

Interactive Brokers

presents

Understanding your US tax forms: What does your Consolidated 1099 tell you?

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Webinar begins @ 2:00 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.



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Tax Information Forms

W-2 – Wage report

Forms 1099 – 17 different ones

Form 5498 – IRA contributions

Form 2439 – Undistributed LTCG

Form 1098 – Mortgage Interest paid.



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 1099s issued

1099R – On or before January 31

2016 reporting delayed by
the IRA custodian - Equity Trust

**Consolidated 1099 – Generally on or before
February 15. When the date falls on a Saturday
or Holiday, the next business day applies.**

For 2015 – February 16, 2016



Other IB Tax Reports

Dividend report – February 15th

Form 8949 Worksheet – February 15th

Form 5498 – May 31st



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:

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.

If you have a traditional IRA – Use form 8606 to calculate taxable amount



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
- 7 – Normal distribution



Form 5498

Reports IRA contributions made for prior year
Issued May 31

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

If you have a traditional IRA and make after tax contributions remember to
file an form 8606 with your return to track cost basis

Also reports the FMV at 12/31 of the prior year
to IRS – this amount is reported to you by
January 31.



Consolidated 1099

Consists of:

1099INT

1099DIV

1099OID

1099Misc

1099B

Reported together (consolidated) on one information sheet.



1099C

Forgiveness of Debt-

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

For IB, this may be the result of a legal settlement.



Consolidated 1099



2015 Tax Reporting Statement

Consolidated Forms 1099

Recipient Information	
Name	John Doe
Address	100 Main St. Apt. 001 MyTown USA, 11800
Tax ID Number	XXX-XX-XXXX
FATCA Filing Requirement	No
IB Account ID	UXXXXXXX

Payer Information	
Name	Interactive Brokers LLC
Address	8 Greenwich Office Park Greenwich, CT 06831
Phone Number	1 (877) 442-2757
Website	http://www.interactivebrokers.com/help
Federal ID Number	13-3863700

2015 Interest Income		1099-INT
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
13	Bond premium on tax-exempt bond	0.00

2015 Dividends and Distributions		1099-DIV
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

2015 Original Issue Discount		1099-OID
Box	Description	Amount
1	Original issue discount for 2015	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

2015 Miscellaneous Income		1099-MISC
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 IRS determines that it has not been reported.



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



1099INT

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 2013

Line 2: Other periodic interest

Line 6: OID on US Treasury Interest



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



1099MISC

What are the important lines?

Line 2: Royalties

Line 3: Other Income

Line 7: Non-Employee Compensation

Line 8: Substitute payments in lieu of dividends and interest



1099B

Consolidated Forms 1099 (continued)

Covered Securities: Short-Term - Summary

2015 Proceeds From Broker and Barter Exchange Transactions		1099-B
Box	Description	Amount
	Applicable check box on Form 8949	A
1a	Description of property	Various
1b	Date acquired	Various
1c	Date sold or disposed	Various
1d	Proceeds (gross proceeds less commissions & options premium)	0.00
1e	Cost or other basis	0.00
1g	Adjustments	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

2015 Proceeds From Broker and Barter Exchange Transactions		1099-B
Box	Description	Amount
	Applicable check box on Form 8949	D
1a	Description of property	Various
1b	Date acquired	Various
1c	Date sold or disposed	Various
1d	Proceeds (gross proceeds less commissions & options premium)	0.00
1e	Cost or other basis	0.00
1g	Adjustments	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

2015 Proceeds From Broker and Barter Exchange Transactions		1099-B
Box	Description	Amount
	Applicable check box on Form 8949	X
1a	Description of property	Various
1c	Date sold or disposed	Various
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)

2015 Proceeds From Broker and Barter Exchange Transactions		1099-B
Box	Description	Amount
8	Profit or (loss) realized on closed contracts	0.00
9	Unrealized profit or (loss) on open contracts - at the beginning of the year	0.00
10	Unrealized profit or (loss) on open contracts - at the end of the year	0.00
11	Aggregate profit or (loss) on all contracts - open or closed	0.00

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1099B

Made up of 4 forms:

Covered – short-term

Covered – Long-term

Uncovered

Section 1256 Reporting



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

Remember for non-covered securities, 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



Other Information that we provide

On dividend report:

Qualified dividends that meet the holding period

Details of all dividends paid

Details of all PIL paid and received

Details of Foreign tax withheld



Net Investment Income Tax (NII)

Net Investment Income Tax –

part of the Affordable Health Care Act

3.8% on NII

Form 8920



A word about CP2000 Notices

What is a CP2000 notice?

Why you may have received a notice and

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 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, but 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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