# Important 2025 Tax Information

## Widely Held Fixed Income Trust (WHFIT)

Included with your 2025 Consolidated Forms 1099 Statement is information on your WHFITs. The WHFIT Additional Written Statement includes the supplemental information that the Internal Revenue Service requires be mailed to you by March 15 (If the IRS deadline falls on a Saturday, Sunday or a recognized holiday, the deadline becomes the next business day).

This document, which is divided into two main sections, will familiarize you with the information provided on your WHFIT investments. The first section provides general information regarding WHFIT reporting. The second section explains the information reflected on the statement, including what is reported to the IRS.

## 1. General information about WHFITs

The WHFIT information is identified as either mortgage or non-mortgage-backed securities. The majority are pools of mortgage-backed securities known as Widely Held Mortgage Trusts (WHMT). The most common are established through FNMA ("Fannie Mae"), FHLMC ("Freddie Mac"), and GNMA ("Ginnie Mae"), or trusts that invest in regular interest REMICs (real estate mortgage investment conduits), which are established as a grantor trust. Both mortgage and non-mortgage-backed trusts may be subject to additional reporting requirements under Treasury Regulation §1.671-5.

All income and principal received by the trust, as well as expenses paid by the trust, are reportable to investors because they own a percentage interest in each asset and liability of a grantor trust. Since reporting to investors is based on the record date instead of the payment date, payments received by an investor in January and February with a record date in the prior year are reportable on the previous year's tax package. Furthermore, the reportable income amount may be greater than what you received due to the "gross up" of any expenses or taxes originally deducted by the trustee prior to distribution.

Detailed information for a WHFIT security may not have been provided by the trustee if no more than 5% of its aggregate principal balance was distributed or the trust was established prior to dates for which such information is required. Furthermore, trusts can structure their distributions in a way to avoid WHFIT reporting rules. Therefore, all WHFITs are not, at this time, subject to the same reporting requirements.

## 2. Information included on your consolidated Form 1099 statement

The amounts reported on the Form 1099 may not match your monthly statement totals. Carefully review your Form 1099 and supplementary tax information statements with your tax advisor, as expense items not reported on the Form 1099 may have multiple impacts that should be considered when completing your tax return.

Consolidated Form 1099 statements include several areas where WHFIT information may be shown. The totals reported to the IRS are reflected in the Summary of Reportable Information. The amounts per security that make up the totals are shown in the Reportable Tax Information for the Form 1099-B totals and Details of Reportable Tax Information for Form 1099-INT totals. If provided by the trustee, the factors that were applied per payment period will be displayed in the Supplemental Tax Statement.

## Summary of reportable tax information

Listed at the beginning of your 2025 Consolidated Form 1099 Statement will be a Summary of Reportable Tax Information that represents the total amounts of all reportable 1099-INT and 1099-B transactions. The Form 1099-INT amounts reported here represent your reportable interest from WHFIT securities in addition to other reportable interest for the tax year. The 1099-B Summary of Proceeds from Broker and Barter Exchange Transactions amounts shown in this section include gross proceeds (less commissions) from sales, redemptions, and principal payments, which includes your WHFIT securities.

## Reportable tax information: Form 1099-B

Includes any proceeds (less commissions) from sales, redemptions, and principal payments. In accordance with various tax reporting regulations, your Form 1099-B will include all return of principal payments you received prior to the maturity of your WHFIT securities.

## Unknown term gains/losses

Transactions reported in the Unknown Term Gains/Losses section of the Form 1099-B do not include cost basis. The cost basis on your WHFIT security is reduced at the time the proceeds payment is applied to your account. It is generally assumed that the cost basis is equal to the proceeds amount resulting in no gain or loss. However, once adjusted basis is reduced to zero, future proceeds payments will be taxable. Clients may elect to make additional cost basis adjustments to account for Original Issue Discount (OID) or cost basis factors published by Unit Investment Trusts and Royalty Trusts. Therefore, the cost basis is not calculated and reported with the proceeds payment on Form 1099-B.

## Details of reportable tax information: Interest income

Includes a breakdown of interest and expenses.
The amounts reported for your WHFIT investments are often more than the actual payments due to expenses that were deducted prior to the payment. The expenses for WHMTs are generally the fees charged by the entity that services the mortgages within the pool and generally run between 5% and 8% of the gross interest amount.

## Supplemental tax statement—WHFIT additional written statement

If provided by the trustee, the factors that were applied per payment period will be displayed in the WHFIT Additional Written Statement. However, only total amounts for a particular security are reportable to the IRS. The Supplemental Tax Statement includes other details that should be reviewed with your tax advisor as they may have multiple impacts that should be considered when completing your tax return.

## Where to go for more information

If you or your tax advisor have additional questions, please refer to page 4 of the IRS "2025 General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G)" found at **irs.gov**. (Wells Fargo Clearing Services, LLC has provided this link for your convenience but does not control or endorse the website and is not responsible for the products, services, content, links, privacy policy, or security policy of this website.) You or your tax advisor may wish to review the guidance provided by the IRS related to mortgage-backed securities found in Revenue Ruling 84-10, Revenue Ruling 70-545, Revenue Ruling 70-544, and Revenue Ruling 71-399.

Our firm does not provide tax or legal advice. Be sure to consult with your own tax and legal advisors before taking any action that could have tax consequences.

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