate.

**Boxes 14–16 (State Withholding Information):** This reflects any state withholding amounts. More states are requiring payers to apply state withholding when federal backup withholding applies.



**Stock Options:** Generally, when you exercise your option to buy stock through an employee stock purchase offer, you do not have a taxable event. Your taxable event occurs when you sell the shares of stock purchased through the option. You will receive Form 1099-B reflecting the proceeds from the sale of the stock. Depending on when you sold the shares purchased through the option, you also may receive Form W-2 from your employer. If your employer reports the gain as income on your W-2, you can simply use that to adjust your cost basis on Schedule D. For compensatory stock options granted or acquired on or after January 1, 2014, brokers are not allowed to adjust basis for the income amount reported on your Form W-2. Brokers are only required to use as your basis the cash exercise price you paid. Restricted stock awards for which no cash was paid are not a “covered security” subject to cost basis reporting and tracking by a broker. For more information, refer to IRS Publication 525 or consult your tax advisor.

**Structured Products—Implicit Redemption or Remarketing of Note, Bond or CD:** Be aware that for some hybrid or structured products that include a note, bond or CD, the redemption by the issuer of all or part of this component may occur outside your account. Generally, those proceeds are used by the issuer to purchase the shares you received, or to purchase a new debt obligation that will mature just prior the exchange date. That is an event reportable on the Form 1099-B even though you may never receive the proceeds.

## 1099-MISC Miscellaneous Income

1099-MISC Miscellaneous Income <i>IRS Box</i>	OMB No. 1545-0115 <i>Amount</i>
1. Rents	\$999,999,999.99
2. Royalties	\$999,999,999.99
3. Other Income	<b>\$999,999,999.99</b>
4. Federal Income Tax Withheld	\$999,999,999.99
7. Nonemployee Compensation	\$999,999,999.99
8. Substitute Payments in Lieu of Dividends or Interest	\$999,999,999.99
16. State Tax Withheld	CA
17. State/Payer's State No.	123456789
18. State Income	\$999,999,999.99

**Box 1 (Rents):** Use to report rents from real estate that may be held in the portfolio of some securities, such as WHFITs. Report this amount on Schedule E (Form 1040).

**Box 2 (Royalties):** Generally, this is based on information provided by a royalty trust. Royalties are reported on Part 1, Schedule E (Form 1040). If you hold a royalty trust that has announced part of the distribution was Section 1231 gain, you need to report that type of gain on IRS Form 4797.

**Box 3 (Other Income):** Includes payments received for any forward contracts that are part of various structured products, any “gross up payment” of a substitute payment reported in the prior tax year, as well as consent payments (income received for consenting to a change in a security’s original indenture)—unless the bond issuer notified us that it treated that payment as “repurchase premium” as part of the modification of the bond. You generally report this amount on the “other income” line of Form 1040.

**Box 8 (Substitute Payments):** Shows substitute payments in lieu of dividends, capital gains distributions or tax-exempt interest received by your broker on your behalf as a result of a loan of your securities (generally, from your margin account).

## 1099-C Cancellation of Debt for 2017 (not shown)

**Box 2 (Amount of Debt Discharged):** Shows the amount of debt cancelled or forgiven if the amount was \$600 or more.

## REMIC and WHFIT information (not shown)

This section of the tax package lists REMICs and WHFITs that you owned during 2017. As discussed above, these securities are subject to a March 15 reporting date, although WFCS does attempt to provide as much information as possible with your original tax statement—if the issuer has made it available at that time.

## Year end account summary

While WFCS is not required to report the information in the sections identified below to the IRS or to you, the following information is provided for courtesy purposes only since it may be useful when completing some parts of your federal, state and local tax returns.

If you were eligible, you may receive a “Year End Account Summary” that includes a recap of the monthly statements you received for the prior calendar year. Your statement may include the following information.

**Margin Debit Interest**—See IRS Form 4952 and its instructions as to the deductibility of interest charges on margin accounts.

**Municipal Bonds**—OID and “Subject to AMT” information. Tax-exempt interest and dividend distributions paid/earned in cash are reported in Boxes 8 and 9 of Form 1099-INT or Boxes 10 and 11 of the Form 1099-DIV pursuant to IRS regulations. Pursuant to IRS Notice 2006-93, OID accruals on tax-exempt bonds are not reportable on the Form 1099-OID, so, that information is provided here. Whether or not it might be subject to the AMT is based on whether or not it is a passive activity bond and your Adjusted Gross Income (AGI). Municipal bond issuers seldom provide any AMT information.

