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Interpreting and working with your 1099 Tax Reporting

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2025 Tax Information Reporting



Nancy A. Nelson C.P.A.
February 2026

Introduction

For US Taxpayers:

- Individuals (1040)
- Partnerships (1065)
- Trusts (1041)

Non – US persons (non-resident aliens) – 1042S reporting Webinar

March 2026

Tax Information Reporting – why does it matter?

Mandated E-file

New ISIS submission system for small business

Mandatory for issuers of more than 10 -1099s of any type

Has replaced “Desk Audits” with computer matching and verification of returns

One Big Beautiful Tax Bill

Passed in July 2025

Extended expiring provisions

Several well publicized changes

Some permanent

Some not

Some effective 2025

Some for 2026

Many provisions Phase out at relatively low income levels - for example \$6000 extra deduction for seniors – phases out at \$150K MFJ.

New for 2025 reporting

1099 DA – Digital Assets

The IRS delayed the implementation, but reality has set in

If you trade in Crypto IBKR has been providing this information for the last few years

Information now being reported to the IRS

What Digital Assets are included?

Bitcoin

Ethereum

Stablecoins

NFTS

Things to remember:

- An exchange of a DA for another is a sale and is reported
- No cost basis reporting for DA in 2025
- Cost basis reporting is coming for 2026
- Report on 8949 (feeding to Schedule D)
 - New boxes: G,H,I – for Short-term
J,K, L – for Long-term

What about Staking and Mining?

Generally produce ORDINARY income when received

When tokens are sold – capital gain

More complex transactions – consult your advisor.

Traditional tax information forms

W-2 - Wages and other earnings from employer

W-2G – Gambling Winnings

1099NEC – Non-employee income

1099C – Cancellation of Debt

1098C – Health care coverage

1098 – Mortgage Interest paid

5498 – IRA Contributions and value (issued 5/31)

From Savings and Investment accounts

1099R – Distributions from Pension and Retirement accounts

1099INT – Interest Income

1099OID – Original Issue Discount (Accrued)

1099DIV – Dividends, Royalties and LT Capital Gain Distributions

1099Misc – Rents, Payments in lieu

1099B – Proceeds from Broker Transactions

1099DA – Proceeds from Digital Assets

1099R Pensions, Annuity, Retirement & IRA Distributions

Critical to remember:

Reports rollovers to the IRS – generally not taxable

Although not required to be reported on your return – it is a good idea. IRS matching is real

Not all income on this form is taxable

Qualified Charitable Distributions are reportable

Not taxable

Important boxes:

Box 1: Gross Distribution

Box 2A: Taxable Amount

often not provided

often incorrect

not required

Box 2B: Check boxes –

Taxable amount not determined

Full Distribution

Important Boxes

Box 4 – Federal Income tax withheld

Same box on all 1099 forms

Box 5 – Employee Contributions/Roth Contributions

Box 7 – Distribution Codes

1 - Early Distribution – no know exception (may be subject to penalties)

2 - Early Distribution – exception applies

4 – Death

7 – Normal distribution

Box 11 – First year of designated Roth Contribution

Roth account must be established and funded for 5 years before distributions to occur without penalty

Boxes 14-19 – State and Local Tax Withholding

State and local tax withheld – some states have mandatory state tax withholding

1099R – Tips

Issued on or about 1/31 each year

Even though box 2A contains the full amount shown in box 1 it may not all be taxable.

Traditional IRAs with after tax contributions – form 8606

Don't forget to take your RMD at age 73 – Age 75 beginning in 2033

Know the rules about inherited IRAs. Be aware that Grandchildren inheriting IRAs have a distribution requirement. Children will also have a tax return filing requirement for these distributions.

Make use of your QCD for charitable gifts. Not only does it reduce your taxable income, it may result in state tax savings too as states move toward flat taxation. New Charitable deduction rules are more complex and yet easier (for 2026-28).

1099C, 1099NEC and 1099DA

1099C – Cancellation of Debt

If a debt is forgiven (credit card debt restructuring) the amount of debt forgiven is reported. Most forgiveness of debt is taxable as ordinary income.

1099NEC – Non-employee Compensation

1099DA – Digital Assets

Expect to see more in this area – it is evolving.

