

accrued OID as it pertains to the number of bonds you own and the number of days you held the bonds during the year and continuing over the life of the obligation. Additional information can be found in IRS Publication 1212, "Guide to Original Issue Discount Instruments."

#### Incorrect information

#### 20. What should I do if I believe an error exists (such as an incorrect Social Security Number or dollar amount) on my Consolidated Form 1099?

Please contact your Advisor or TD Ameritrade Institutional at 800-431-3500, option 2, to report an error, or if you believe you should not have received a form because you are a nonresident alien for tax purposes. Any supporting documentation that you may have (such as press releases, references to websites, or company correspondence) will be helpful to us. We will make every effort to research the matter quickly and issue a corrected form if needed.

#### Cost basis

#### 21. How will the IRS-imposed regulations regarding cost-basis and gain/loss reporting affect my taxes?

Your cost basis for all "covered" securities will be reported to you and to the IRS in section 1099-B of your 2013 Consolidated Form 1099. For tax year 2013, covered securities include equities purchased after January 1, 2011, equities purchased under a dividend-reinvestment program after January 1, 2012, and all mutual funds purchased after January 1, 2012.

However, you are still obligated to report the cost basis for any security bought and sold on your tax return.

*For more information on cost basis, please contact your Advisor. Questions relating to specific tax issues, however, should be directed to your tax advisor.*

\* TD Ameritrade is not responsible for payment reallocations that result in the issuing of a corrected Consolidated Form 1099 and will not be held liable for any fees incurred for the re-filing of a tax form.

TD Ameritrade does not provide tax advice. We suggest that you seek the advice of a tax advisor with regard to your personal circumstances.

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TDAI 2917 BR 01/14



# YOUR 2013 CONSOLIDATED FORM 1099

## Important 2013 Year-End Tax Information and Frequently Asked Questions

This booklet accompanies your Consolidated Form 1099 for the 2013 tax year. It is designed to help you better understand the form when preparing your 2013 tax return. The Consolidated Form 1099 (rather than your monthly statements) is the authoritative document for tax-reporting purposes to the IRS.

Note that cost-basis reporting regulations took effect in January 2011, requiring us to report your adjusted cost basis, gross proceeds, and the holding period when certain securities are sold. Please see Question 21 for additional information. To learn more about cost basis, please contact your Advisor.

Any questions relating to specific tax issues should be directed to your tax advisor.



### Your TD Ameritrade Consolidated Form 1099

We've consolidated five separate 1099 forms into one comprehensive form containing information we report to the IRS. The form covers the following areas:

#### • Interest Income

Form 1099-INT reports all interest payments, such as bond interest. This includes non-taxable payments. Margin interest paid is not reported to the IRS. However, if applicable, it will appear in the Supplemental Information section on your Consolidated Form 1099. This section contains valuable information that is not provided to the IRS.

#### • Miscellaneous Income

Form 1099-MISC lists taxable income other than dividends or interest payments.

#### • Original Issue Discount

Form 1099-OID lists income that must be reported attributable to bonds issued at a discount. See Question 19 for more information.

#### • Dividends and Distributions

Form 1099-DIV reflects dividends that are taxable, including ordinary dividends, and qualified dividends that may be eligible for capital gains rates. This form also reports non-taxable dividends. Additionally, this form may include non-taxable return-of-capital distributions that were paid in stock or cash.

#### • Proceeds from Broker and Barter Exchange Transactions

Form 1099-B shows security sales proceeds, less commissions, on a trade-date basis. It also includes amounts related to the exchange of securities (for cash or stock), tender offers of securities for cash (including cash in lieu of fractional shares), and redemption of securities (including bond redemptions).

*Note: your Consolidated Form 1099 does list income less than \$10. However, TD Ameritrade does not report this income to the IRS.*

Information in the Supplemental Information section of the Consolidated Form 1099 is provided for your convenience only. TD Ameritrade does not report this income to the IRS.

If you have any questions regarding your Consolidated Form 1099, please contact your Advisor. Questions relating to specific tax issues, however, should be directed to your tax advisor.

Please note that fixed-income products, options, warrants, rights, derivatives, and commodities, which were originally scheduled to become covered securities in 2013, will become covered securities in tax year 2014 instead.