**Widely Held Fixed Investment Trusts**—Expenses Subject and Not Subject to 2% of Adjusted Gross Income Threshold and Other Items—This supplementary information is provided based on information we received from the trustee for securities that are a grantor trust and pass through income and expenses to unit or certificate holders in the same nature they were received or paid by the trust. In many cases, any expense items found here reflect all or part of the grossed up amount included in your gross proceeds, dividend or interest amount reported on Forms 1099-B, 1099-DIV or 1099-INT, respectively. These payments were not included with those forms because the IRS instructions regarding the reporting of “investment expenses” do not include these types of securities.

**Master Limited Partnerships (MLP) and S Corporations**—If you have invested in either a master limited partnership or S Corporation that issues a Schedule K-1 (Form 1065), the distributions you received are reported here. These amounts do not reflect what you should report on your tax return. The Schedule K-1 issued by the partnership is the governing document for both income reporting and cost basis information. Note the partnership is not required to provide this information to you until March 15. If you do not receive your K-1, or if you have further questions about it, you must contact the partnership directly. For more information, please see IRS Publication 541.

**Investment Expense on Tax Exempt Income**—These expenses are identified separately because of the limitations related to expenses and tax-exempt income.

**Accrued Interest on Purchases**—This shows the accrued interest you paid when you purchased a bond between interest payment dates. This amount is not reportable on any Form 1099. Since how you apply this is based on your individual election (adjusting reportable income or cost basis), this is the most appropriate place to provide this information. When the interest for the entire period is paid to you and reported on Form 1099-INT, you can reduce your reportable interest by this amount as explained in the instructions for Schedule B (Form 1040), or you can adjust your basis downward for this return of your initial capital investment. To offset your interest income upon receipt on the next bond payment period, you may elect to show this amount separately below a subtotal of all interest income listed. Identify amounts as “Accrued Interest Paid,” and subtract it from the interest income subtotal. Report the result on line 1, Part 1 of Schedule B (Form 1040) and on Form 1040, line 8a as taxable interest income. If the accrued interest is on a tax-exempt bond, please consult with your tax advisor.

**Option Premiums**—These amounts reflect payments you would have received for a structured or hybrid security (referred to in the federal tax code and regulations as “investment units”) where part of the coupon payment was for the put option contract component.

These amounts are currently reportable on a Form 1099-B since they are part of a “more complex” debt instrument for which reporting is required beginning with Tax Year 2017. You should refer to the prospectus or contact the issuer for more information, but these payments generally require you to either adjust the basis downward for any shares received or recognize the payments as gain if you received cash rather than shares on the maturity/exchange date.

**Advisory Fees**—Fees you paid for services related to managed accounts are not reportable on a Form 1099.

**American Depositary Receipt (ADR) Fees**—These are fees deducted by the depository bank—not WFCS—from your distribution on an American Depositary Receipt security.

## Realized Gain/Loss statement

This section contains cost basis/realized gain and loss data that will not be reported to the IRS. This can occur based on either statutory or circumstantial events. If the transaction is not eligible for 1099-B reporting based on IRS statutory requirements, we are supplying those records in this section for your reference.

In addition, there are circumstances when tax lots could not be matched to corresponding transactions. That activity is reported in the Noncovered or Unknown Term sections of Form 1099-B provided on a previous page(s) of the tax package. Please consult your tax advisor to determine how this information impacts your filing of Form 8949.

The “Additional Realized Gain/Loss” statement closely aligns with Form 8949 necessary to complete IRS Schedule D of your tax return.

Note that the realized gain/loss information is segregated into short term and long term and is marked either covered or noncovered. It is important that these transactions are input onto separate Forms 8949.

The Realized Gain/Loss section has been designed to allow easy reconciliation to the 1099-B. Both are sorted in the same way and follow the same format. The realized gain/loss statement provides the lot level detail needed to complete your tax return. However, it is important to note a few key differences.

1. When a security is sold through an option assignment or exercise, the proceeds of the security sold is adjusted to include the option premium paid or received. The 1099-B will reflect only proceeds of the sale, and not the option premium. Only the proceeds amount is reportable to the IRS by WFCS.
2. When a “no loss” corporate action occurs, the proceeds on 1099-B will only include the cash portion. However, the “Additional Realized Gain/Loss” statement will include both the cash proceeds and the FMV of any stock received.

Both of these reporting inconsistencies are due to IRS differences in how particular transactions should be reported to you and how you should report them to the IRS. Option activity included in the “Additional Realized Gain/Loss” section is not reported to the IRS.

## Miscellaneous information

### Widely held fixed investment trusts (WHFITs)

The special reporting requirements for these securities will create significant differences between the amounts reported on tax forms compared to what appeared in your monthly statements. The primary reasons for that are as follows: (a) the income must be reported in the gross amount, including any fees or expenses that were deducted by the trustee prior to the distribution, and (b) the income reported must be based on the tax year and date it was received by the trustee (the “record date”) rather than when it was paid to you (the “payment date”). These securities include royalty trusts, commodity trusts, mortgage pools, HOLDERS trusts, many unit investment trusts (UITs) and some exchange traded funds (ETFs).