1099INT – Interest Income

Box 1- Interest earned on deposits

primarily bank and investment account interest

Box 3 – Interest US Savings Bonds and Treasury Obligations

Reported separately – Federally taxable – not state taxable

Box 5 – Investment Expenses

Deductible only if you are taking the position that you are a trader in securities
Originally a Miscellaneous Itemized deduction

1099INT

Boxes 6 & 7 – Foreign Tax paid and Country(ies)

Box 8 – Tax Exempt Interest

Interest earned on Exempt securities – Does not include Muni-bond funds. PAY ATTENTION to your state tax adjustments – make sure you add back interest earned on nonresident state securities to income before calculating your state tax.

Box 9 – Specified Private Activity Bond Interest

Interest subject to AMT

Box 10-13 – Market Discount, Bond Premium, US Tax Exempt, Discount and Premium

1099OID – Original Issue Discount

Very Simple definition:

Certain Investments, usually bonds or preferred stock have a rate of return associated with them but do not issue cash payment.

Zero coupon bonds are the traditional example

Remember basis adjusts

Boxes mirror the boxes on 1099INT

1099DIV – Dividends and Distributions

Box 1a – Total Ordinary Dividends

All dividends received

Remember that money market, bond funds and muni bond funds pay DIVIDENDS not interest

Box 1b – Qualified Dividends

Tricky – and often mis-reported on returns. Reports all dividends reported in box 1a that are **Eligible** for treatment as a qualified status – Qualified dividends are taxed at long-term capital gain rates rather than as ordinary income.

Money market, and other fund payments that are interest based are not qualified dividends.

Box 2a – Total Capital Gain Distributions

Capital Gain distributions from mutual funds – Long-term capital gain treatment

1099DIV

Box 2b – Unrecaptured 1250 gain

Box 3 – Non – Dividend distributions

Generally, return of capital – or merger/acquisition exchanges. Impacts basis

Box 5 – Section 199A Dividends

Good News – set to expire at the end of 2025 this provision has been made permanent.

Boxes 6,7,8 – Same as 1099INT

Box 9 – Cash Liquidation Distributions

Box 10 – Non-Cash Liquidation Distributions

Boxes 9-10 payments received in cash (9) or securities (10) generally from mergers. Result in gains/loss

1099DIV

Box 11 – Tax Exempt Dividends

Dividends received primarily from municipal bond funds

Remember – same comment – remember your state adjustments

Box 12 – Specified Private Activity Bond Interest

1099Misc – Miscellaneous Income

Box 1 – Rents

Box 2 – Royalties

Box 3 – Other Income

Box 8 – Substitute Payment in Lieu of Interest or Dividends

Ordinary income

Subject to Net Investment Interest Tax

1099B - Proceeds from Brokers and Barter Exchange Transactions

New box – unnumbered

1099B and 1099DA

Box A-L for 8949 reporting

Remember it is up to you to make sure basis on covered securities

Is correct

You may not change the tax lot sold after the fact (must be done by settlement

1099B

Covered

Reporting in total

Uncovered

must report details

Other assets

don't forget – home sales, partnership dissolutions.

1099B – Section 1256 Securities

Boxes 8-11

Mark to Market reporting – all marked to market at 12/31

Gain or loss recognized.

Use form 6781

Included in your tax information from IBKR is a gain/loss worksheet for reference

Odds and Ends

Report QCD made from IRA

Foreign Currency Transactions

- taxed as ordinary income

- must come back to base currency before gain/loss recognized

- if part of a securities transaction – bundles with the security trade.

Amended 1099s

- look for these before finalizing your return

- You should receive a notice in your account if IBKR updates your tax information

Be Aware

E-file don't paper file

New executive order that requires the Treasury to stop issuing paper checks as of 9/30/25.

Also instructs Treasury to stop accepting paper checks. Use tax software or IRS.gov to pay (there is a fee for credit card payments). This includes estimated payments. Many states have already taken this action.

Notices

First rule – Don't panic.

Second rule – the IRS is not always right

Third rule – if the amount due is small just pay it.

All information reporting has the ability to generate CP2000 – or matching notices. Just because you get a notice doesn't mean your return is wrong. If income isn't reported where the IRS matching computer expects it to be on your return you can get a notice. Not necessarily wrong...just not where they were looking.

Questions?