



Interactive Brokers

presents

***Understanding your US tax forms,
what does your Consolidated 1099 Tell you?***

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Webinar begins @ 12:00 pm EST



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Introduction

Understanding your tax information forms is essential to preparing Federal and State tax returns.

Focus today on US Individual Tax Returns but most items are the same for trusts, partnerships and LLCs.

For this year adding a new section: Documents and getting ready for taxes.



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What's New This Year?

No tax law changes per se.

New filing due date for:

Form 1065

March 15

Partnerships

LLCs

More types of bonds became “Covered Securities”

Looking ahead: Many of the home energy credits expired 12/31/16 – keep that in mind as you plan



This year's due date

Tuesday, April 18, 2017 is the due date for 2016
(calendar) returns:

Individual and Joint returns

Trusts

Estates



Forms 1099 – 17 different ones

W-2 – Wage report

Form 5498 – IRA contributions

Form 2439 – Undistributed LTCG

Form 1098 – Mortgage Interest paid.

Form 1095C - Employer Provided Health Ins.



Tax Information Forms

Forms 1099 – 17 different ones

1099A	Acquisition or Abandonment of Security Property
1099B	Proceeds from Broker and Barter Exchg. Transactions
1099C	Cancellation of Debt
1099CAP	Changes in Corporate Control and Capital Structure
1099Div	Dividends and Distributions
1099G	Certain Government Payments
1099Int	Interest Income
1099K	Payment card and Third Party Network Transactions
1099LTD	Long-term Care and Accelerated Death benefits



Tax Information Forms

Forms 1099 – 17 different ones – continued

1099Misc	Miscellaneous Income
1099OID	Original Issue discount
1099PATR	Taxable distributions Received from Cooperatives
1099Q	Payments from qualified Education Programs (529 plans)
1099QA	Distributions from ABLE accounts
1099R	Distributions from Pensions, Annuities, Retirement Plans
1099S	Proceeds from Real Estate Transactions
1099SA	Distributions from an HSA, Archer MSA, Medicare Advantages MSA



Consolidated 1099

Consists of 5 different 1099 forms:

1099 INT – reporting interest, including UST
and tax exempt interest

1099 DIV – reporting dividends, LTCG
distributions, return of capital



Consolidated 1099

1099MISC – for IB reports payments in lieu of interest, dividends and stock loan payments received

1099OID - Accrued interest on bonds when the bond price is discounted to reflect interest or interest rate changes



Consolidated 1099

1099B - Net proceeds for sales of securities

Covered Short – term

Covered Long – term

Uncovered

Section 1256 Contracts and Options



Other 1099s

1099R – Distributions from Qualified Plans

IRAs

1099C – Cancellation of Debt



When are Forms issued

For all forms: When the date falls on a Saturday or Holiday the next business day applies.

1099R:

On or before January 31.

1099Misc.:

Generally January 31, however if made part of a consolidated 1099 then February 15. If there is non-employee compensation reported in box 7 the form must be issued by January 31.

Consolidated 1099:

Generally on or before February 15. When the date falls on a Saturday or Holiday the next business day applies. For 2016 – February 15, 2017



Other IB Tax Reports

Dividend report – February 15th

Form 8949 Worksheet – February 15th

Form 5498 – May 31st

For 2016 – you may receive two form 5498s. One from Equity Institutional and one from Interactive Brokers LLC



Other IB Tax Reports

Form 2439 – 90 days after the fiscal year end of the RIC or REIT that generated the report.

Canadian Form NR-4 – March 31st



Form 1099R and 5498

Form 1099R reports distributions from IRS

Remember all distributions must be reported on your tax return (line 15A, form 1040), even Roth distributions. This line does not add into your taxable income.

Form 5498 reports contributions to and the FMV of Pension and IRA accounts

Issued 5/31 Not required to complete your income tax return, informational only



Form 1099R

Receive only if you received a distribution from your IRA, Roth IRA, 401K or other pension account

Reports Income, Federal tax withholding and State tax withholding

Trustee to Trustee transfers are not reported

Only one transfer allowed annually.



Be aware of the 1099R box 7 codes

Most common:

- 1 – Early distribution, no known exception (in most cases <59.5)
- 2 – Early distribution, exception applies (under age 59.5)
- 3 - Disability
- 4 – Death (also used for inherited IRAs)
- 7 – Normal distribution



Form 5498

Reports contributions made:

Issued May 31

Remember:

you can make contributions to your IRA account until due date of your return (4/15)

you can make contributions to your SEP until the filing date of your return with extensions (10/15)



Form 5498

Reports the FMV at 12/31 of the prior year to IRS

Reported to you initially by January 31

Form 5498 is formal reporting to IRS of this amount

Used by the IRS (and you) to calculate Required Minimum Distribution (RMD)
Remember that if you have a RMD you must take it during the year or incur a 50% federal tax penalty.



Form 8606 – a form to know about

Not an information reporting form, but an addition to your 1040.