### Royalty trusts—a type of WHFIT

Royalties from copyrights, patents, and oil, gas, and mineral properties are taxable as ordinary income. If you own units in a U.S. royalty trust, the royalty and other income generated from these instruments will be reflected on Form 1099-MISC. In late March or early April, you should receive a booklet from the royalty trust that details tax consequences and provides information on how to determine your pro-rata share of income and deductions attributable to your investment in the royalty trust security. You should follow the instructions in that booklet as it is the primary source of information needed to complete your tax return. Most booklets explain how to reconcile the information we reported on a Form 1099 to the information they provide, often by deleting all or part of the amount on Schedule B of your tax return. Canadian Royalty Trusts are typically not considered royalty trusts for U.S. tax purposes. See IRS Publication 525.

### Commodity trusts—a type of WHFIT

These trusts frequently do not make any cash distributions to investors but simply hold gold or silver. However, if the trustee sells part of that commodity to pay expenses, that results in Form 1099-B reporting to you to account for the sale and an offsetting expense amount that you will find in the “Federal Non-reportable” section of your statement. Examples include iShares COMEX Gold (IAU), iShares Silver (SLV) and SPDR Gold ETF (GLD).

### To mortgage backed security holders

If you own any Widely Held Mortgage Trust (WHMT), Real Estate Mortgage Investment Conduit (REMIC), or certain Collateralized Mortgage Obligation (CMO) securities, your 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 information.

### Money market funds—administrative fees

In some instances, an administrative service (sweep) fee is charged on balances in money market funds available for cash sweeps. This fee is deducted automatically from monthly income in the form of a reduction in the dividends you receive. The dividends that appear on your monthly statement are net of this fee. However, federal tax laws and regulations require that we report the gross dividend that was distributed, regardless of any fee deducted. For this reason, the aggregate service fee for the year is added back to your net dividends, and the total is reported to the IRS as dividends received on your Form 1099-DIV. Refer to IRS Publication 529 and consult with your tax advisor to see if you are eligible to include this fee as a “miscellaneous itemized deduction.”

## Fixed rate capital securities

Fixed rate capital securities are a class of fixed-income preferred securities, such as monthly income preferred securities (MIPS), monthly income debt securities (MIDS), quarterly income capital securities (QUICS), quarterly income preferred securities (QUIPS), quarterly income debt securities (QUIDS), Canadian original preferred securities (COPRS) and trust originated preferred securities (TOPRS). Most fixed rate capital securities are structured as debt securities and, therefore, income from these securities is reportable as interest or OID.

Most MIPS are structured as partnerships for federal income tax purposes. You will receive tax-reporting information directly from the issuer via Schedule K-1.

The amount of OID that is reported on the 1099-OID may not equal the amount of income you actually received. Since the issuers have the option of extending the payment period, holders must recognize interest income under a constant yield basis over the life of the security, regardless of the receipt of cash. This difference should only occur during years that the security was acquired or disposed of, or if the company elects to defer payment. If the company elects to defer payments, the holders of the security will continue to accrue income (OID) for tax purposes, even though payments are not being made. Unlike other OID securities, you do not need to make an OID adjustment if the security was bought on the secondary market, regardless of purchase price. The purchase price will determine the capital gain or loss realized upon disposition of the security.

## Foreign dividends and interest

If you owned shares of any foreign security in your account that paid dividends (or interest), you may be entitled to a foreign tax credit or deduction on Form 1040 Schedule A if you are taking it as an itemized deduction. The Form 1099-DIV (Box 1) will reflect the gross dividend distributed by the company and from which foreign tax was withheld (if the foreign entity paid interest, the gross amount of interest will be reflected in Box 1 of Form 1099-INT).

The total amount of foreign tax paid will be shown with an activity description of "Foreign Tax Paid" in Box 6 of either your Form 1099-DIV or Form 1099-INT. For most foreign stock positions, the foreign country or U.S. possession where the tax was withheld (country of origin) is indicated by a two-letter code in the "Country" box for these items. If no country is indicated, this is likely because a mutual fund portfolio holds numerous foreign securities so multiple country codes apply. Except for any foreign tax amount that can be reclaimed from the foreign government, the IRS allows taxpayers to take a foreign tax credit without filing Form 1116 if their total foreign taxes are \$300 or less (\$600 or less on a joint return). Only if you are filing Form 1116 to claim a foreign tax credit do you need each country name, amount of the dividend received, and the tax withheld for that country. To determine if you are eligible to claim a foreign tax credit and how to file, please refer to the following: *IRS Publication 514; 2017 Instructions for Form 1116 and Form 1040 (including Schedule A)*.

