
DELAYED MAILING OF 1099 STATEMENTS

For the purpose of reducing or eliminating your 1099 corrections, the mailing of your 1099 Consolidated Tax Statement will be delayed until the third week of February 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 2017. These types of instruments typically reallocate income from one category to another. Unfortunately, these changes are not always reported in a timely manner, which will result in the issuance of a corrected 1099 statement. Please be aware that, although most of these entities will have either reallocated, or have determined that they will not be reallocating, not all of them will have made that determination by the time you receive your tax statement. In addition, you may want to file your tax return closer to the IRS deadline, in the event that 1099 corrections are issued due to late corrections being made by these entities. However, if you do not hold these types of instruments, we will mail your 1099 Consolidated Tax Statement by the IRS deadline of February 15, 2018.

TURBOTAX – IMPORTING 1099’S

If you use TurboTax (e.g., Deluxe, 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.

TAX-EXEMPT ORIGINAL ISSUE DISCOUNT

For tax year 2017, tax-exempt Original Issue Discount (OID) reporting is now required for covered lots that are purchased on January 1, 2017 or later. This ends a decade of uncertainty where tax-exempt OID reporting was not a requirement. The amounts must be reported on Form 1099-OID instead of the Form 1099-INT. To make reporting easier, Box 11 was introduced on Form 1099-OID for tax-exempt OID income. To stay in line with our firm’s previous practice, we will continue to report ONLY what is required. All other covered lots that were purchased before January 1, 2017 or all non-covered lots will not be reported to the IRS, however, they will be displayed to you as a supplement.

FORM 1099-OID

For tax year 2017, Box 11 was added on Form 1099-OID for tax-exempt OID income. With the addition of Box 11, three types of income are now covered by Form 1099-OID. These are taxable non-Treasury, Treasury and tax-exempt.

The “Original Issue Discount Summary” has been expanded to include both reportable and supplemental tax-exempt income (previously on the 1099-INT block). In addition, acquisition premium (taxable or tax-exempt) has been moved to the “Original Discount and Adjustments” summary (previously on “Adjustments to Interest and Original Issue Discount”).

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://clientlink.wedbush.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.

FREQUENTLY ASKED QUESTIONS

If I had a distribution from my retirement account, what should I receive?

Distributions from retirement accounts are reported on Form 1099-R, which are mailed separately by January 31, 2018.

What is “foreign tax withheld” and where is it reported on my 1099?

Foreign tax can be withheld by the foreign entity on foreign securities and on mutual funds investing in foreign securities. The amount of “Foreign Tax Paid” is reported on the 1099-DIV for dividends and the 1099-INT for interest.

Are sales of securities reported on a trade date or settlement date basis?

Sales are reported by trade date under the 1099-B section of your Consolidated 1099.

What do I need to know about tax reporting for my limited partnership?

Tax information for a limited partnership is reported to you on a Schedule K-1 form prepared and distributed by the partnership itself, usually by March 15. Do not file your tax return until you receive your K-1.

Why would the income totals from my December statement disagree with my 1099?

The totals from the December statement may be different from what is reported on your 1099 for several reasons:

Any dividend declared by a mutual fund in October, November, or December of 2017 but not paid until January of 2018, is income for 2017. Such amounts are included on your Form 1099 although you will see this income on your January or February 2018 statement.

If you owned a Treasury bill with a maturity of less than one year that was redeemed in 2017, the income will be reported as interest on your Form 1099-INT instead of as redemption proceeds on Form 1099-B.

Despite our best efforts, some items payable in late December may not be processed until early January. Therefore, you will see these entries on your January 2018 statement. However, these items are reportable in the 2017 tax year.

What do I need to know if I hold a REMIC, CMO, CDO and/or WHMT?

If you hold Collateralized Debt Obligation (CDO), Real Estate Mortgage Investment Conduits (REMIC), Collateralized Mortgage Obligations (CMO) and/or Widely Held Mortgage Trust (WHMT), you must delay filing a tax return until you receive a corrected tax statement on or around March 15th, 2018. These instruments require additional information from the issuers in order to fulfill IRS reporting requirements. Therefore, the IRS gives payers, such as Webush, until March 15, 2018 to provide tax information for these assets.

What are substitute payments?

If you had a margin account that received a dividend payment, some or all of certain dividend payments may be listed in the 1099-MISC section under Box 8. Substitute payments are made in lieu of dividends that would have been received had the owner's shares not been lent through the broker that holds them. The substitute payments in lieu of dividends are not eligible for the lower tax rate.

DOB, FOREIGN TIN, LOB

Date of Birth: Starting on January 1, 2017, it became a requirement that all new foreign individual accounts must provide a Date of Birth (DOB) on their W8-BEN. If there is no DOB provided, then the W8-BEN is considered invalid. All 1042-S forms that will be mailed in March of 2018 must contain a DOB.

Foreign TIN: For calendar year 2017 foreign TINs (FTINs) were not required. However, starting calendar year 2018, all W8-BEN series forms will require an FTIN.

Limitation of Benefits: Any individual or entity that requests tax treaty benefits beginning calendar year 2018 must check the applicable box on their W8 series form.

STATE REPORTING

Webush 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.

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.

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.

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.



WEBBUSH



WEBBUSH SECURITIES INC.

Important Tax Reporting Information

2017 & 2018

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