

Understanding Your 1099-B

The layout of your Form 1099-B will help simplify your tax preparation. Short-term holdings are separated from your long-term holdings, which are generally taxed at a different rate, and we're grouping your transactions so it's clear what information Scottrade is reporting to the IRS.

The cost basis tax reporting legislation that went into effect on Jan. 1, 2011, impacted the information Scottrade tracks for you and provides to the IRS. We have organized the Form 1099-B for you as efficiently as possible to correspond with the layout of the IRS tax forms.

How Transactions Are Organized

Here are the categories Scottrade is using to group your transactions:

Holding Period Categories

Term	What it Means
Long-Term	You have held the tax lot more than one year
Short-Term	You have held the tax lot one year or less
Undetermined	Scottrade does not have cost basis information

Cost Basis Categories

Category	Covered/Non-Covered	What it Means
A	Covered	Cost basis is reported to the IRS
B	Non-covered	Cost basis is not reported to the IRS
C	Supplemental	Proceeds not reported to the IRS

Each closing event may fall into one or more cost basis reporting categories and one or more holding period categories. The particular tax lot's characteristics determine where you will see it on your 1099-B.

Single Location Example

Some transactions will only appear in one place on your 1099-B. If you bought 1,000 shares of stock XYZ on December 15, 2007, and sold them on September 2, 2017, it would be a **Long-Term Category B** transaction. Long-Term because you held it for more than one year, and Category B because a purchase in December 2007 is a non-covered tax lot.

Multi-Location Example

It's possible that a single closing event falls into more than one category. Say you bought 1,000 shares of XYZ on December 15, 2007, and then you bought 1,000 more on May 29, 2017. You also had 1,000 shares of XYZ that you transferred to Scottrade from another brokerage a few years ago and the cost basis was not updated in the Gain/Loss & Tax Center. You sold all 3,000 on July 31, 2015.

Your single sale of XYZ will appear in multiple places on your 1099-B. The 1,000 shares you bought in December 2007 are **Long-Term Category B**. The 1,000 shares purchased in May 2017 are **Short-Term Category A** because you held them for one year or less, and because they were purchased after Jan. 1, 2011, these are covered shares. The 1,000 shares you transferred from another brokerage are **Undetermined Category B** because Scottrade does not have the cost basis information.

How Transactions Appear on Your 1099-B

Let's look at an example of how this appears on your 1099-B, with plain-English descriptions of the information included.

2 – LONG-TERM TRANSACTIONS		5 – COVERED tax lots		3 – Basis is reported to the IRS**	
<i>Report on Form 8949, Part II with Box E checked</i>					
1a – Description of property					
1c - Date sold or disposed	Quantity	1d – Proceeds & 6 – Reported (G)ross (N)et	1b - Date acquired	1g – Adjustments & 1f – Code(s), if any	Gain or loss(-) & 7 – Loss not allowed (X) Additional Information
XYZ Company / CUSIP: 999999999 / Symbol: XYZ 9/2/17	1000.000	84,575.00	12/15/07	96,475.006,500.00 W	-5,400.00 Sale

Description of property – The company or fund's name, identification number and/or trading symbol. In this example, it's fictional XYZ Company.

Date sold or disposed – The date you sold stock XYZ or closed the position. This will be the date you see just below the company name. In this case, it was September 2, 2017. For Short positions, transactions are listed based on settlement date.

Quantity – The number of shares that are included in this transaction. Using the multi-location example above, even if you actually sold 3,000 shares on 7/31/17, you will still see only 1,000 here because these are the 1,000 shares that were acquired on 12/15/07 and fall into the Long-Term Category B group.

Proceeds & Reported (G)ross (N)et – The amount for which you sold these shares, excluding commissions. If only 1,000 of your shares of XYZ are shown in this section, the proceeds listed will be for those 1,000 shares only, not for all 3,000 you sold.

Date acquired – The date you acquired the shares listed for holding period purposes.

Cost or other basis – The cost basis is the value of an asset used to calculate capital gain or loss for tax purposes. For most positions, cost basis is purchase price plus commissions, adjusted for wash sales, corporate actions and/or return of capital during the time you hold it.

Adjustments & Code(s), if any – The amount of Wash sale loss or Market discount. Wash Sale Loss Disallowed (W) - Any amounts of loss that has been disallowed due to wash sale adjustments. Market Discount (D) - Amount of market discount recognized at the time of the disposition.

Gain or loss (-) & Loss not allowed (X) – Proceeds minus Cost Basis. Scottrade will calculate how much you gained or lost on this transaction using the tax strategy you specified in your account.

Additional Information – In this example, it is noted that the gain or loss came from a sale of stock. In other cases, you might see a corporate action noted, like a merger, or another type of closing transaction.

Any columns with a white header are reported to the IRS, anything with a gray header is not reported by Scottrade to the IRS and is for your information only.

Additional Information

Covered vs. Non-Covered

To read your 1099-B effectively, it's important to understand the difference between covered and non-covered positions. This is a distinction that brokerages began using when new tax reporting legislation went into effect on Jan. 1, 2011.

The main difference is that Scottrade is responsible for reporting cost basis information to the IRS on certain positions.

Covered positions are Scottrade's reporting responsibility.

For non-covered positions, Scottrade will not be reporting cost basis to the IRS.

When Coverage Started

Jan. 1, 2011 - Equities, REITs and American Depositary Receipts
Jan. 1, 2012 - Mutual funds and most ETFs
Jan. 1, 2014 - Options, fixed income and other securities

Scottrade will report to the IRS all positions in the above investment types that are acquired on or after the date listed.

A **tax lot** is a record of an opening transaction (e.g., purchase or short sale) in your portfolio. If an order is filled in multiple pieces, called partial fills, the prices will be averaged and will be represented by a single tax lot number. You can have multiple tax lots within a security's overall position. Tax lots are used to facilitate the calculation of gains and losses for tax reporting purposes.

Regulated Futures Contracts

Beginning on Jan. 1, 2014, Scottrade is required to report listed options that are classified as Section 1256 contracts (i.e., non-equity and broad-based index options) in the Regulated Futures Contracts section of the Form 1099-B.

These options are also marked to market as of the fair market value (FMV) on the last trading day of the year and any resulting gain/loss is reported on the Form 1099-B.

Wash Sale Adjustments

When an investor sells shares at a loss and then repurchases substantially identical shares within a 61-day window (30 days before and/or after the date of the sale), it is called a wash sale. Losses from wash sales are disallowed by the IRS, and the amount of the loss is added to the cost basis of the repurchased shares on a per-share basis. The holding period is also adjusted to include the days the security was held before the original sale.

If you had any wash sales in your account, you will notice on your 1099-B that Scottrade has tracked those sales and made the adjustments required by the IRS. To learn more about wash sales, visit the Knowledge Center at www.scottrade.com/education.

Cost basis is the value of an asset used to calculate capital gain or loss for tax purposes. For most positions, cost basis is purchase price plus commissions, adjusted for wash sales, corporate actions and/or return of capital during the time you hold it.

Federal and State Withholding

For individuals subject to backup withholding, the tax withholding appears separately from income on your 1099-B because income and withholding are reported separately for some transactions. For example, on a short sale, income is reported when the short position is closed, while withholding is reported when the short position is established.

Some states require withholding, and some do not, so that information will be provided only when it applies. You will need state withholding information for your state tax return.

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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