Useful publications available from irs.gov			
17	Your Federal Income Tax	550	Investment Income and Expenses
54	Tax Guide for U.S. Citizens and Resident Aliens Abroad	559	Survivors, Executors, and Administrators
514	Foreign Tax Credit for Individuals	590	Individual Retirement Arrangements (IRAs)—(Including Roth IRAs)
525	Taxable and Nontaxable Income	575	Pension and Annuity Income
529	Miscellaneous Deductions	938	REMICS
541	Partnerships	970	Tax Benefits for Education (Including Coverdell Education Savings Accounts [ESA])
544	Sales and Other Dispositions of Assets	1212	Guide to Original Issue Discount Instruments (OID)

### IRS deadlines

*\*NOTE: The federal mailing and filing deadlines below are the next business day if that deadline falls on a Saturday, Sunday or federal holiday. Brokerage firms also request a 30-day extension to mail many tax forms, particularly those subject to late changes (Forms 1099-DIV and 1099-B, in particular). For more in-depth answers to your federal tax questions, call the IRS Taxpayer Assistance line at 1-800-829-1040. If you do not receive a prompt resolution to a question, call the Taxpayer Advocate's Help line at 1-877-777-4778, or TTY/TTD: 1-800-829-4059.*

### April 17, 2018

- This is the tax year 2017 postmark deadline to file a personal income tax return with the IRS, unless an extension is filed. April 15, 2018 is on a Sunday, and Emancipation Day in the District of Columbia is Monday, April 16, 2018. Even if you don't live in the District of Columbia, tax year 2017 returns are due Tuesday, April 17, 2018.
- Deadline for filing Traditional and/or Roth Individual Retirement Arrangement (IRA) documents to establish an account and make contributions for the 2017 tax year. (See specific requirements in IRS Publication 590.) Always document in writing on your contribution form, check or wire transfer request if it is a prior-year contribution; otherwise, WFCS must legally assume the contribution is for the current year.
- A SEP can be set up for a year as late as the due date (including extensions) of the business's income tax return for that year. However, the employee has only until this date to make a contribution for the prior tax year because extensions do not apply to the contribution deadline. Employers may make SEP contributions designated as 2017 contributions until their tax filing deadline (including extensions) in 2018. However, the only type of employer contributions included in 2017 reporting (Form 5498) will be those made during the 2017 calendar year. Employer contributions made after December 31, 2017, will be reflected on 2018 Forms 5498.
- For SIMPLE IRA account establishment and contribution regulations, contact your financial professional or consultant.

## Frequently asked questions

### Correction requests

#### **Q1. What should I do if a correction is necessary?**

**A1.** Please review your Forms 1099 as soon as possible and contact your financial professional or Consultant if you feel a correction is necessary. The first cycle of amended tax forms starts in late February because we receive a large volume of reclassification information in the last two weeks of February and first week of March (see the reclassification warning on page 1). We send our original file of amended information to the IRS in late April, with several additional files throughout the summer and early fall.

### Amended tax forms—late announcements

#### **Q2. Last year, after I received my original Forms 1099, I received an amended form changing the reporting of my dividend distributions. Will this happen again this year? If so, which of my holdings are most susceptible to late tax announcements?**

**A2.** A security issuer may send us information after your tax form is prepared that changes the tax nature of some dividends and capital gain distributions. If any late tax announcements are received after our print vendor deadline for producing the original tax form, we will subsequently send you an amended Form 1099. In most instances where the change resulted in a dividend reclassification, the change will be indicated with “CORR” in the Notes Column of your amended forms. The holdings most frequently resulting in an amended Form 1099 are referenced in the Delayed Reporting message on the first page of this guide.

### Mutual fund/REIT dividends

#### **Q3. Why are dividends that were paid in January 2018 reported on my 2017 Form 1099-DIV?**

**A3.** Since the Tax Reform Act of 1986, federal tax laws require payers to report as prior-year income any dividends you received prior to February 1 in the current year from a regulated investment company (i.e., a RIC or mutual fund) or REIT that had a record date in October, November, or December of the prior year. These dividends are a separate line item with the 2018 pay date on your 2017 Form 1099-DIV and will not be included on your 2018 Form 1099-DIV. In addition, distributions made by a grantor trust security that represents income held by the trust in the prior tax year is reportable for that year instead of the year in which you received it. Some grantor trust distributions could be made as late as March in the current year and still be reportable on the prior year's tax forms.