Used to compile – over time basis in a non-deductible IRA

If you make a non-deductible contribution to a traditional IRA this form should be included in your tax return

Used to calculate taxable distribution amount

If you receive a distribution from an IRA/401K to which non-deductible contributions were made this form can be used to calculate the taxable amount of a distribution

Used to report conversions from traditional IRAs to ROTH IRAs.



1099C

Forgiveness of Debt-

When a debt is forgiven, the amount forgiven in certain circumstances becomes taxable.

For IB usually this is the result of some sort of settlement.



1099 Misc – Box 7

New rules took effect for 2016 reporting

Box 7 – non employee compensation

If you earned non – employee compensation 1099 Misc. the 1099Misc was required to be issued by January 31, 2017. For IB this applied to advisory fees paid into advisor accounts and did not impact most accounts.



Consolidated 1099

Consists of:

1099INT

1099DIV

1099OID

1099Misc

1099B

Reported together (consolidated) in one information report.



Consolidated 1099



2016 Tax Reporting Statement

Consolidated Forms 1099

Recipient Information	
Name	XXXX
Address	XXXX XXXX XX
Tax ID Number	XXX-XX-XXXX
FATCA Filing Requirement	No
IB Account ID	XXX

Payer Information	
Name	Interactive Brokers LLC
Address	8 Greenwich Office Park Greenwich, CT 06851
Phone Number	1 (877) 442-2757
Website	http://www.interactivebrokers.com/help
Federal ID Number	

2016 1099-INT		Interest Income	OMB No. 1545-0112
Box	Description		Amount
1	Interest income		0.00
2	Early withdrawal penalty		0.00
3	Interest on U.S. savings bonds and Treasury obligations		0.00
4	Federal income tax withheld		0.00
5	Investment expenses		0.00
6	Foreign tax paid		0.00
7	Foreign country or U.S. possession		
8	Tax-exempt interest		0.00
9	Specified private activity bond interest		0.00
10	Market discount		0.00
11	Bond premium		0.00
12	Bond premium on Treasury obligations		0.00
13	Bond premium on tax-exempt bond		0.00

2016 1099-DIV		Dividends and Distributions	OMB No. 1545-0110
Box	Description		Amount
1a	Total ordinary dividends		0.00
1b	Qualified dividends		0.00
2a	Total capital gain distributions		0.00
2b	Unrecap. Sec. 1250 gain		0.00
3	Non-dividend distributions		0.00
4	Federal income tax withheld		0.00
5	Investment expenses		0.00
6	Foreign tax paid		0.00
7	Foreign country or U.S. possession		
8	Cash liquidation distributions		0.00
9	Non-cash liquidation distributions		0.00
10	Exempt-interest dividends		0.00
11	Specified private activity bond interest dividends		0.00

2016 1099-OID		Original Issue Discount	OMB No. 1545-0117
Box	Description		Amount
1	Original issue discount for 2016		0.00
2	Other periodic interest		0.00
3	Early withdrawal penalty		0.00
4	Federal income tax withheld		0.00
5	Market discount		0.00
6	Acquisition premium		0.00
8	Original issue discount on U.S. Treasury obligations		0.00
9	Investment expense		0.00
10	Bond premium		0.00

2016 1099-MISC		Miscellaneous Income	OMB No. 1545-0115
Box	Description		Amount
1	Rents		0.00
2	Royalties		0.00
3	Other income		0.00
4	Federal income tax withheld		0.00
7	Non-employee compensation		0.00
8	Substitute payments in lieu of dividends or interest		0.00

IMPORTANT TAX INFORMATION: This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanctions may be imposed on you if this income is taxable and the IRD determines that it has not been reported. Please consult the "Instructions for Recipients" as some amounts require review before reporting on your income tax return.



1099INT

What are the important lines:

Line 1: Interest Income

Line 3: Interest on US savings bonds and treasury obligations

Line 4: Federal Income tax withheld

Line 8: Tax-exempt interest

Line 9: Specified private activity bond interest



1099 Interest

Four new lines in 2015 – full use in 2016:

10 – Market discount

11 – Bond Premium

12 – Bond Premium on UST obligations

13 – Bond Premium on tax-exempt bonds



1099 INT

Things to be aware of:

Accrued interest paid: not reported to the IRS but is included in the supplemental information on the consolidated 1099

Tip: Enter total of interest received on tax return and any accrued interest as a separate 1099 with a negative amount

Remember: Interest income can not be reduced by accrued interest paid until the first interest payment on the same security is received



1099OID

What is OID?

Interest on bonds sold at a discount and accreted annually.

Zero coupon bond is classic example.



