

# Managing Tax Season

## Know your 1099

At tax time, one of the most important tax forms that you will receive from your financial institution is Form 1099. But did you realize there are actually several Internal Revenue Service (IRS) 1099 forms?

Not all “income” is alike. For example, you may receive 1099s from your financial institutions that reflect “interest” income or “dividend” income from your holdings. Other 1099s capture miscellaneous income from things like rents or royalties. Your financial institution may also consolidate your income reports into a combined form, or you may receive more than one 1099 of the same type. Regardless, your 1099s are important tax documents and should be collected and kept with all of your tax records. Keep in mind some of them are required to be attached to your tax return.



### Common Types of 1099 Forms and What They Report

IRS Form	Purpose
1099-B	Reports the sale of stocks, bonds, mutual funds, and other securities along with cost basis information.
1099-DIV	Reports dividends, qualified dividends, and capital gains distributions.
1099-INT	Reports interest income.
1099-MISC	Reports various types of income including rents, royalties, and non-employee compensation.
1099-Q	Reports distributions from qualified education programs like Coverdell Education Savings Accounts and 529 plans.
1099-R	Reports distributions from retirement accounts like IRAs, annuities, qualified retirement plans including 401(k) plans, and pensions.
SSA-1099	Reports Social Security benefits paid.

## Tax Planning

---

### Frequently Asked 1099 Questions

**When will I receive my 1099?** Generally, you will receive your 1099 in January or February. Because financial institutions like Benjamin F. Edwards provide consolidated 1099s that collect and report information from a multitude of issuers, it impacts the timing of the delivery of your 1099s.

**Why did I get a revised 1099?** One of the most common reasons a revised Form 1099 may be generated is the reclassification of income by mutual funds, unit investment trusts and real estate investment trusts. Often, these reclassifications occur after the initial 1099 was sent to you. The IRS requires financial organizations to send corrected forms with revised information as needed. Income reclassifications can include dividends that are changed from ordinary to qualified dividends. While it may be tempting to want to file your return early, it is important to make sure you have final tax reporting documents in hand before filing your return. If you file before you have this information, you may be required to amend your tax return. You should consult with your tax advisor regarding the impact of any revised Form 1099 information received by you after you have filed your return.

**Why did I get a 1099 for a capital gain distribution if I didn't sell any of my mutual funds?** You may see a capital gain distribution reported on a mutual fund you hold. Capital gain distributions occur when a mutual fund you own sells a security in the fund's portfolio for a gain. So, while you may not have sold any of the mutual fund shares, actions by the fund manager have triggered a capital gain distribution for

everyone owning shares of the fund. These types of distributions are reported on Form 1099-DIV.

**Is there a certain amount of income that triggers a 1099?** There may be a minimum amount of income in an account before a financial organization generates a Form 1099. For example, a financial organization is not required to issue a 1099-INT to any account holders if the combined total of interest earned is less than \$10. Keep in mind taxpayers are still required to report income regardless of whether or not they receive a 1099.

**Why did I receive a 1099-R form from my IRA provider indicating I have a taxable distribution if I rolled it over within the allowable 60 days?** The 1099-R form only shows the distribution side of the IRA. Any amount that was rolled over will be reported to the IRS on a different form, Form 5498. Form 5498 reports all contributions received by IRAs and is not issued until May. However, Form 5498 is not needed to file your income tax return but will serve as verification to the IRS of the completed rollover. Your accountant or CPA can help you reconcile the rollover on your tax return.

**I did a tax-free qualified charitable distribution (QCD) from my IRA. Why does the 1099-R form show the distribution is taxable?** IRA distributions reported on a 1099-R form are generally reported as taxable. The IRS provides specific instructions for how to treat 1099-R income for special situations like QCDs. Your accountant or CPA can help you properly report the QCD on your income tax return. ■

**IMPORTANT DISCLOSURES** The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. It is made available with the understanding that Benjamin F. Edwards is not engaged in rendering legal, accounting or tax preparation services. Specific questions on taxes or legal matters as they relate to your individual situation should be directed to your tax or legal professional.