#### **Q4. Why does my Form 1099-DIV show only some of my mutual fund distributions for 2017?**

**A4.** If the broker/dealer or reporting status on your mutual fund was changed during 2017, you may receive a Form 1099 from both the fund and WFCS. If the broker/dealer status was changed from a mutual fund to WFCS, the Form 1099 from the fund will report distributions paid to you prior to the



broker/dealer change. The distributions paid to you by WFCS after the broker/dealer change will be included on the enclosed Forms 1099. If the broker/dealer status was changed from WFCS to a mutual fund, your Forms 1099 from WFCS will report distributions paid to you prior to the change. In addition, you should receive a Form 1099 from the mutual fund reporting information after the broker/dealer change.

**Q5. Why are the income amounts and payment description for some of my mutual funds, REITs and grantor trust securities different from what was reflected on my monthly statement?**

**A5.** Mutual funds and REITs often determine after year-end that distributions are not reportable for tax purposes as they were initially distributed during the year. Portions of distributions initially paid as a “dividend” may later be reclassified to return of capital, short-term capital gain, long-term capital gain and so on. In addition, mutual funds and grantor trust securities often distribute cash to their investors after various expenses, fees and foreign taxes have been deducted. Federal tax regulations require us to “gross up” that amount to account for those expenses and report the income based on how it was received by the trust or fund rather than how it was distributed to you. More information is provided throughout this guide.

### Reinvested dividends

**Q6. Why are my reinvested dividends reported on my Form 1099-DIV and what is my cost basis for the reinvested shares?**

**A6.** Dividends are reportable whether received in cash or reinvested to purchase additional shares. Your monthly statement shows the cost basis for each tax lot, including reinvestments. See IRS Publication 550 “Investment Income and Expenses” for more details.

### Alternative minimum tax (AMT) reporting

**Q7. What is AMT, and how does it apply to me?**

**A7.** In 1996, Congress enacted the AMT when it learned some wealthy taxpayers were able to avoid any federal tax liability through tax shelters, preferential tax treatment for certain investments and various tax credits. Higher-income taxpayers and those who itemize deductions are the primary targets of AMT. In arriving at the tentative AMT, an individual begins with taxable income, modifies it with various adjustments and preferences, and then subtracts an exemption amount (which phases out at higher income levels). If the mutual fund issuer has provided us with supplementary AMT information, we have included that for your convenience as the part of the distribution that may be subject to AMT inclusion if you fall under the AMT reporting requirements. Most municipal bond distributions are not broken down pro-rata between what is subject to AMT and what is not because that information is not provided to us by the bond issuer. For dividend distributions by mutual funds and other RICs, this amount is reported in Box 11 of the Form 1099-DIV, which is included in Box 10 of that form. For interest distributions, this information is provided in Box 9 of the Form 1099-INT, which amount is also included in Box 8. If the tax-exempt bond was subject to OID reporting, that information is found in the “Federal Non-Reportable” section of your year-end package. For more information about AMT, please see IRS Publication 17 and IRS Form 6251 or consult a tax advisor.

## Original issue discount (OID) reporting

### **Q8. Why did you report OID income on my security (a) when I received nothing or (b) in lieu of the interest payments I received?**

**A8.** In most instances, OID is the difference between the original issue price of a certificate and its final redemption amount payable at maturity. These are generally “zero coupon” bonds, municipal bonds and U.S. Treasury STRIP investments. In addition, some debt obligations sold at par require OID accrual reporting because they can defer payments (such as “fixed rate capital securities”) or have a projected payment linked to a market index (such as “contingent payment debt instruments”). The OID reporting requirement is disclosed and explained in the prospectus for these types of instruments.

### **Q9. In past years, I have had to recalculate my OID. Will this be necessary again for 2017 reporting?**

**A9.** While we provide the additional acquisition premium or bond premium amounts needed to adjust your OID, you will be required to make the adjustments when reporting that income on Schedule B of your Form 1040.

An exception to that applies for Treasury STRIPs, federal tax laws and regulations require us to report OID based on the issue price announced in IRS Publication 1212 rather than your actual purchase price. Your purchase conditions may permit you to make an adjustment to the OID amount reported to you, as well as other adjustments to your income and cost basis for these types of securities. Assuming your firm cleared through WFCS at the time of purchase and it was made during 2003 and thereafter, we now provide supplementary information that you may wish to use after consultation with your tax advisor about the impact of making those elections related to bond and acquisition premium amortization or market discount accretion.

For “less complex” debt instruments acquired on or after January 1, 2014 and for more complex debt instruments acquired on or after January 1, 2016, WFCS will track and report cost basis for those securities when they are sold. For noncovered securities, any courtesy cost basis information we provide may not be accurate because it is impacted by your elections related to your recognition of premium or discount when completing your tax return, or because the issuers of the noncovered securities do not provide all of the information needed to track cost basis accurately, or because systems programming is being phased in based on the various effective dates.