1099OID

What are the important lines:

Line 1: OID for 2016

Line 2: Other periodic interest

Line 5: Market Discount

Line 6: Acquisition premium

Line 8: OID on US Treasury Interest

Line 10: Bond premium



1099DIV

What are the important lines:

Line 1a: Total ordinary dividends

Line 1b: Qualified dividends

Line 2a: Total capital gain distributions

Line 2b: Unrecaptured Sec. 1250 gain

Line 3: Non – dividend distributions



1099DIV

What are the important lines (2):

- Line 5: Investment expenses
- Line 6: Foreign tax paid
- Line 8: Liquidation distributions – cash
- Line 9: Liquidation distributions – non cash



1099DIV

What are the important lines (3):

Line 10: Exempt Interest Dividends

Line 11: Specified Private activity bond
interest dividends



1099DIV

The Dividend report is your guide to the details

Foreign taxes withheld – by country

Qualified dividends meeting holding period

Payment in lieu details

Return of Capital for PTPs

Other distributions



1099MISC

What are the important lines?

Line 2: Royalties

Line 3: Other Income

Line 7: Non-Employee Compensation

New issuance rules for this box only!!

Line 8: Substitute payments in lieu of dividends and interest



1099B

2016 Tax Reporting Statement

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Consolidated Forms 1099 (continued)

Covered Securities: Short-Term - Summary

2016 1099-B		Proceeds From Broker and Barter Exchange Transactions	OMB No: 1545-0715
Box	Description	Amount	
	Applicable check box on Form 8949	A	
1a	Description of property		
1b	Date acquired		
1c	Date sold or disposed		
1d	Proceeds (gross proceeds less commissions & options premium)	0.00	
1e	Cost or other basis	0.00	
1f	Accrued market discount	0.00	
1g	Wash sale loss disallowed	0.00	
2	Type of gain or loss	Short-term	
3	Basis reported to IRS	Yes	
4	Federal income tax withheld	0.00	
5	Noncovered security	No	

Covered Securities: Long-Term - Summary

2016 1099-B		Proceeds From Broker and Barter Exchange Transactions	OMB No: 1545-0715
Box	Description	Amount	
	Applicable check box on Form 8949	D	
1a	Description of property		
1b	Date acquired		
1c	Date sold or disposed		
1d	Proceeds (gross proceeds less commissions & options premium)	0.00	
1e	Cost or other basis	0.00	
1f	Accrued market discount	0.00	
1g	Wash sale loss disallowed	0.00	
2	Type of gain or loss	Long-term	
3	Basis reported to IRS	Yes	
4	Federal income tax withheld	0.00	
5	Noncovered security	No	

Noncovered Securities - Summary

2016 1099-B		Proceeds From Broker and Barter Exchange Transactions	OMB No: 1545-0715
Box	Description	Amount	
	Applicable check box on Form 8949	X	
1a	Description of property		
1c	Date sold or disposed		
1d	Proceeds (gross proceeds less commissions & options premium)	0.00	
2	Type of gain or loss	Not determined	
3	Basis reported to IRS	No	
4	Federal income tax withheld	0.00	
5	Noncovered security	Yes	

Regulated Future Contracts and Options (Section 1256 Transactions)

2016 1099-B		Proceeds From Broker and Barter Exchange Transactions	OMB No: 1545-0715
Box	Description	Amount	
8	Profit or (loss) realized in 2016 on closed contracts	0.00	
9	Unrealized profit or (loss) on open contracts - 12/31/2015	0.00	
10	Unrealized profit or (loss) on open contracts - 12/31/2016	0.00	
11	Aggregate profit or (loss) on contracts	0.00	



1099B

Made up of 4 forms

Covered – short –term

Covered – Long – Term

Uncovered

Section 1256 Reporting

Boxes 8,9,10,11



1099B – Form 8949 Worksheet

Form 8949 Worksheet:

Presented in filing format-

All the details for covered securities and non
– covered securities 1099B forms

Remember that these are account specific.

Your tax return covers all of your accounts



1099B – Form 8949 Worksheet

For uncovered securities that the cost basis may not be correct, please review these worksheets carefully

Form 8949 Worksheet does not contain 1256 securities or options. A separate 1256 gain loss report provides details concerning these transactions.



Other Information that we provide

On consolidated 1099:

Margin interest paid

Payment in Lieu paid

Advisory fees paid

Accrued Interest paid



Net Investment Income Tax (NIIT)

Affordable Health Care Act

3.8% on NIIT:

Interest

Dividends

Capital gains

Rental Real Estate Income

Passive activities

Form 8920



A word about CP2000 Notices

What is a CP2000 notice

Why you may have received

How to respond:

Key items to include in any correspondence:

- The notice

- Why you think they are wrong

- A copy of the return where the item appears.

- Keep a mailing record (certified, return receipt)



A second word about the CP2000

Keys to success:

Respond promptly

Send to the address they indicated, payments go to a different place than the inquiries.

BE PATIENT – you will get a letter that says they are looking in to it and it will be at least 6 weeks before they respond.



Wrap up

Good resources:

IRS Publication 550 – Investment Income and expenses

This publication is updated annually

IRS Publication 551 – Basis of assets

Instructions to the forms:

Instructions to form 1040 Schedule A and Schedule B

Instruction to form 1040 Schedule D and Form 8949

Instructions to form 4952 – Investment Interest expense

Instructions to form 8920 – NII

ALL on WWW.IRS.GOV for free!!



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