

DELAYED MAILING OF 1099 STATEMENTS

For the purpose of reducing or eliminating your 1099 corrections, the mailing of your 1099 Consolidated Tax Statement may be delayed up to March 15th for holders of Registered Investment Companies (RICs) (i.e., Mutual Funds, which include Closed-End Funds and certain equities), Real Estate Investment Trusts (REITs), Unit Investment Trusts (UITs), and Widely Held Fixed Investments Trusts (WHFITs) that distributed income in 2016. These types of instruments typically reallocate income from one category to another. Unfortunately, these changes are not always announced in a timely manner. In addition, you may want to file your tax return closer to the IRS deadline in the event a late corrected 1099 is issued due to revisions made by these entities to their previously finalized income reallocations.

For holders of Real-estate Mortgage Investment Conduit (REMIC) and Widely Held Mortgage Trust (WHMT), the mailing of your 1099 Consolidated Tax Statement will be delayed until March 15th. For more information, see below under *New 1099 Consolidated Tax Statement*.

(Note: Compared to previous years, the mailing date for accounts that hold these securities has been extended up to March 15th in order to further reduce the number of corrections. If you fall into this group of holders that we are awaiting data from these various entities, we will notify you through a separate mailing that will be sent out in the middle of February.)

However, if you do not hold any of these types of instruments, we will mail your 1099 Consolidated Tax Statement by February 15th, 2017. As advised above, you may also want to delay filing your tax return due to other reasons.

NEW 1099 CONSOLIDATED TAX STATEMENT

For Tax Year 2016, we signed with a new tax vendor to help perform the tax reporting and generation of your tax statements. With the new vendor comes a new 1099 Consolidated Tax Statement. The most notable changes are detailed as follows.

1. Real-estate Mortgage Investment Conduit (REMIC) and Widely Held Mortgage Trust (WHMT) will no longer have their own separate statements. Instead, the tax information will now be part of the consolidated statement, and therefore, your 1099 statement will be delayed until March 15th if you hold these assets.

2. The summary information for each 1099 form is organized at the beginning of the statement. State taxes withheld on each 1099 form are abridged under one section.

3. The new statement includes supplemental information and instructions that are useful for the completion of your tax return. New supplemental information include: a) Adjustments to Interest and Original Issue Discount (OID), and b) Reconciliation, Fees, Expenses and Expenditures.

4. Corrected transactions are now marked by a letter “C” on the far right-hand side.

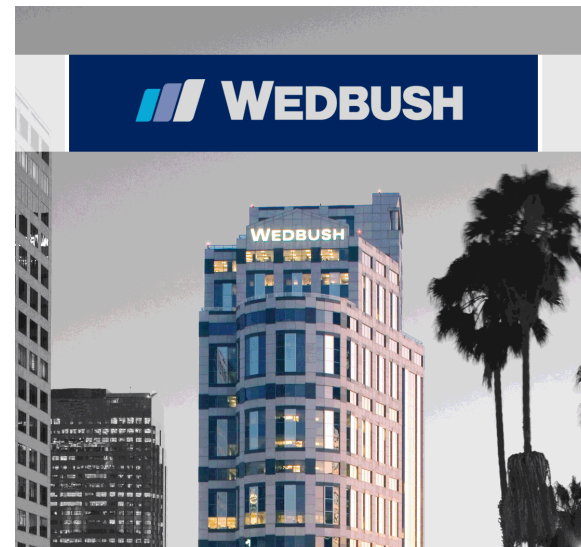
TurboTax – Importing 1099’s

This year, we have partnered with Intuit – TurboTax. If you use TurboTax (e.g., Premier or Self-Employed edition) to prepare your tax returns, you can now retrieve your Wedbush 1099 forms through TurboTax and import them onto your tax return. The following 1099 Forms can be imported:

- 1099-B
- 1099-DIV
- 1099-INT
- 1099-MISC
- 1099-OID
- 1099-R

When TurboTax prompts you to choose your bank or brokerage, type in and search by “Wedbush”. **(Note:** More than one brokerage with “Wedbush” in its name may appear. Select the one that simply says “Wedbush”.)

TurboTax will require you to have an Account Number and Document ID, both of which can be found on your 1099 statements.



WEDBUSH SECURITIES INC.