Only your tax advisor can provide you with accurate guidance about the appropriate elections to make when completing your tax return, particularly for securities subject to OID reporting. In addition, you may want to review IRS Publication 550 and IRS Publication 1212, which are available on the IRS website at [irs.gov](http://irs.gov) under the “Forms and Publications” link.

## Limited partnerships (and K-1 information)

### **Q10. I own a limited partnership. How and when do I receive reporting information on it?**

**A10.** Tax reporting information for limited partnerships and securities structured as partnerships (such as MIPS) is sent to you directly from the general partner via Schedule K-1. The IRS deadline for issuing K-1s is March 15, 2018. Please direct all questions about your K-1 to the partnership. The Schedule K-1 is the governing document regarding what you should report on your tax return. The K-1 also shows your correct cost basis in the partnership, which is reflected in the capital account balance maintained by the general partner.

## Unit investment trust (UIT) reporting

### **Q11. Why is the total income reported for my UIT different from the amount of cash that I received during the year?**

**A11.** As a “unit holder” of a UIT that is structured as a grantor trust, you are required to pay taxes on income during the year in which it is earned by the trust even if the trust did not distribute that income to you in the same year. This is often referred to as “undistributed income.” The differences from year to year generally net out over time. For example, if your UIT borrowed money to meet a declared income payment or to pay trust expenses, the cash balance at year-end could be negative. This negative amount is then divided by the number of year-end units outstanding. This negative amount reduces the reportable income. (In fact, if you close a position without receiving any distributions you could actually have negative income. Since a total income amount that is negative cannot be reported on an IRS form, you should carefully review your monthly statement.) If your 2017 income total has been increased to include income earned by the trust but not distributed to you, an adjustment will be made to lower your 2018 income by a similar amount. If your 2017 income is being decreased, an adjustment will be made to increase your 2018 income by a similar amount. If you owned the security during 2016, year-end allocations from 2016 could affect your 2017 income in the same way. If you sold the UIT in early 2017 before a distribution was made that included the undistributed income, you could see a “negative income” amount in the detailed section for your Form 1099-INT or Form 1099-DIV that you may want to review with your tax advisor.

**Expenses:** Expenses incurred by a grantor trust UIT are paid out of income earned by the trust and cause a reduction in income distributed to unit holders during the year. If this occurs, your share of the expense amount must be added to the net income distributed to you to arrive at the gross amount of reportable income. Expense amounts will be reflected on your Forms 1099 as either “Investment Expenses” or some other type of expense reported in the “Federal Non- Reportable” section of your statement. Please note that these investment expenses may or may not be deductible if you itemize your deductions on Schedule A (Form 1040). The information we provide is based on what we have received from the trustee, and we cannot verify its accuracy. Please review these expense amounts with your tax advisor for proper reporting.

## REMIC securities

### **Q12. What is a REMIC?**

**A12.** REMIC is an acronym for real estate mortgage investment conduit. Special tax regulations apply to REMIC securities and other collateralized mortgage obligations (CMOs) issued after 1986. A REMIC represents a bundle of mortgage loans that is divided into various “tranches” based on maturity dates, prepayment priorities, etc.

### **Q13. Why is the interest that I received during the year on the REMICs I own not showing on my Form 1099-INT?**

**A13.** The cash interest you received from a REMIC will not be reported on your original Form 1099-INT because REMIC investors are required to recognize income on an accrual basis and the rates for December are based on receipt of payments from the underlying mortgages until around January 15 of the following year. We expect to receive that accrual information by late February to report income

on a supplementary Form 1099-OID. If the REMIC issuer does not provide OID accrual rates, we will report the cash interest payments in Box 2 of the supplementary Form 1099-OID or on an amended Form 1099-INT sent to include this reporting. This additional REMIC information will be issued to you on an amended 1099 package no later than March 15, 2018.

### Short sales

#### **Q14. I sold a security short during 2017 and have not yet closed the position. Why didn't WFCS report the proceeds from this short sale on my 2017 Form 1099-B?**

**A14.** The reporting requirements for short sales changed as a result of a federal tax law that became effective on January 1, 2011. We now report the short sale for the tax year when you deliver the shares to close the transaction. The applicable sale date and acquisition date are reported in accordance with the IRS instructions for the Form 1099-B. It is important to note that the sale date in Box 1c of Form 1099-B is the date the closing position shares are delivered into your account and not the date you sold the short position. The acquisition date of the shares delivered to close the position is used as the acquisition date in Box 1b.

