

2021 tax information and mailing time frames for taxable and non-taxable accounts



Mailed by date	Forms: taxable accounts
February 15, 2022	Form(s) 1099-B, DIV, INT, MISC, OID mailed to account owners as applicable

The taxable account tax packet: There may be up to five tax forms included in this tax packet. Only the forms applicable to your account will be included.

- **Form 1099-B:** Reports the gross proceeds from the sale of assets and the cost basis for covered positions or purchase value for non-covered positions (see the covered/non-covered explanation later). The supplemental detail information provided with this form also includes the gain/loss information from each sale.
- **Form 1099-DIV:** Reports dividends and capital gain distributions. The detail information supplied with this form breaks out each payment, the amount received and reports any reallocation information for that payment.
- **Form 1099-INT:** Reports interest payments. The detail information supplied with this form breaks out each payment and the amount received.
- **Form 1099-MISC:** Reports any rent, royalty or miscellaneous payment. This form is only produced when there are reallocations from Form 1099-DIV.
- **Form 1099-OID:** Reports the Original Issue Discount (OID) information on debt securities. Since debt securities are now covered due to the cost basis regulations, Axos Advisor Services will be providing much more information for these assets. For instance, municipal bond information will be included; or, if the bond was purchased in the secondary market, any market discount or acquisition premium will be reported. If a client holds OID instruments that were purchased prior to January 1, 2016, Axos Advisor Services will provide the OID amounts, but no other information will be calculated.

Investment Products: Not FDIC Insured - No Bank Guarantee - May Lose Value.

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What are reallocations and why do they matter?

During each calendar year, Axos Advisor Services receives dividend and interest payments. The issuers of these payments will often reallocate or reclassify the tax characteristics of these payments. Reallocations may require a corrected tax form to be generated if this information is received after the original tax forms have been processed. The most common of these reallocations are detailed below.

- **Capital gains:** Capital gains are the profits that are realized when an asset is sold at a gain. When a fund holds assets and sells them within the portfolio, those gains are passed through to the end investor. Most of the time this information is received at the time of payment, and the payments are posted as either short-term or long-term capital gains; however, sometimes that information is received as a reallocation, where a percentage of a dividend payment is actually to be reported as a long-term capital gain.
- **Exempt dividends:** When a fund holds tax exempt assets within the portfolio, the portion of a dividend from those tax-exempt assets will be reallocated to reflect the tax-exempt nature of the payment. While exempt dividends are not subject to federal income tax, they may be subject to state income tax and/or Alternative Minimum Tax (AMT).
- **Foreign tax paid:** If a portion of a payment was from a foreign held asset, there is foreign tax withheld at the source. In those cases, the client only received the net amount of the dividend; however, for tax purposes, the amount of the dividend is “grossed up” to show the full amount of the distribution paid. The amount of foreign tax is reported in a separate box that the client may then use as a credit or deduction on their return.
- **Qualified dividends:** Dividends received from mutual funds or ETFs are posted as ordinary dividends. Often a portion of these dividends is reallocated to qualified dividends. Capital gains rates apply to qualified dividends which are usually lower than regular income tax rates.
- **Return of capital:** When a fund or REIT distributes more than its net income, the excess portion of the distribution is considered a return of capital. A return of capital is a decrease to the investment the client has in the position, essentially reducing the amount of the client’s cost basis.

Most issuers try to have this information available early so that reallocations will be included in the original tax packets. However, due to the complexity of some of the securities and the date by which they receive information needed to calculate reallocations, the reallocation information Axos Advisor Services receives may be later than the date we begin processing our original tax packets.

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Mailed by date	Forms: nontaxable accounts
January 31, 2022	Form 1099-R and required minimum distribution (RMD) notifications mailed to account owners as applicable
May 31, 2022	Form 5498 mailed to account owners as applicable

Forms mailed by January 31, 2022:

- **Form 1099-R:** Reports distributions from a retirement account or annuity. It reports the amount distributed the taxable amount if known, and the distribution code.
 - Clients may receive more than one Form 1099-R if there is more than one distribution code for the distributions taken. For instance, if a client takes a distribution prior to age 59½, it will be coded as a premature distribution. If the client takes another distribution in the same year after turning age 59½, it will be coded as a normal distribution.
 - Form 1099-R is produced in triplicate. If the client had federal and/or state withholding withheld from a distribution, they will need to include a copy of the Form 1099-R with their federal tax return and/or state tax return.
- **RMD Notification:** The RMD Notification letter is a substitute Form 5498. Retirement plan custodians are required to inform clients that have reached age 72 that they are required to take a minimum amount from their IRA, SEP, or SIMPLE. Axos Advisor Services provides the December 31 Fair Market Value (FMV) of the prior year as well as the amount of the RMD to be taken based on the FMV of that IRA. If the client has other IRAs they will need to take their RMD based on the total FMV of all their IRAs.

Forms mailed by May 31, 2022:

- **Form 5498:** This form reports IRA, SEP, SIMPLE or Roth contributions, rollovers, Roth conversions, recharacterizations and fair market value. In addition, Form 5498 references if the client is required to take an RMD. If there is no other reportable information, the fair market value is reported on the clients' year-end statement and any RMD information is reported directly to the client on the RMD Notification letter, which is mailed by January 31, 2022.

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