

Scottrade® Tax Guide for Brokerage Accounts

This annual guide discusses general topics regarding Scottrade's completion of Internal Revenue Service (IRS) tax forms for clients. Scottrade does not provide tax, legal or investment advice. Customers should consult their tax or legal advisor(s) for questions regarding specific tax issues.

| Forms and Notices | Postmark Date |
|-------------------|---|
| 1099 Composite | February 15 |
| WHFIT | March 15 |
| 1042S | March 15 |
| 2439 | 90 days after the close of the RIC or REIT tax year |
| Fall B-Notice | November |

Please Note: If these dates fall on a Saturday, Sunday or legal holiday, the postmark date will be the next business day.

Electronic Delivery: Go Green. You may elect to receive your tax statement online. To make this election, log into your account and follow the path below:
My Account > My Information and Preferences > Account Preferences tab

Non-Reportable Transactions: For your convenience, the details are listed under the supplemental portion of the 1099 statement. Non-reportable transactions alone will not generate a tax statement; please refer to your monthly statements.

- **Dividend Claims:** Dividend claims are non-reportable;
- **MLP Income:** Income from a Master Limited Partnership is reported on a K-1, mailed direct from the partnership. The sales proceeds will report on the 1099-B.

Non-Mortgage Widely Held Fixed Investment Trust (NMWHFIT): Securities such as grantor trust-type unit investment trusts (UITs), royalty trusts and commodity trusts will receive supplemental written tax information on the Composite 1099 by March 15 in accordance with IRS regulations concerning WHFIT reporting. Please refer to page four of the 2017 IRS General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G) for further information.

Widely Held Mortgage Trust (WHMT) Securities: In accordance with IRS regulations concerning WHFIT reporting, securities such as mortgage pools, multi-class mortgage backed security (MBS) pass-through trusts and real estate mortgage investment conduits (REMICs) will receive a separate Widely Held Mortgage Trust (WHMT) statement by March 15. Please consider this fact before filing your individual tax return prior to March 15.

Non-Dividend Distributions (Return of Capital): Per IRS Form 1099-DIV, Instructions for Recipients: Box 3 shows the portion of the distribution that is non-taxable, because it is a return of your cost (or other basis). See Pub. 550, Investment Income and Expenses.

Optional Dividends: The full cash dividend amount paid must be reported on a 1099-DIV; any subsequent stock purchase activity as a result of an optional dividend does not affect the amount required to be reported. Much like a dividend reinvestment, the IRS requires that the full cash dividend initially paid to the account, prior to any stock adjustment, be reported.

Revised 1099s: Please consider the following facts before filing your return early. It is common for some securities, such as mutual funds and REITs, to report final tax information well after the IRS Feb. 15 mail date. This is because such entities are not required to determine final taxability of distributions until sixty days after the end of their fiscal year, which may be later than Feb. 15. When updated tax information becomes available from the fund, Scottrade is required to send affected customers a revised 1099. The activity detail portion of the revised document will denote with a C any changes(s) to taxability. Another common reason for a revised 1099 is a wash sale completed with a trade after Jan. 15.

Late Original 1099: Due to cost basis legislation, financial institutions are required to issue Form 1099s as well as any revisions for up to three calendar years subsequent to the Form 1099's issuance for any given year. As a result, Scottrade must issue 'original' Form 1099s during this time frame for any situation where an original was not already reported.

Spillover Dividends: For Regulated Investment Company (RIC) and Real Estate Investment Trust (REIT) dividends that declared with a record date in October, November or December of the prior year but were not payable until January of the current year, Scottrade is required by law to report the dividend the year it goes record. Refer to the IRS Instructions for Form 1099-DIV for more detail.

American Depositary Receipt (ADR): American Depositary Receipts represent ownership of underlying foreign stock. The agent sells the ineligible rights on a "best-effort" basis and distributes the sales proceeds to ADR holders. The distributions paid to your Scottrade® account will represent the sale of rights proceeds on foreign rights offerings not open to U.S. investors. These proceeds are reportable as a sale on a 1099-B.

Corporation Accounts: The IRS requires reporting on aggregate substitute payments in-lieu of dividends of \$10.00 or more paid to corporations classified as a C-Corp. The income is reported in Box 8 on a 1099-MISC. Otherwise, the firm is not required to issue composite 1099s for C-Corps; they are exempt from 1099 reporting. Please refer to your monthly and/or annual statement (mailed approximately the second week of January).

Master Limited Partnership (MLP) Income: Investors can expect to receive K-1 information from the general partnership at any time, depending on when the partnership finalizes its tax return. Scottrade has no control over the timing/content of K-1 forms.

Short Sales: Short sale activity is reportable in the year the closing transaction has settled. If your Buy to Cover is not settled as of Dec. 31, it will not be reported on your current 1099-B.

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Substitute Payments In-Lieu of Dividends: Payments received in-lieu of dividends (substitute payments) on loaned-out margin shares are not qualified dividends. Such cash payments lose the tax characteristics of the dividend and are reportable in Box 8 on a 1099-MISC.

Certificates of Deposit (CDs) on a 1099-B: Scottrade offers certificates of deposit (CDs) that may be traded on a secondary market (brokered CDs). Sales are reported on a 1099-B, as are CDs upon redemption if they matured more than one year after issuance. The redemption of CDs that mature one year or less from issue is not a reportable event.

Canadian Mutual Fund Trusts & Return of Capital: Canadian mutual fund trusts often publish information detailing the reallocation of the year's dividends into return of capital. This reallocation information is usually for Canadian investors only. If the trust does not specifically issue return of capital information explicitly for U.S. investors, the income will be reportable as a dividend. Reallocation information for U.S. investors is usually not available until mid- to late March of the following year. If income is reallocated for U.S. investors, Scottrade will issue a revised 1099.

Original Issue Discount (OID): A long-term debt instrument generally has original issue discount (OID) when it is issued for a price less than its stated redemption price at maturity. Scottrade is required to report an investor's full OID amount on a 1099-OID; however, a debt instrument may have an acquisition premium or market discount. If so, the OID reported to you on Form 1099-OID may have to be adjusted. For additional information, consult your outside tax advisor or IRS Publication 1212: Guide to Original Issue Discount (OID Instruments).

Who Do I Contact With 1099 Questions or Requests?

Please contact your local Scottrade® team at 800.619.7283 for further assistance. Please keep in mind that Scottrade does not provide tax advice; consult your professional tax advisor for assistance, or visit www.irs.gov.

Please contact your local Scottrade® team at 800.619.7283 with any questions.

Scottrade does not provide tax advice. The material provided is for informational purposes only and Scottrade is not responsible for any errors or omissions. Please consult your tax or legal advisor(s) for questions concerning your personal tax or financial situation.

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