### Worthless securities

#### **Q15. How can I claim a loss on worthless securities in my account?**

**A15.** You should report worthless securities on Schedule D and Form 8949 of Form 1040 in the taxable year for which you deem them worthless within the meaning of IRC section 165(g) and Treasury Regulation section 1.165-5. Following the guidance from prior years, it appears you would write "WORTHLESS" in column (c) for the date sold and in column (d) for the sales price of the Form 8949. Enter the amount of your loss in parentheses in column (h) of the Form 8949, use the applicable adjustment code in column (f) and attach an explanation. Remember that you would have to check the appropriate Box A, B, or C (for short-term transactions) or Box D, E, or F (for long-term transactions) depending on whether or not there was any Form 1099-B information provided to the IRS. If you fail to claim a loss on your original tax return for the year it became worthless, you can file a claim for a credit or refund due to the loss. To do so, you must file an amended return (for the year of the original return) within seven years from the date your original return for that year was due, or 2 years from the date you paid the tax, whichever is later. For more information on worthless securities see IRS Publication 550.

### Wash sale rule

#### **Q16. You reported in Box 1g of the Form 1099-B that all or part of a loss was disallowed. What types of activities qualify as "wash sales"?**

**A16.** A sale or disposition of stock or securities may qualify as a wash sale under the following circumstances: 1) a loss occurs, and 2) within 30 days before or after the sale or disposition of stock or securities you purchase substantially identical stock or securities, acquire substantially identical stock or securities in a fully taxable trade, or enter into a contract or option to acquire substantially identical stock or securities. WFCS is required to track and report this information only for covered securities with the same CUSIP number in the same account. However, taxpayers must account for all of their positions in

all accounts they control. Therefore, the reporting for wash sales by WFCS may include only some of your total wash sale situations. For more detailed information on wash sales and their reporting requirements, please refer to the IRS 2017 Instructions for Schedule D and IRS Publication 550.

## Principal payments

### **Q17. Why are periodic principal payments reported on the Form 1099-B?**

**A17.** The definition of “sale” in the federal tax regulation that governs Form 1099-B reporting states that the term includes all return of principal payments made on or after January 1, 2014. In addition, IRS regulations regarding WHFITs that became effective on January 1, 2007 eliminated our ability to defer the reporting for the partial principal payments on those securities until the final payment was made that closed the tax lot. Therefore, we began reporting all return of principal payments on Form 1099-B in 2007. This creates a discrepancy between the proceeds amount reported on the Form 1099-B and the realized gain/loss statement because the latter statement includes only tax lots that have closed because they were sold or exchanged. For non-pro rata principal payments you received for a WHFIT security, the trustee may have given us a basis allocation factor you can use to determine the portion of your adjusted basis amount as of the record date for that principal payment. For principal payments you received for a WHMT, we will include factors—if they are provided by the WHMT trustee—to help you determine your basis amount. If no factor is provided, the assumption is that the basis amount and principal amount were the same.

## Other information

### **Q18. I received a dividend payment directly from the issuer of my stock, but it was later claimed through my account at WFCS. Why did the company send me a 1099 including this amount?**

**A18.** If an amount is paid in error and later claimed through another company, it must be reported by the paying agent. Report the amount as income on Schedule B of Form 1040 but subtract the claimed income from your dividend or interest subtotal on this form.

### **Q19. Do the Forms 1099 contain any supplemental state or local tax information?**

**A19.** If WFCS was required to apply state withholding, we have provided that information to you so that you can take a credit for that withholding on your state income tax return. The supplemental state or federal information available for fund distributions is not provided with the tax statements because that information is generally not available until after we have mailed the Forms 1099. If it is available, it can be provided to your financial professional or Consultant upon request. You can generally find this information posted on the mutual fund company’s website.

### **Q20. I have stock certificates that are registered in my name but are held at WFCS. Will WFCS issue Form 1099 information on these certificates?**

**A20.** Even though WFCS is holding the securities for you, the securities are registered in your name with the issuing company; therefore, any distributions for these shares will be reported by the issuing company or its agent. However, if you sold the certificates through WFCS, the gross proceeds from that sale will be included with the Form 1099-B information provided by WFCS.

**Q21. Does WFCS provide the ability to download tax form data into personal tax preparation software, such as TurboTax®?**

**A21.** Yes, if you have an online brokerage account and have signed up for electronic statements, you can download Form 1099 data into these software programs. Please be aware, however, that the downloading process does not support all tax forms and information. That information must be entered manually. You should always compare the downloaded information to your official IRS Form 1099 information, as the latter information is what is sent to the IRS.