(As clearing agent for your broker/dealer)

Important Tax Reporting Information

2016 & 2017

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FORM 1099-B

The IRS expanded the definition of “covered security” to include certain debt instruments or options that are specified securities acquired for cash in an account on and after January 1, 2016. This includes variable rate debt instruments, inflation-indexed debt instruments, contingent payment debt instruments, options on debt instruments with payments dominated in, or determined by reference to, a currency other than the U.S. dollar, and options issued as part of investment units.

The IRS updated box 1f and 1g. Box 1f will report the amount of accrued market discount. Box 1g will report the amount of wash sale loss disallowed. The collectibles indicator has been moved to box 12.

The IRS also added an “Ordinary” check box in box 2, for situations in which some of a taxpayer’s gain or loss may be classified as ordinary rather than capital. On your new 1099 Consolidated Tax Statement, this is identified in the “Additional information” column.

As part of the Foreign Account Tax Compliance Act (FATCA), the IRS added a box, *FATCA filing requirement*, to identify a Foreign Financial Institution (FFI) or U.S. payer filing the Form 1099-B to satisfy its chapter 4 reporting requirement.

FORM 1099-INT

Box 12, *Bond premium on Treasury obligations*, was added to Form 1099-INT. It is intended to separate amortization for taxable bonds in box 11, with bond premium on U.S. Treasury Obligation.

AMORTIZATION & ACCRETION (A/A) ELECTIONS

For debt instruments purchased after January 1, 2015, the IRS changed the broker default of Market Discount Computation from Straight Line to the Constant Yield method. This change was instituted by the IRS in response to industry commenters who indicated that the use of the constant yield method would generally result in a more favorable tax result for most 1099-B recipients.

You can choose an election other than the firm default, which is set by the IRS, on how you would like the amortization of the premium or the accretion of your discount to be calculated. All elections must be made by 12/31 of the year of the purchase. For more detailed information regarding this important election, go to <https://mysecuritiesaccount.com> and click on “My Disclosures” at the bottom of the page for links to the “Important Tax Reporting Information for 2015/2016”.

Due to the complexity of these bond elections and accrual methods, you are encouraged to consult your tax professional to determine what methods best meet your tax situation.

MARK-TO-MARKET ACCOUNTING METHOD

For traders who have made a valid 475(f) election with the IRS, we are able to support this election by suppressing the wash sale rules. This will allow a trader to file their taxes based upon the “mark-to-market” method of accounting. A trader can choose to activate the suppression feature by filling out the Mark-to-Market Election Form.

WASH SALE RULE FOR OPTIONS & DEBT INSTRUMENTS

The Wash Sale Rule is applied to certain covered debt instruments and options. If you sell an option at a loss and buy the underlying security within the 30-day window (i.e. 30 days before or after the date the loss is recognized), the loss from the option will be disallowed and deferred to the underlying repurchased security.

1042-S

Box 3 and 4 were consolidated into Box 3, *Chapter Indicator*. It indicates which chapter the withholding agent is reporting for on the 1042-S.

Recipient’s account number and date of birth in box 16 and 17 were removed. Box 13a – 13i for other recipient information were also rearranged. Box 13j, *LOB Code*, was added. Beginning in 2016, withholding agents that are withholding at a reduced rate based on a treaty claim by an

entity must include a limitation on benefits code (LOB code) in box 13j for the recipient.

Box 16a, *Payer’s name*, and box 16b, *Payer’s TIN*, were added. In addition, beginning in 2016, a payer must include its chapter 3 and chapter 4 status codes in box 16d and 16e.

STATE REPORTING

Wedbush may be required to report payments of interest or interest-dividends on federally tax-exempt municipal bonds to state tax authorities, such as California FTB, for non-California municipal bonds.

WHAT DO YOU DO IF YOU HAVE FURTHER QUESTIONS?

Please consult your tax advisor for questions about how the new cost basis reporting requirements for “covered” securities affect your particular circumstance. Contact your Financial Advisor for any other questions.

THIS TAX REPORTING INFORMATION IS PROVIDED FOR GENERAL GUIDANCE. THE TAX INFORMATION CONTAINED HEREIN IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS, THE BASIS OF TAX ADVICE. SINCE STATE AND FEDERAL TAX LAWS CAN BE VERY COMPLEX AND SUBJECT TO DIFFERENT INTERPRETATIONS, YOU MAY NEED TO CONSULT A TAX ADVISOR.