## Frequently Asked Questions Regarding Your 2013 Consolidated Form 1099

### Forms

#### 1. What other forms does TD Ameritrade use to report to the IRS?

In addition to the information reported on a Consolidated Form 1099 (shown at left), TD Ameritrade uses the following forms to report income and securities transactions to the IRS:

#### 1099-R

Distributions from retirement plan accounts.

#### 1099-Q

Distributions from Coverdell Education Savings Accounts (ESAs).

#### 1042-S

Payments subject to withholding, such as interest, dividends, royalties, pensions, and annuities for nonresident aliens.

#### 2439

Undistributed long-term capital gains.

#### 5498

Individual contributions and rollover contributions to all IRAs (including SIMPLE and SEP IRAs), and employer contributions.

#### 5498-ESA

Contributions and rollover contributions made for you during the prior tax year for Coverdell ESAs. For more information about Coverdell ESAs, see IRS Publication 970, "Tax Benefits for Education."

#### K-1

Partner's share of income, credits, and deductions reported directly by the partnership.

Note: If you are eligible to receive one or more of these other forms, they will be provided to you in separate mailings.

### Filing

#### 2. Now that I've received my Consolidated Form 1099, can I go ahead and file my taxes?\*

Yes, if you have received all your tax form documents, including those from other institutions, and you do not detect any errors, you should be able to file your tax return. However, please be aware that certain investment

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instruments, such as mutual funds and Real Estate Investment Trusts (REITs), may reallocate payments (e.g., from long-term capital gains to short-term capital gains) after the original 1099 has been issued. In addition, if you hold an investment instrument that is considered to be a Widely Held Fixed Investment Trust (WHFIT), there is a possibility of additional information being provided by the company. Reallocations or additional information may result in your receiving a corrected Consolidated Form 1099. See Question 14 of this document for more information about WHFIT distributions. TD Ameritrade will send corrected forms to affected clients as soon as possible after any updated information is received.

## Dividends

### 3. My monthly statement shows a transaction with the description "Substitute Payment-Gross Up." What does this description represent and where is it reported on my Consolidated Form 1099?

As a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003, the IRS code prohibits the paying of dividends on loaned shares, but instead permits substitute payments of cash for dividends. These payments will appear on Form 1099-MISC, Box 8, of your Consolidated Form 1099 instead of your 1099-DIV form, and are fully taxable at your ordinary income rate. Because you received a substitute payment in lieu of a dividend—rather than a qualified dividend that may have certain tax benefits—TD Ameritrade provided a refund accommodation, which is reflected as a "Substitute Payment-Gross Up" on your monthly brokerage account statement. The refund accommodation is intended to compensate those clients who were disadvantaged because they did not receive a qualified dividend eligible for the lower tax rate.

The refund accommodation will appear in Box 3 ("Other Income") of Form 1099-MISC, and is fully taxable at your ordinary income rate. For a more detailed explanation of payments in lieu of dividends and refund accommodations, please contact your Advisor.

### 4. How will I know which of my dividends are subject to the lower capital gains rates?

Dividends subject to the capital gains rates, known as "Qualified Dividends," will be reported separately on Form 1099-DIV (Box 1b). However, although the dividend paid was classified as "Qualified," you must determine whether the dividend qualifies for the lower capital gains tax rate based on the time period in which you held the security. In general, for common stock, you must have

held the stock for a period greater than 60 days during a 121-day period beginning 60 days before the ex-dividend date. For more information regarding your holding period, please consult your tax advisor.

### 5. Are my money market dividends included in my gross dividends?

Generally, yes. However, if you received income from a TD Ameritrade FDIC Insured Deposit Account or from TD Ameritrade Cash, it will be reported on Form 1099-INT rather than Form 1099-DIV.

### 6. Are dividends reported by record date or payable date?

Most dividends are reported by payable date. However, the IRS stipulates that certain securities, such as mutual funds and REITs, that declared a dividend in October, November, or December of 2013 with payable dates in January 2014, are reportable in tax year 2013. Conversely, if you received a dividend on a mutual fund or REIT in January 2013 with a declaration date in October, November, or December of 2012, that amount will not appear on your 2013 Form 1099-DIV.

### 7. How do I handle dividend charges in my TD Ameritrade account?

There are various scenarios for which you may have received a dividend charge to your account. For example, if you maintained a short position in your account and the company issued a dividend, this would result in a dividend charge. Dividend charges are reflected in the Supplemental Information section (under "Expenses," on the "Dividends paid - short position" line) of your 1099-DIV. Please consult with your tax advisor on the best way to report these.