**Q22. How are “dividend charges” reflected on my Form 1099-DIV?**

**A22.** The term “dividend charge” can have various meanings requiring different Form 1099 reporting (or none at all) by WFCS, so you should consult with your tax advisor about how to include these on your tax return. For example, some people refer to a “dividend charge” that occurs when, as part of a short sale transaction, they borrowed shares from a stock lender over a dividend record date and were charged an amount to pay back the person from whom the shares were loaned. You can deduct these charges as a miscellaneous itemized deduction (Schedule A of Form 1040), provided you held the short sale position open for at least 46 days (more than one year in the case of an extraordinary dividend). If you closed the short sale on or before the 45th day after the date of the short sale (one year or less in the case of an extraordinary dividend), you must increase the basis of the stock used to close the short sale by that amount. Another example of a “dividend charge” occurs when you received a dividend payment from the issuer based on dates during which you had transferred the shares to “street name” to be sold through WFCS. Once that company determines you were not entitled to the dividend payment, it will contact WFCS to reclaim the dividend from your account. In those instances, a “dividend charge” has been applied by WFCS even though the dividend payment was made and reported by the company and not WFCS. This type of “dividend charge” allows you to reduce the amount of dividend income you need to include on your tax return. Service charges deducted from a dividend distribution—such as for an administrative service fees for overnight sweep funds or a dividend reinvestment plan—must be reported to the IRS as part of your gross dividend income even though it was subtracted before being credited to your account. Similarly, “ADR fees” charged by the transfer bank for an American Depositary Receipt security is reportable as part of your gross dividend income. As explained in IRS Publication 550 for dividend reinvestment plan fees, these types of service fees may be deductible as a miscellaneous itemized deduction (Schedule A of Form 1040). Finally, the “undistributed income” tax reporting requirements for some UITs can result in a negative dividend amount in some years. In all cases where the total “dividend charges” or “undistributed income” might result in a negative dividend amount for the year, please be advised that the IRS does not permit WFCS to report amounts less than \$0 on any Form 1099.

Therefore, you should refer to your Forms 1099-DIV and 1099-INT transaction details, as well as your monthly statements, to ensure you have captured all the information you need to complete your tax return. Refer to IRS Publication 529 for more complete information.

**Q23. What do I do if my Form 1099 included income that needs to be reported by someone else?**

**A23.** Pursuant to federal tax regulations, WFCS is required to report all income on a jointly owned account under only one taxpayer identification number, which is why you were requested to designate a “primary owner” when the account was opened. If you received income reporting as a “Nominee” for another person on a Form 1099, the IRS “2017 Instructions for Certain Information Returns” at [irs.gov](http://irs.gov) under Part A explains what you need to do to do. For example, if you received a Form 1099-DIV that includes dividend payments reported to you that should be included as income by another joint owner of that account, you would obtain a blank Form 1099-DIV from the [irs.gov](http://irs.gov) website and complete that form showing the amount reportable to that person. Give that person Copy B of the Form 1099-DIV, and then mail Copy A to the IRS along with the IRS Transmittal Form 1096. Then on Schedule B of your Form 1040, include on line 5 all the dividends you received, including as a nominee, and enter a subtotal. Below the subtotal, write “Nominee Distribution,” and show the amounts received as nominee. Subtract those distributions from the subtotal and enter the result on line 6. See the IRS Instructions for Schedule B for more detailed information.

**“Kiddie” tax**

**Q24. What is the “kiddie tax”?**

**A24.** For taxable years beginning in 2015, the amount in IRC § 1(g)(4)(A)(ii)(I), which is used to reduce the net unearned income reported on the child’s return that is subject to the “kiddie tax,” is \$1,050. This \$1,050 amount is the same as the amount provided in § 63(c)(5)(A), as adjusted for inflation.

The same \$1,050 amount is used for purposes of § 1(g)(7) (that is, to determine whether a parent may elect to include a child’s gross income in the parent’s gross income and to calculate the “kiddie tax”). For example, one of the requirements for the parental election is that a child’s gross income is more than the amount referenced in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child’s gross income for 2017 must be more than \$1,050 but less than \$10,500.

See IRC § 1(g)(4)(A)(ii)(I), § 1(g)(7), and § 63(c)(5)(A). Refer to IRS Publications 17 and 929 and Forms 8814 and Form 8615.

For tax years beginning after December 31, 2012, a child whose tax is figured on Form 8615 may be subject to the Net Investment Income Tax (NIIT). NIIT is a 3.8% tax on the lesser of the net investment income or the excess of the child’s modified adjusted gross income (MAGI) over the threshold amount. Use Form 8960, Net Investment Income Tax, to figure this tax. For more information on NIIT, go to [irs.gov](http://irs.gov) and enter “Net Investment Income Tax” in the search box.

**The communication is designed to provide accurate, authoritative information. Our firm is not engaged in rendering legal, accounting, or tax advice. If legal, accounting, or tax assistance is required, the services of a competent professional should be sought. The hiring of a professional is an important decision and should not be based on advertising. Ask for written information stating qualifications, experience, and firm association before making a decision.**

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