### 8. I own shares of a foreign company that paid dividends but withheld taxes from payment to U.S. investors. How is this reported on my Consolidated Form 1099?

We have reported the gross dividend and separately listed the foreign tax withheld. The gross amount (the net amount plus the tax withheld at source) is reported in Box 1a of the 1099-DIV form ("Total Ordinary Dividends"), and the foreign tax withheld is reported in Box 6 ("Foreign Tax Paid"). The amount in Box 6 may be eligible for a tax credit or an itemized deduction. Additional information on this subject can be found in IRS Publication 514, "Foreign Tax Credit for Individuals."

### 9. How can I determine what portion of my money market dividend is exempt from state taxes?

Shareholders of a TD Asset Management USA tax-

exempt or government money market fund will receive an "Important State Tax Information" brochure by mail in February 2014.

## Other Reporting Questions

### 10. I received information from a mutual fund company indicating that some of the income I received in 2013 was return of capital (ROC) and/or capital gains. My Consolidated Form 1099 shows all 2013 income as ordinary dividends. What should I do?

Dividend payments made to you by corporations, mutual funds, and REITs during the 2013 calendar year may be reclassified. The respective corporation or mutual fund company may have reclassified some or all of your dividend distributions as ROC or capital gains. If you think some of your dividends qualify as ROC or capital gains and your Consolidated Form 1099 is incorrect, please contact your Advisor to determine whether a corrected form should be mailed to you.

### 11. Why don't my equity options sales appear on my 1099-B?

The IRS does not require brokerage firms to report options sales on the 1099-B. However, if applicable, a summary of your equity options transactions will appear in the Supplemental Information section of your Consolidated Form 1099. This section contains valuable information that is not provided to the IRS. The transaction details will display in the Options Transactions section at the end of your Consolidated Form 1099, after the reportable information.

### 12. What are Section 1256 contracts and why were they listed on my form?

A Section 1256 contract is any regulated futures contract, foreign currency contract, non-equity option, dealer equity option, or dealer securities futures contract. A Section 1256 contract held at the end of the tax year will generally be treated as sold at its fair market value on the last business day of the tax year, and you must recognize any gain or loss that results. The information on your Consolidated Form 1099 is what we are required to report to the IRS, and it can be used in determining that gain or loss.

### 13. A stock shown as a sale on my Form 1099-B actually went through a merger. Why does it show up as a sale if I didn't sell it?

When a company significantly changes its corporate structure, and the shares in the old company are exchanged for shares in the new company, the IRS

requires the transaction to be reported as a sale as if you sold the old shares and bought the new shares.

### 14. When will TD Ameritrade report information related to mortgage-backed WHFIT distributions?

The issuer is not required to furnish the information to us until March 15, 2014. Due to the timing, impacted clients may receive a corrected Consolidated Form 1099 showing the updated information in the Supplemental Information section of the form.

### 15. Are sales reported on a trade-date or settlement-date basis?

The IRS requires that we report all sales on a trade-date basis on Form 1099-B. Consequently, sale transactions with a trade date in 2013 and a settlement date in 2014 will be reported on your 2013 Consolidated Form 1099.

### 16. Why aren't short sales on the 1099-B?

The IRS requires that we report short sales once the position has been closed. Short sales will appear in the Opening Transactions section that follows all reportable sections.

### 17. Why aren't my Master Limited Partnership (MLP) distributions included on my Consolidated Form 1099?

MLP information is reported on a separate K-1 Form by the partnership. The K-1 Form is mailed by April 15 by the MLP. If you have not received a K-1 Form from a particular partnership, please contact the partnership directly.

If applicable, MLP information will appear in the Supplemental Information section on your Consolidated Form 1099. This section contains valuable information that is not provided to the IRS.

### 18. Is my "margin interest paid" reported on my Consolidated Form 1099?

No. It is not a reportable item. However, if applicable, it will appear in the Supplemental Information section on your Consolidated Form 1099. This section contains valuable information that is not provided to the IRS.

### 19. What is Original Issue Discount (OID), and why is it included on my Consolidated Form 1099?

OID is the excess of a debt obligation's stated redemption price at maturity over its issue price (acquisition price for a stripped bond or coupon). Whether or not you receive any cash payment during the year, we are still required to report any OID. You are required to recognize your

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